



21 December 2012

**Lombard Finance & Investments Limited (In Receivership) – (“LF&I”)
Lombard Asset Finance Limited (In Receivership and In Liquidation)
Lombard Asset Finance No. 2 Limited (In Receivership and In Liquidation)
Lombard Property Holdings Limited (In Receivership and In Liquidation)
(Collectively, "the Companies")**

Dear Investor

Introduction

Our last report to secured debenture investors was dated 14 September 2012 (the “September Letter”). We take this opportunity to provide you with an update on the progress of the receiverships.

This report is subject to the restrictions set out at Appendix I.

Returns to Secured Debenture Investors

Our September Letter contained an estimated return to secured debenture investors of 15% to 20% of their original investment. At this time, our assessment of the estimated range of recoveries to secured debenture investors remains unchanged.

Potential estimates of recoveries have excluded the costs and possible returns in respect of any actions that may be taken against directors and other third parties. The quantum of any returns from those potential actions cannot be estimated at this time.

Distributions to secured debenture investors in the receivership to date total 13 cents in the dollar.

Please note that we have omitted certain details concerning the realisation of receivership assets, as we believe that their inclusion would materially prejudice the exercise of our functions and in particular, our duty to obtain the best price reasonably obtainable.

Property Loan Book

LF&I’s major asset is the property loan book which consisted of 27 loans with a total book value of \$136.7M as at 31 March 2008. For the period to 10 December 2012, LF&I has received net realisations of circa \$23.4M, with the balance being paid to prior ranking security holders and to cover direct sales costs.

The majority of the property assets securing LF&I’s loan book have been largely realised. The remaining property assets to be realised are as follows:

- One property is a completed residential subdivision and is largely sold down;
- One property was subject to a deadline tender marketing campaign, however no acceptable tenders were received. A new marketing programme will be commenced for the property in early 2013; and
- One property is a completed coastal sub-division which has proven difficult to realise due to a number of issues. We are currently working with the relevant local council to resolve some of those issues.



We are focussed on realising the property loan book so that further distributions can be made to secured debenture investors as soon as possible.

We are also seeking to maximise the value of any collateral securities (including personal guarantees) that LF&I holds.

Investigation

As previously reported, we have undertaken extensive investigations into the affairs of LF&I to determine whether there are any viable claims we may have against third parties that could result in recoveries for the benefit of secured debenture investors. We have also obtained legal advice in respect of potential claims.

We have prepared a draft statement of claim against LF&I's directors, alleging breach of directors' duties pursuant to the Companies Act 1993. The draft claim has been provided to the directors, and we have since had communications with some of the directors and their legal counsel.

We are continuing to explore whether there is any opportunity to achieve a negotiated settlement without incurring the substantial cost of court proceedings.

As proceedings are likely against some or all of the directors, we are not able to provide further specifics of those communications at this stage. We will continue to keep you updated of developments as best we can, without prejudicing the claim.

Our investigations into potential claims against two other parties remain on-going, with a final decision on any claim expected to be determined early in 2013.

Concluding Remarks

There are two main areas of focus in the receivership for the early part of 2013:

- Realising the remaining underlying property securing LF&I's loan book so that further distributions can be made to secured debenture investors as soon as possible; and
- Dealing with the potential claims as outlined above.

We note that we must balance any future distributions against the funds required to pursue the claims referred to above for the benefit of investors.

In the meantime, should investors or other stakeholders have any queries arising from this report, please contact us in writing via our website, facsimile, or postal address, as follows:

Lombard Finance & Investments Limited (In Receivership)

PricewaterhouseCoopers

PO Box 243

Wellington

Facsimile: +64 4 462 7492

Website: www.pwc.co.nz/lombard



We advise that our offices are closed from 24 December 2012 and will reopen on 14 January 2013 and therefore any correspondence received from 24 December 2012 will be responded to upon our return on 14 January 2013.

Yours faithfully

A handwritten signature in black ink, appearing to be "John Fisk", written in a cursive style.

John Fisk
Receiver



Restrictions

- The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise.
- We have not independently verified the accuracy of information provided to us, and have not conducted any form of audit in respect of the Companies. Accordingly, we express no opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied. Whilst all care and attention has been taken in compiling this report, we do not accept any liability whatsoever arising from this report.
- The statements and opinions expressed in this report are based on information available as at the date of the report.
- We reserve the right, but will be under no obligation, to review or amend our report, if any additional information, which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.
- We have relied on forecasts and assumptions prepared by the Companies about future events which, by their nature, are not able to be independently verified. Inevitably, some assumptions may not materialise and unanticipated events and circumstances are likely to occur. Therefore, actual results in the future will vary from the forecasts upon which we have relied. These variations may be material.
- In addition the following should be noted:
 - Certain numbers included in tables throughout this report have been rounded and therefore do not add exactly.
 - Unless otherwise stated all amounts are stated in New Zealand dollars.