

**Receivers' Second Report on the State of Affairs of
LDC Finance Limited (In Receivership)
Pursuant to Section 24 of the Receiverships Act 1993**

Company Number: 1479414

30 April 2008

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

30 April 2008

Dear Sir

LDC Finance Limited (In Receivership) – “the company”

Please find attached a further report in relation to the company pursuant to Section 24 of the Receiverships Act 1993.

A copy of this report has been sent to Perpetual Trust Limited and an update has been provided to all investors.

Yours faithfully
LDC Finance Limited (In Receivership)

Malcolm Hollis
Receiver

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Appendix I Restrictions

1 Introduction

- This is our second formal report in relation to LDC Finance Limited (In Receivership) (“LDC” or “the Company”) prepared pursuant to 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.
- We were appointed receivers of LDC on 4 September 2007 by the Trustee, Perpetual Trust Limited, under the terms of a Debt Securities Trust Deed dated 18 June 2004.
- This report is subject to the restrictions set out at Appendix I. 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 Events following our appointment

- Following our appointment we took control of the physical business and assets in order to continue the operational activities of the business as normally as possible.
- We have now settled into a structured process for the recovery of the finance receivables, which is the major asset of the company.
- We have formally written to the investors of LDC to advise them as to progress of the receivership.
- Our preliminary analysis, which indicated that secured investors will receive repayment of their investment in full, including interest, has not changed. We also confirm that while the outcome to unsecured investors is less certain, we consider that they are unlikely to receive full repayment of their investment.

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

3.1. Preferential Creditor Claims

- Employee preferential claims totalling \$6,970 relating to accrued holiday pay have been paid.
- A preferential claim has been received from the IRD, totalling \$10,278 and relating to PAYE and RWT.

3.2 Secured Investors

- Secured investors totalled \$12.3m at the date of our appointment.
- On 18 December 2007 we paid an interim distribution of 25 cents in the dollar to secured investors, and on 20 March 2008 we paid a further interim distribution of 25 cents in the dollar.
- Our current estimates indicate that secured investors will receive repayment of their investment in full, including interest.
- In terms of the timing of future interim distributions, it is difficult to estimate when the next distribution will be made. The reasons for this are set out in paragraph 4.1.

3.3. Unsecured Liabilities

- Unsecured claims against the company include:

Unsecured term deposits	\$316,399
Unsecured call deposits	\$8,882,948
Accrued interest to investors	\$293,986
Accounts payable	\$40,713

- We have indicated in our reports to investors that we consider that it is highly unlikely unsecured investors will receive repayment in full. We estimate that unsecured investors will receive between 70 and 90 cents in the dollar on the principal invested. We also estimate there will be no funds available to pay any interest on unsecured investors' investments.

Particulars of assets and disposals of receivership property

4.1 Finance Receivables

- The Company's primary assets are finance receivables consisting of loans to borrowers. As at the date of this report the value of finance receivables was \$22.3m, but has been reduced to \$17.1m by the Company through provisioning for doubtful and bad debts.
- The outcome of the receivership is highly dependent on the outcome of the recovery of these finance receivables. We have worked closely with the directors and staff of the Company since our appointment to ascertain the collectability or recoverability of each loan. In addition we have added further resource to this area by appointing a highly experienced independent loan recovery consultant to assist with collection of the receivables.
- We continue to be pro-active in recovery procedures where any loan is in default or causing concern of any nature.
- You may be aware that we were appointed Receivers of the finance receivables of the partnership known as Finance & Investments (F&I) on 5 September 2007 under the terms of a General Security Agreement granted by F&I to LDC. F&I, through borrowing funds from LDC, and purchasing shares in LDC using its finance receivables as collateral, owes LDC approximately \$7 million.

Through the process of the F&I receivership, we are close to having collected sufficient funds from F&I's receivables to allow the indebtedness of F&I to LDC to be repaid in full.

However, the funds collected from F&I's receivables have not yet been distributed to LDC as the partners of F&I dispute the basis upon which LDC holds security over the assets of F&I. At this stage the partners of F&I have yet not commenced any formal legal action to advance their position.

Should the partners of F&I successfully pursue their claims against LDC, the outcome of the receivership of LDC will be considerably different. We estimate that were the funds from F&I not be available to the investors of LDC, there would ultimately be little or no funds to the unsecured investors of LDC and it will take a considerably longer time to repay LDC's secured investors.

We are working through these issues with our solicitors and the partners of F&I and their solicitors. We are very optimistic that this issue will be resolved in favour of LDC however at this time we cannot give a firm indication as to the ultimate outcome.

4.2 Cash at bank – Funds held aside

- In our first report on the affairs of the Company we stated that \$2.2m of funds had been held aside by the Directors of LDC prior to our appointment as Receivers and that we were obtaining further information concerning those funds. The \$2.2m represented deposits made during the period 15 February 2007 to 26 April 2007 ("the specified period").

- The funds were set aside by the Directors of LDC because of concerns regarding information in Prospectus No 4 dated 19 September 2006. Deposits made during the specified period were made on the basis of information contained in that Prospectus.
- The issue with the prospectus arose because the financial information in the Prospectus failed to provide adequate provisioning for certain problem loans made by LDC. We have now obtained further information and taken legal advice, and as a result it has been determined that the investors who deposited money during the specified period must be given the opportunity for a full refund of those deposits.
- Investors who made deposits during the specified period have now received notification regarding this matter and have an opportunity to request that those deposits be returned. We are currently working through returning those deposits where investors have requested repayment, from the funds that were held aside.

4.3 Other Current Assets

- These consist of interest accrued on finance receivables, a deferred tax asset and other general receivables.

4.4 Fixed Assets

- The Company's fixed assets represent the office furniture and computer equipment.

4.5 The table alongside compares the balance sheet as at the date of our appointment, to the date of this report.

- Please note that no adjustment has been made in respect of providing for finance receivables that may not be collected.

LDC Finance Limited (In Receivership) Summarised Statement of Financial Position	As at 4/09/2007 Unaudited Actual	As at 29/02/2008 Unaudited Actual
Current Assets		
Cash at bank	3,656,287	4,901,163
Accounts receivable	149,902	55,615
LDC Investments Limited	2,620	2,620
F&I current account	396,187	2,245,603
GST refund due	5,587	14,896
	4,210,583	7,219,897
Non Current Assets		
Fixed assets	30,626	17,083
Deferred taxation	264,000	264,000
	294,626	281,083
Finance Receivables	22,062,992	16,973,205
Total Assets	26,568,201	24,474,185
Current Liabilities		
Interest due to investors	293,986	1,163,696
Accounts payable	42,068	134,770
RWT payable	1,298	174
	337,352	1,298,640
Investors		
Secured term investments	12,389,343	9,304,710
Unsecured term and call deposits	9,199,347	9,268,392
	21,588,690	18,573,102
Total Liabilities	21,926,042	19,871,742
Net Assets	4,642,159	4,602,443
Equity		
Share capital		
Ordinary A	2,520,000	2,520,000
Ordinary B	4,000,000	4,000,000
Preference	1,500,000	1,500,000
Retained earnings	(4,377,841)	(4,417,557)
Subordinated debt	1,000,000	1,000,000
Net Equity	4,642,159	4,602,443

Source: Management Accounts

Receipts and Payments

- The table alongside sets out the receipts and payment for the Company from 4 September 2007 to 4 March 2008.
- Please note that since the compiling of the table opposite, a second distribution to secured investors of \$3,101,570 has been made.

LDC Finance Limited (In Receivership)		
Statement of Receipts and Payments		
for the period 4 September 2007 to 4 March 2008		
	\$	\$
Funds on hand at date of our appointment		3,656,287
Receipts		
Full Loan Repayments	4,084,885	
GST Refunds	7,075	
Interest - Bank	125,119	
Investor Payments dishonoured by Receiver	133,364	
Lease Repayments	45,638	
Loan Repayments	384,087	
RWT Refunded from Bank	2,572	
Total receipts		4,782,740
Payments		
Accounting Fees	13,580	
Bank Fees	940	
Computer Consultant	5,519	
Debt Collection Costs	29,270	
Distribution to Preferential Creditors - Holiday pay	6,970	
Distribution to Secured Investors	3,101,570	
Insurance Costs	724	
Legal Fees	75,973	
Receivers Fees	164,319	
Rent/Rates/Cleaning/Elec	11,658	
Sundry monthly creditors	2,912	
Telephone/Cellphone	4,500	
Trustees Fees	35,684	
Wages & PAYE	65,293	
GST on expenses	43,018	
Total Payments		3,561,931
Funds on Hand		\$4,877,096

5 Conclusion

- In the six months since our appointment we have distributed \$6.2m to secured investors. We are also currently working through returning the balance of the \$2.2m that was held aside, to those affected investors.
- We confirm our indications that secured investors will receive repayment of their investment in full, including interest.
- Our estimate that unsecured investors will receive between 70-90 cents in the dollar on the principal invested, but that there will be no funds available to pay any interest on unsecured investors investments, remains current.
- Should investors or any other stakeholders have any queries arising from this report please contact us in writing via our website, Private Bag or facsimile addresses.

Appendix I

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 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, 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 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.
 - Unless otherwise stated all amounts are stated in New Zealand dollars.