

Mascot Finance Limited (In Receivership)

Receiver's Third Report

Pursuant to Section 24 of the Receiverships Act 1993

2 March 2010

Contents

Important Notice	1
1. Introduction	2
2. Receivership Details	2
3. State of Affairs	8
4. Receipts and Payments	10
5. Receivers' Contact Details	11

Important Notice

The information required to complete this report was obtained from Company records. Values are based on book values from the financial statements and accounting records of the Company.

We have relied on the information provided by the Company and on Company records in preparing this report. We have not completed any form of audit or verification procedures on the financial information and we do not express any form of audit opinion on the financial information.

We take no responsibility for any incorrect information contained in this report that has been supplied by the Company, its officers or other persons. This is a report prepared by the Receivers in terms of Section 24 of the Receiverships Act 1993. This report is not to be reproduced or used for any other purpose without our prior written consent in each case. We do not accept any liability whatsoever to any party from any use of, or reliance on, this report.

Any realisation projections, time taken to complete realisations and related costs were all subject to uncertainty at the time that these projections were prepared. We express no opinion on the likelihood of any projections being achieved. Financial projections are based on assumptions and estimates of future events which cannot be estimated with any certainty. Actual results are likely to be different from projections and the variations could be material since anticipated events frequently do not occur as expected.

In accordance with standard practice neither Deloitte, the Receivers, nor any member or employee of Deloitte, undertakes responsibility arising in any way whatsoever to any person in respect of realisation projections, the related commentary on options available to the receivership, any estimate of outcome for creditors, or any report content based on information supplied by the Company, including any errors or omissions herein arising through negligence or otherwise however caused.

1. Introduction

Brett Chambers and Paul Munro of Deloitte were appointed Receivers and Managers (“Receivers”) of all the assets, property and undertakings of Mascot Finance Limited (“Mascot” or the “Company”) on 2 March 2009 by Perpetual Trust Limited (“the Trustee”) pursuant to a Trust Deed dated 5 August 1988 (as amended) (the “Trust Deed”). The appointment was made under the powers contained in the Trust Deed.

We set out below our report on the state of the Company affairs as at 2 March 2010 in accordance with Section 24 of the Receivership Act 1993. This report should be read in conjunction with the Receivers’ previous reports. A statement of receipts and payments is attached in Section 4.

2. Receivership Details

2.1. Events Leading Up to the Appointment of Receivers

Perpetual Trust Limited is the Trustee for the secured debenture stock and deposits issued by Mascot.

In response to deteriorating market conditions Mascot had been downsizing its loan book and repaying deposits as investments fell due since approximately mid 2008.

Mascot has a Crown Deed of Guarantee (“Crown Guarantee”) under the Crown Retail Deposit Guarantee Scheme which, in the case of Mascot, was approved on 12 January 2009. Subsequent to the granting of the Crown Guarantee, Mascot was in the process of preparing a new Prospectus and Investment Statement and considering re-entering the lending market as opportunities presented themselves.

However since January 2009 Mascot had been increasingly facing the situation where independent valuations of assets had been tested against the market resulting in significant discounts. The lack of alternative funding available to borrowers to refinance loans was, in some circumstances, causing delays in the repayment of loans due to be repaid to Mascot.

This caused the Directors to review all loans and the assessed security values and margins. This resulted in the Mascot Board determining that the deterioration in security values was material to the ongoing business of the Company.

Consequently the Directors concluded that it was not appropriate for Mascot to issue a further Prospectus and Investment Statement. That decision and a resulting projected cash shortfall in April 2009 caused the Directors to resolve to request the Trustee to appoint a Receiver.

2.2 Disposal of Property

The Receivers have considered various options for the disposal of Mascot property. Where the options are in the best interests of the secured and unsecured parties, the Receivers have moved quickly to realise these assets recognising the time value of money.

The Receivers have carried out the following:

- Undertook a competitive tender process for the sale of the Christchurch and Timaru buildings;
- Auctioned the chattels and motor vehicles;
- Concluded a deal on the gaming loan book realising the full face value of the loans;
- Taken possession of property secured by mortgage or charge where it was deemed necessary to protect the Company's interest and subsequently sold the property as mortgagee.

Mascot Loan Book

As at the date of receivership, the assets of Mascot Finance Limited included 343 loans with a net loan receivable balance of \$65.4 million (being a gross loan receivable of \$82.7 million less an impairment provision as at the date of receivership for specific property and commercial loans of \$17.4 million).

Based on the accounting records of the Company, the loan book as at the 2 March 2010 comprised 116 loans with a net loan receivable of \$33.7 million. No further impairment consideration is reflected in \$33.7 million net loan receivable.

In the first report, the Receivers' initial views on the loan books were:

- That the best way to maximise value is by managing individual loans on a case by case basis (particularly in respect of the property loans);
- That at least parts of the loan book could potentially be packaged and sold;
- That work should progress on further analysis of the loan book to provide information to interested parties;
- That the effectiveness of the receivership would be dependent on the outcome of a small number of large exposures.

Since the first report, the Receivers have confirmed their initial views as set out above.

Based on the accounting records of the Company, the status of the loan receivables as at 2 March 2010 is summarised in this report and the Receivers make the following observations in relation to each class of loan:

Property Loans

The majority of Mascot's property loans were advanced to property developers and property investors. Although very few loans were provided to fund bare land development, deteriorating market conditions have made it difficult to extract full value from the loan assets in the current environment. These conditions include:

- Lack of a liquid funding market to support refinancing or restructuring of loan facilities;
- First ranking security holders insisting on full entitlement to realisation proceeds to the detriment of lower ranking mortgagees;
- Increased business failure resulting in higher vacancy rates in commercial tenancies;
- A significant deterioration in property values.

In the short term the Receivers do not anticipate any significant turnaround in the financial position of Mascot borrowers and so realisation of security values will continue to be challenging.

Personal Loans

Expressions of interest to buy the loan book were received from a number of parties. However that interest, in the main, clearly anticipated a significant discount to face value. As a result the Receivers determined that if cash flow could be sustained by aggressive servicing of the loans, then that would produce a better outcome for investors than a discounted sale. Approximately half of the loans have been realised with minimal loss to date. However as the pool repays and reduces in size, the average quality of the receivables declines. Consequently the Receivers continue to evaluate the merits of selling the personal loans as a block and thereby enhancing the average realisation.

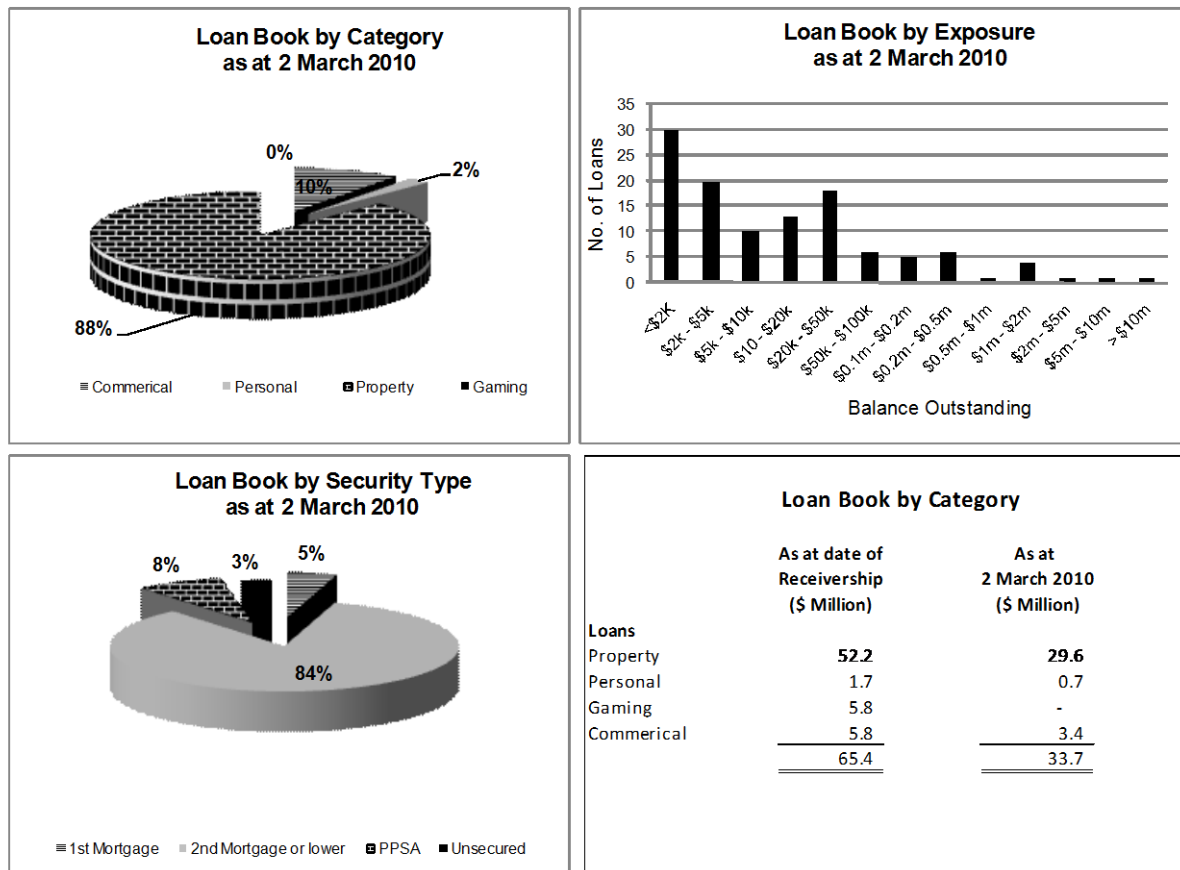
Gaming Loans

The Receivers managed to conclude a transaction for the transfer of all rights and obligations relating to the gaming class of loans for full repayment. One loan did not meet the arrears criteria of the purchaser and was not transferred. This loan has since been repaid.

Commercial Loans

Active management of the commercial loan pool has seen repayment or refinancing of 31 loans since receivership. The remaining commercial loans include 15 loans that are past maturity and for which realisation prospects are uncertain. Loans past maturity account for \$9.1 million (89%) of the outstanding \$10.3 million gross loan receivable (\$3.4 million net loan receivable) and are actively being pursued. In addition to those loans past maturity, a number of non-due advances require significant servicing effort to keep the arrears position under control.

The graphs below show Mascot's net loan receivable as at 2 March 2010, by category, exposure and security type.



Given the confidential nature of Mascot's loan book, the Receivers believe releasing specific details of loans and collections to date or other commercially sensitive information would materially prejudice the exercise of their functions and possibly the outcome for secured debenture holders. Accordingly, under Section 24 (3) of the Receiverships Act 1993 the Receivers have omitted specific details in this section.

Mascot Premises and Equipment

At the date of receivership the Company owned offices in Timaru and Christchurch, along with office furniture and fittings and motor vehicles.

The premises and equipment of Mascot have since been sold.

The total proceeds realised from the sale of assets were in excess of the assets' book value.

Premises and Equipment	\$
109 Cambridge Terrace, Christchurch	\$0.92m
339 Stafford St, Timaru	\$0.86m
Office Equipment and Motor Vehicles	\$0.21m
Total Book Value as at date of Receivership	\$1.99m
Total Proceeds Realised from Sale of Assets	\$2.60m

2.3. Amounts Owing to Appointer (on Behalf of Secured Debenture Stock Holders)

At the date of receivership, Mascot had 2,511 investors with a total principal outstanding of \$68.5 million. Approximately \$65.2 million was invested in secured debenture stock, and \$3.3 million in unsecured deposit. All secured debenture stock is secured under a Trust Deed.

Since the date of the last Receivers Report a distribution of \$35.8 million or 55 cents in the dollar of principal outstanding has been distributed to secured debenture stock holders who submitted a claim to the Receivers. The Trustee holds an unclaimed monies account on behalf of secured debenture stock holders who have not submitted a claim. Payments are made from the unclaimed monies account by the Trustee upon receipt of an approved claim from the Receivers.

Interest is owed to secured debenture stock holders until date of full repayment. As at the date of this report \$5.98 million of interest is owed to secured debenture stock holders.

2.4. Amounts Owing to Other Secured Creditors

A Personal Property Securities Register ("PPSR") search dated 5 March 2010 revealed that the Company has no other secured creditors.

2.5. Amounts Owing to Other Preferential Creditors

Mascot's preferential creditors are its employees and the Inland Revenue Department ("IRD").

The full value of employee and IRD preferential creditors has been established and claims settled.

Preferential employee claims totalling \$121,000 for salaries, accrued holiday pay and redundancy were filed with the Receiver. Schedule 7 of the Companies Act 1993 limits the priority given to any one employee to \$16,420 therefore the total preferential employee creditor claims as at the date of appointment were limited to \$68,000, with the \$53,000 balance remaining an unsecured creditor.

The full value of the IRD's preferential claim at date of appointment was approximately \$34,000.

2.6. Amounts Owing to Unsecured Depositors

Mascot had approximately \$3.3 million in unsecured deposits as at 2 March 2009. These deposits are not secured under the Trust Deed and rank after all secured creditors and statutory priorities, but rank before other unsecured creditors.

Interest is owed to unsecured debenture depositors until date of full repayment. As at the date of this report \$0.36 million of interest has been accrued.

2.7. Amounts Owing to Unsecured Creditors

Mascot's unsecured creditors are its employees, the IRD and its suppliers.

As outlined in Section 2.5 above unsecured employee claims total \$53,000.

Unsecured IRD claims total approximately \$3,000 (as at date of receivership).

As at the date of this report the Receivers have received approximately 30 confirmations from suppliers of goods and services to Mascot, with unsecured claims totalling approximately \$19,000 (excluding GST). We have yet to receive confirmations of debt from all known unsecured creditors.

2.8. Amounts Owing to Redeemable Preference Shareholders

The Company has 3,858,000 Class A Redeemable Preference Shares (RPS). These shares have a fixed value of \$1.00 each. The RPS rank behind all secured and unsecured creditors of the Company and all payments having priority at law, but rank ahead of the ordinary shares of the Company.

2.9. Amounts Owing to Ordinary Shareholders

At the date of receivership Mascot had share capital with a book value of \$15.2 million comprising ordinary shares. These shares have no par value and rank equally with regard to the Company's residual assets.

2.10. Amounts Likely to be Available to Secured and Other Creditors

The amount likely to be available to secured and other creditors is difficult to assess as the outcome will be dependent on the values realised from a small number of larger loan balances.

In December 2009 the Receivers made a first distribution to secured debenture stock holders of 55 cents in the dollar of total principal outstanding at the date of receivership. Any subsequent distributions will be dependent on the outcome of continuing realisation efforts.

At this stage the Receivers do not expect there to be any funds available for payment of Mascot's unsecured deposit holders, unsecured creditors, redeemable preference shareholders or ordinary shareholders.

3. State of Affairs

3.1. Assets Comprising the Property in Receivership

The assets of Mascot as at 2 March 2010 principally comprise the loan book assets and cash in the bank.

A summary of the assets as 2 March 2010 as per the Company records available to the Receivers (and based on the accounting book value) is set out below.

The finance receivables are categorised as follows:

Loan Receivables	Book Value
Property	\$29.55m
Commercial	\$3.45m
Gaming	\$0.00m
Personal Loans	\$0.74m
Net loan receivable	\$33.74m
Interest Accrued (to 2 March 2010)	\$1.28m
Total	\$35.02m

The only other assets remaining at 2 March 2010 are:

Other Assets	Book Value
Bank	\$2.07m
Office Equipment ¹	\$0.00m
Deferred Tax	\$5.17m
Total	\$7.24m

Notes:

1. Remaining office equipment is a small number of computers and printer which are required for the daily operations of Mascot.

The Receivers have examined the deferred tax asset that existed at the date of receivership. No value is expected to be realised from the deferred tax asset.

Total assets are therefore recorded at book value of \$42.26 million as at 2 March 2010 or \$37.09 million after the deferred tax asset is excluded.

3.2. Summary of Debts and Liabilities

Particulars of debts and liabilities as at the date of this report:

Debts and Liabilities	Book Value
Secured Creditors	\$35.31m
Perpetual Trust (for Secured Debenture Holders) ¹	\$35.31m
Preferential Creditors²	\$0.00m
Employees	\$0.00m
Inland Revenue	\$0.00m
Unsecured Creditors	\$3.79m
Unsecured Debenture and Deposit Holders ⁴	\$3.71m
Creditors (IRD, Employees and Suppliers) ³	\$0.08m
Redeemable Preference Shares	\$3.86m
Total	\$42.96m

Notes:

1. The 'secured creditors' amount shown above includes accrued interest to 2 March 2010.
 2. Approximately \$102,000 has been distributed to preferential creditors since appointment.
 3. All creditors (both secured and unsecured) were notified of the receivership at appointment and were provided confirmation of debt forms to complete. We have not yet received all creditor claims.
 4. The 'unsecured debenture and deposit holders' amount shown above includes interest to 2 March 2010.
-

3.3. Encumbrances Over the Property in Receivership

Particulars of encumbrances over the property in receivership are registered on the PPSR. A search of the PPSR dated 2 March 2010 revealed that the Trustee holds the only registered interest.

3.4. Any Default by the Grantor in Making Information Available

There has been no default by the Grantor in making information available.

4. Receipts and Payments

Receipts & Payments for Mascot Finance Limited (In Receivership)
2 September 2009 to 2 March 2010
 (all figures exclude GST)

Receipts	\$
Loan receipts	6,265,746
Proceeds from the sale of assets	1,412,596
Rent income	616
Interest received from banks	389,827
Bad debts recovered	384
Total receipts in the period	8,069,169
Payments	
Capitalised Loan Costs: Insurance	339
Legal	9,525
Recovery costs	41
Cleaning	190
General expense	566
Heat light and power	219
Insurance	500
Interest and Bank fees	797
IT Software and Support	7,261
Investor payments (secured debenture stock)	35,824,523
Legal fees: Receivership related	22,880
Crown Guarantee	24,392
Postage and mail out	111
Property disposal costs	5,121
PPSR, title search, registration & release	735
Repairs and maintenance	870
Rates	(264)
Monies paid to Receivers: Core receivership (including first distribution)	106,400
Daily operations management	52,634
Loan recovery and management	61,630
Crown Guarantee administration	24,793
Records Management	1,674
RWT on interest received from banks	128,634
Salaries, wages and contractor costs	48,713
Share registry fees	1,007
Security costs	136
Telephone and communications	2,189
Trustee fees	17,864
Total payments in the period	36,343,480
Net receipts (payments) in the period	(28,274,310)

5. Receivers' Contact Details

The Receivers can be contacted at the address below.

Mascot Finance Limited (In Receivership)

C / - Deloitte

32 Oxford Terrace

P O Box 248

Christchurch 8140

+64 3 379 7010

www.deloitte.com/nz/mascot



Paul Munro
Receiver and Manager



Brett Chambers
Receiver and Manager

About Deloitte

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in 140 countries, Deloitte brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte's 165,000 professionals are committed to becoming the standard of excellence.

Deloitte's professionals are unified by a collaborative culture that fosters integrity, outstanding value to markets and clients, commitment to each other, and strength from cultural diversity. They enjoy an environment of continuous learning, challenging experiences, and enriching career opportunities. Deloitte's professionals are dedicated to strengthening corporate responsibility, building public trust, and making a positive impact in their communities.

Deloitte New Zealand brings together more than 900 specialists providing audit, tax, technology and systems, strategy and performance improvement, risk management, corporate finance, business recovery, forensic and accounting services. Our people are based in Auckland, Hamilton, Wellington, Christchurch and Dunedin, serving clients that range from New Zealand's largest companies and public sector organisations to smaller businesses with ambition to grow.

Deloitte's local experts draw on best practice and innovative methodologies from around the world as part of Deloitte Touche Tohmatsu, whose 165,000 people globally serve over 80 percent of the world's largest companies. A long track record and a wealth of international research into the needs of growing organisations has made Deloitte the world's leading advisor to emerging businesses. For more information about Deloitte in New Zealand, look to our website www.deloitte.co.nz

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/nz/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu and its member firms.

© 2010 Deloitte. Member of Deloitte Touche Tohmatsu