

Receivers' Fifteenth Report on the State of Affairs of

Lombard Finance & Investments Limited (In Receivership & In Liquidation)

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)

For the six month period 11 October 2014 to 10 April 2015

Pursuant to Section 24 of the Receiverships Act 1993

Company Numbers:

1242396
1488956
1680468
1409499



Registrar of Companies
Companies Office
Private Bag 92061
Auckland Mail Centre
Auckland

10 June 2015

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

Please find attached our fifteenth report in relation to the Companies pursuant to Section 24 of the Receiverships Act 1993. A copy of this report has been sent to the Trustee, Corporate Trust Limited.

Yours faithfully
For the Companies

A handwritten signature in black ink, appearing to be 'John Fisk', written over a faint, light-colored signature line.

John Fisk
Receiver

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1. **Introduction**

- LF&I is a Wellington based finance company which had a registered prospectus and issued secured debenture stock, capital and subordinated notes to the general public.
- On 3 April 2008, LF&I announced to its investors that it would be seeking a moratorium in respect of its repayment obligations to secured debenture and note holders. After reviewing the position of LF&I, Perpetual Trust Limited (“the Trustee”) determined that the interests of investors would be better served by the appointment of receivers.
- John Howard Ross Fisk and John Anthony Waller, Chartered Accountants, were appointed receivers to each of the Companies on 10 April 2008 by the Trustee. We were appointed under the terms of a debenture trust deed giving the holder a security interest over all the assets and undertakings of the Companies.
- Mr Waller has subsequently retired from his position at PwC and has accordingly resigned as receiver of the Companies. Colin McCloy of PwC was appointed as replacement receiver on 22 December 2008.

As at 19 December 2013, Perpetual Trust Limited was replaced as Trustee of the Companies by Corporate Trust Limited

- This report has been prepared by us in accordance with and for the purpose of Section 24 of the Receiverships Act 1993 (“the Act”). It is prepared for the sole purpose of reporting on the state of affairs with respect to the property in receivership and the conduct of the receivership for the six month period from 11 October 2014 to 10 April 2015.
- This report is subject to the restrictions set out at Appendix 1. In particular, all information contained in this report is provided in accordance with Sections 26 and 27 of the Receiverships Act 1993. Furthermore, in preparing this report we have relied upon and not independently verified or audited information or explanations provided to us.

2. **Particulars of assets and disposals of receivership property**

- The settlement reached with the Directors of Lombard, their insurers and a third party resulted in funds of \$10M in settlement of civil claims made by the Receivers against the parties. These funds were received in late March 2014 with a distribution of 9 cents in the dollar made to secured debenture investors in April 2014.
- In relation to the FMA’s criminal claims, the court ordered that a reparation amount of \$200,000 be paid “to all investors who invested or re-invested amounts whether on a secured or unsecured basis with Lombard during the currency of the relevant offer documents” (being 24 December 2007 to 10 April 2008). These funds, equating to 1.7 cents of the amount invested during the relevant period, were distributed to the qualifying investors in August 2014.
- Our previous report for the six month period to 10 October 2014 contained an estimated return to secured debenture investors of 24% to 25% of their original investment. This estimate remains unchanged.
- The main area of focus in the receivership is now the realisation of the remaining underlying property security in LF&I’s loan book so that further distributions can be made to secured debenture investors as soon as possible.

2.1 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 April 2014, LF&I has received net realisations of circa \$24.8M, 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 realised. There remains a sole property asset to be realised which is a completed coastal sub-division which has proven difficult to realise due to a number of issues. We continue to work with the relevant local authority and third parties to resolve some of those issues.
- We are also seeking to maximise the value of any collateral securities (including personal guarantees) that LF&I holds.

2.2 Commercial loan book

- The commercial loan book has now been largely recovered (total gross recoveries were circa \$2.1M).

2.3 Property

- As previously reported, LPH's primary asset was a residential property in Auckland, which has now been sold resulting in net realisations of \$1.8M.

3 Particulars of debts and liabilities outstanding and requiring to be satisfied from the property in receivership

3.1 Secured Debenture Investors

- The Secured Debenture Investors balance of \$111.0M as at 10 April 2008 represents approximately 6,400 investments held by approximately 3,900 secured debenture investors.
- As at April 2015, standard distributions to secured debenture investors in the receivership totalled 24 cents in the dollar.
- We continue to monitor queries lodged by investors through our website www.pwc.com/lombard, by mail and via our dedicated phone line.

3.2 Preferential Creditors

- As previously reported, all known preferential claims have been settled.

4. *Receipts and payments*

- The table opposite sets out the receipts and payments for the Companies from 11 October 2014 to 10 April 2015.

Receipts and Payments Summary **For the period from 11 October 2014 - 10 April 2015**

| | NZ\$000's |
|---|------------|
| Receipts | |
| Brought Forward | 416 |
| Other receipts | 2 |
| GST received | 9 |
| Total receipts | 427 |
| Payments | |
| Loan expenses (net of interest received on loans) | 46 |
| Operational costs | 30 |
| Legal fees and associated costs | 3 |
| Other professional fees and associated costs | 17 |
| Computershare Investor Services | 8 |
| Receivers' fees | 14 |
| Disbursements | 2 |
| GST on payments | 10 |
| Total payments | 130 |
| Net funds on hand | 297 |

5. *Other matters*

- 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 will update investors in our next statutory report in six months time, or earlier, if a further distribution can be made before then.

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.com/nz/lombard

Appendix 1

Restrictions

- All information contained in this report is provided in accordance with Sections 26 and 27 of the Receiverships Act 1993.
 - 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.