

OPI Pacific Finance Limited (In Receivership)

Receivers' Second Report on the State of Affairs of OPI Pacific Finance Limited (In Receivership)

**For the six month period from 15 September 2009 to 14 March 2010
Pursuant to Section 24 of the Receiverships Act 1993**

Company Number 977908

May 2010

OPI Pacific Finance Limited (In Receivership) ("PAC")

Receivers' second report on the state of affairs of PAC pursuant to Section 23 of the Receiverships Act 1993

1. Introduction

As previously reported, Colin McCloy and Maurice Noone were appointed receivers of PAC by Perpetual Trust Limited ("Perpetual") on 15 September 2009. We were appointed under the terms of a security agreement giving the secured party a security interest over all of the assets and undertakings of PAC. The property in receivership comprises all of the assets, property and undertakings of PAC.

This report has been prepared in accordance with and for the purpose of Section 24 of the Receiverships Act 1993. 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.

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

2. Events following our appointment

Following our appointment as receivers we attended the offices of PAC to secure the books and records and we determined the most appropriate method of realisation of the assets. Our actions have included:

- Securing key assets;
- Contacting all borrowers regarding the recovery of loans;
- Developing asset realisation strategies where applicable;
- Investigating potential claims in respect of the loan book and insurance policies;
- Providing updates and communicating with investors and Perpetual;
- Commencing an investigation into the affairs of PAC;
- Crystallising PAC's security in respect of its loan to OPI Pacific Investment Pty Limited ("PIC"); and
- Attending various meetings held by the liquidators of Octaviar Limited ("Octaviar") and Octaviar Administration Pty Limited ("OCVA").

We wrote to all investors on 26 November 2009 and advised them that there would be a significant shortfall to secured investors and that no funds would be available for unsecured investors.

We have continued to receive the full cooperation of the remaining director Jason Maywald and a former employee of Octaviar.

3. Particulars of assets and proposal for disposal of property in receivership

Presented in the table below is a summary of management's unaudited balance sheet as at 31 August 2009. Note the balance sheet has been prepared from PAC's accounting records and information supplied to us by management. It has not been audited by the receivers and/or any other third parties. Total actual recoveries from the assets are expected to be significantly less than the book value.

OPI Pacific Finance Limited (In Receivership) Draft Management Unaudited Balance Sheet	Note	As as 31 August 2009 (NZ\$'000)
Assets		
Cash assets	A	2,630
Funds held in trust	B	1,388
Secured loans	C	270,632
Provision for loans	C	(237,354)
OPI Pacific Investment Loan	C	184,418
Provision for OPI Pacific Investment Loan	C	(163,566)
Contribution under Put Option	D	(24,600)
Miscellaneous assets	D	541
Total Assets		34,089
Liabilities		
Funding - Debentures NZD		143,412
Funding - Debentures AUD		55,014
Funding - Unsecured Notes NZD		19,689
Funding - Unsecured Notes AUD		37,838
Accrued Interest		45,632
Loan - PIF/MYF		150,279
Total Liabilities		451,864
Net liabilities		(417,775)

Source: Management information

A Cash assets

Cash held by PAC at the date of our appointment has been transferred into receivership bank accounts. As at 14 March 2010, PAC held cash on hand of NZ\$ 2.4m.

B Funds held in trust

At the date of our appointment, NZ\$1.4m (plus accrued interest) was being held in a solicitor trust account pending the resolution of a dispute with a third party. We are continuing to pursue recovery of these funds.

C Loan book

As previously reported, PAC held the following assets at 31 August 2009:

- \$33.3m (net of provision) in respect of the PAC loan book; and
- \$20.9m (net of provision) in respect of the loan to OPI Pacific Investments Pty Limited (In Receivership) ("PIC"), which is secured over PIC's loan book.

In order to gain control over the PIC loans and secured properties, receivers were appointed to PIC in November 2009.

PAC and PIC predominantly hold second or third ranking mortgages.

At the date of receivership, there were loans outstanding to 18 borrowers in respect of the PAC and PIC loan books where property had not yet been sold. The first ranking mortgagees have taken control over all remaining properties and many borrowers are in some form of insolvency or have been deregistered.

We have written to all borrowers regarding recovery of their respective loans.

We are disappointed to advise that it is unlikely PAC will recover any material funds from properties to be sold given the losses the first ranking mortgagees are likely to incur.

Notices of demand have been issued to guarantors and we will assess the merits of seeking winding up or bankruptcy orders on a case by case basis. Many guarantors have already been placed in some form of insolvency or have been declared bankrupt.

We are continuing to investigate potential claims PAC may have in respect of valuations obtained for lending purposes and various insurance policies held by PAC.

D Other assets

As previously reported, PAC entered into a put option with Octaviar dated 24 July 2006. In May 2008, PAC received part payment of A\$20m (NZ\$24.6m) from Octaviar in respect of its put option liability to PAC. These funds were distributed to secured debenture holders following the approval of the moratorium.

We have lodged a claim in the liquidation of Octaviar for A\$418m in relation to the put option. We have reserved our rights to amend the claim should further amounts become claimable. We are waiting to receive a formal response from the liquidators regarding the claim and any likely distribution from the liquidation of Octaviar.

A claim has also been lodged against Octaviar Administration Pty Limited (In Liquidation) ("OCVA"), a subsidiary of Octaviar that responsible for the management of both the PAC and PIC loans. We are also waiting to receive a formal response from the liquidators regarding the claim and any likely distribution from the liquidation of OCVA.

The balance sheet does not include the claims against Octaviar and OCVA as recovery from the liquidations remains uncertain at this stage.

Miscellaneous assets for PAC at 31 August 2009 are set out in the table below:

Miscellaneous assets	August 2009 (NZ\$'000)
Professional fees prepaid	451
Investments	75
GST Receivable	15
Total	541

Source: management information

At 31 August 2009, PAC had made prepayments to professional advisors totalling NZ\$451k. At the date of receivership, funds held by professional advisors totalled approximately NZ\$350k. The funds have now been recovered.

The investments of NZ\$75k are in respect of shares held in a company in liquidation. There will be no recovery from this asset.

The GST receivable of NZ\$15k has since been received.

No further recoveries are expected from the realisation of assets.

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

At the date of the receivership, PAC's records indicated it had the following amounts outstanding to investors:

Investor category	Number of Investors	NZ\$m
NZD Debenture Stock	7,361	143.4
AUD Debenture Stock	2,514	55.0
NZD Unsecured Notes	821	19.7
NZD Unsecured Notes	173	37.8
Total	10,869	255.9

Source: Management information

In summary, PAC owes NZ\$198.4m to secured debenture holders and NZ\$57.5m to unsecured note holders, who are predominately located in New Zealand and Australia.

Due to the complexity of the receivership, the various claims being pursued and the investigations being carried out by the receivers, it is extremely difficult to estimate the return to secured debenture holders from the receivership of PAC. Providing an estimated return to secured debenture holders may also jeopardise any actions currently being exercised by the receivers. Accordingly, an estimate of future dividends or the timing of dividends to secured debenture holders cannot be provided at this time.

5. Amounts owing to creditors with preferential claims

PAC had no employees at the date of our appointment and accordingly there are no preferential claims in respect of employee entitlements.

We have written to the Inland Revenue Department ("IRD") requesting written confirmation of any preferential claims. The IRD has verbally confirmed it has no preferential claims against PAC.

We are not aware of any other preferential claims.

6. Receipts and payments

The table below sets out the receipts and payments for PAC for the six month period 15 September 2009 to 14 March 2010.

OPI Pacific Finance Limited (In Receivership)	
Receipts and payments	
For the period 15 September 2009 to 14 March 2010	
	NZ\$
Receipts	
Cash at bank on appointment	2,550,081
Funds held in trust	313,762
GST refund	76,026
Loan recoveries	363,514
Reimbursement of costs	4,504
Interest received	22,413
Total Receipts	3,330,299
Payments	
Legal fees	115,361
Trustee fees	50,741
Receivers' fees and disbursements	380,995
Taxation fees	869
Computershare registry fees	37,910
Other professional and consulting fees	293,985
Bank fees	338
Resident Withholding Tax	4,079
Other expenses	190
Total Payments	884,468
Balance at bank as at 14 March 2010	2,445,831

7. Other Matters

We have commenced our investigation into the activities of PAC, its directors and third parties, prior to the receivership. Our investigation to date has included (but is not limited to):

- Activities and conduct of PAC, its officers and third parties leading up to the appointment of receivers;
- The financial reporting practices of PAC; and
- Compliance of PAC with the requirements of the Trust Deed and applicable legislation, including the Securities Act, the Companies Act and the Financial Reporting Act.

We are continuing with our investigations and will advise relevant authorities of our key findings and will support any investigations made by any authority into the affairs of PAC and/or its directors.

Should stakeholders have any queries arising from this report, please contact us via our website, telephone, facsimile, or private bag address, as follows:

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Dated: May 2010



Colin McCloy
Receiver

Appendix I

Restrictions

This report has been prepared in accordance with and for the purpose of Section 23 of the Receiverships Act 1993, reporting on the state of affairs with respect to the property in receivership and the conduct of the receivership. 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 Company. 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, 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 Company 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; and
- Unless otherwise stated all amounts are stated in New Zealand Dollars.