

**Receivers' Report on the State of Affairs of**

**Five Star Consumer Finance Limited, Company Number: 928786**  
**Beverage Rental Limited, Company Number: 1128688**  
**Vintage Finance Limited, Company Number: 1169283**  
**Vintage Rentals Limited, Company Number: 1169283**  
**(All In Receivership)**  
**together ("the Companies")**

**For the six month period from 1 March 2009 to 28 August 2009**

Pursuant to Section 24 of the Receiverships Act 1993



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

12 November 2009

**Five Star Consumer Finance Limited (In Receivership); Vintage Finance Limited (In Receivership); Vintage Rentals Limited (In Receivership); Beverage Rentals Limited (In Receivership); together – “the Companies”**

Please find attached our third 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, Covenant Trustee Company Limited.

Yours faithfully  
For the Companies

A handwritten signature in blue ink, appearing to read 'Richard D Agnew'.

Richard D Agnew  
Receiver

A handwritten signature in blue ink, appearing to read 'Colin T McCloy'.

Colin T McCloy  
Receiver

**1. Introduction and Restrictions**

- Richard Dale Agnew and Anthony David Kenneth Boswell, Chartered Accountants of Auckland, were appointed receivers of Five Star Consumer Finance Limited (“Five Star”), Beverage Rentals Limited (“BRL”), Vintage Finance Limited (“VFL”) and Vintage Rentals Limited (“VRL”) together (“the Companies”) by the Trustee, Covenant Trustee Company Limited (“the Trustee”) on 29 August 2007. We were appointed under the terms of the Debenture Trust Deed dated 27 April 2001.
- On 27 January 2009 Anthony David Kenneth Boswell resigned as a receiver of the Companies. He was replaced by Colin Thomas McCloy, Chartered Accountant of Auckland.
- As the Companies’ operations are intricately combined we have chosen to prepare a joint report for the receiverships as we believe this presents a clearer picture to all parties involved.
- 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 receiverships. In compiling this report we have relied on the accuracy of all relevant information provided by the management of the Companies. Whilst all care and attention has been taken in compiling this report, we do not accept any liability whatsoever arising from this report.
- All information contained in this report is for the confidential use of the parties to which it is provided in accordance with Sections 26 and 27 of the Receiverships Act 1993, and is not to be disseminated or passed to any other person without our prior written authority or in accordance with law.
- We reserve the right (but will be under no obligation) to review this report in the light of any information which now exists but becomes known to us after the date of this report.
- 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 may not add exactly.
  - Unless otherwise stated all amounts are stated in New Zealand dollars.

**2. Events Leading to Our Appointment**

- Five Star was an Auckland based finance company which had a registered prospectus and issued secured debenture stock to the general public.
- After consultation with Five Star's auditors and advisers, the board of directors concluded that Five Star was unable to operate given the lack of liquidity and the reduced re-investment rate in the market place. As such Five Star's board of directors requested the Trustee appoint receivers to the Companies.

**3. Key Events and Notifications following appointment**

- Please refer to our previous statutory reports for details of our actions taken on appointment.
- Our preliminary estimate of returns to secured debenture investors, in October 2007, indicated potential recoveries of 26% to 40% from the assets of the Companies.
- Unfortunately, deteriorating market conditions and subsequent events had a material adverse effect on the receivers' ability to recover outstanding loans and realise assets. As a consequence, in March 2008 we revised our estimate of recoveries to secured debenture investors to a range of 20% to 25%. This excludes the outcome of the legal action being brought by the Companies against the directors discussed under Section 7 below.
- We made our first repayment to all secured debenture investors of 17.5 cents in the dollar on 16 April 2008.

- In July 2008 we revised our estimate of recoveries to secured debenture investors to a range of 22.5% to 25% of their outstanding investment, excluding the legal action being brought by the Companies against the directors.
- We made our second repayment to all secured debenture investors of 5 cents in the dollar on 15 August 2008; bringing total repayments to date of 22.5 cents in the dollar.
- Regretfully, unsecured creditors will not recover any funds from the receiverships.

**4. Particulars of Assets and Disposal of Receivership Property**

- The table below summarises the consolidated total assets of the Companies as at 31 August 2007, based on draft, unaudited management information, as follows:-

<b>The Companies</b>		<b>As at</b>
<b>Statement of Financial Position</b>		<b>31 August</b>
<b>Draft and Unaudited</b>	<b>Note</b>	<b>2007</b>
		<b>Total</b>
		<b>(NZD'000)</b>
Loan Books	<b>4.1</b>	65,520
Provision for Doubtful Debts		1,018
Intergroup Advances	<b>4.2</b>	7,457
Accounts Receivable	<b>4.3</b>	728
Fixed Assets	<b>4.4</b>	480
Other		20
<b>Total Assets</b>		<b>73,187</b>

- For confidentiality and commercial reasons we are unable to provide further details in respect of individual loans or categories. However, we provide further detail on each of the categories and related recovery actions taken below.

#### 4.1 Loan Books

##### General

- The Companies major asset was the Loan Book totalling \$65.52m (before provisions for doubtful debts) which can be broken down into four distinct categories as detailed below.

<b>The Companies Summary of Loan Book Draft and Unaudited</b>	<b>Number of loans of loans</b>	<b>Total Value of loans \$000</b>
Commercial	72	40,965
Consumer	9,267	19,436
Vineyard	72	3,971
Other	1,783	1,148
<b>Total value of Loan Book</b>	<b>11,194</b>	<b>65,520</b>

Source: Management Information

##### Commercial Loans \$40.965m

- Five Star provided 72 commercial loans to private individuals and entities in New Zealand and one in Australia.
- As previously advised, the majority of the commercial loans were outside normal commercial lending practices and made either without any security or satisfactory security. As a result,

recovery of the commercial loans has been difficult with minimal realisations to date or expected.

- Total collections from the Commercial loan book to the date of this report are \$3.139m.

##### Consumer Loans \$19.436m

- Five Star provided 9,267 consumer loans to private individuals who purchased consumer goods on finance from certain retailers and door to door salespersons throughout New Zealand. The consumer goods financed by Five Star were generally secured by registration on the Personal Property Security Register.
- Total collections, including the sale of the consumer book on 14 March 2008, were \$10.238m.

##### Vineyard Loans \$3.971m

- VFL and VRL provided 72 loans to a number of vineyards and wineries throughout New Zealand to finance plant, equipment and wine barrels. The finance provided in this context by VFL and VRL was generally secured.
- Total collections from collections made together with the sale of the vineyard related loan books were \$3.099m.

##### Other Loans \$1.148m

- Loans were made to customers for security systems and store cards to a large number of private individuals and entities

throughout New Zealand. These were sold as part of the Consumer loan book sale completed on 14 March 2008.

- Total collections from other loan books at the date of this report are \$428k.

#### 4.2 Inter-Group Advances

- The unsecured intergroup advances made to Antares Finance Holdings Limited, the parent of the Companies, and to Five Star Finance Limited, now in receivership, are not collectable due to the insolvent nature of these companies.

#### 4.3 Accounts Receivable

- Accounts receivable of \$728k relates to prepayments and other sundry debtors balances. There have been limited recoveries from these assets.

#### 4.4 Fixed Assets

- Fixed Assets of \$480k were made up of a very small amount of office fixtures and fittings together with computer software development. There have been limited recoveries from these assets.

### 5. Particular of debts and liabilities outstanding and requiring to be satisfied from the property in Receivership

#### 5.1 Secured Debenture Investors of \$54.429m

- The secured debenture investors balance of \$54.429m represents approximately 3,200 investments held by approximately 2,130 secured debenture investors.
- We wrote to secured debenture investors on 5 September 2007 advising them of our appointment as receivers and requesting their confirmation of the amounts recorded as outstanding in respect of their investments.
- Updates on the status of the receiverships were distributed to secured debenture investors in October, December 2007, and March, July and December 2008.
- A repayment of 17.5 cents in the dollar was made to secured debenture investors on 16 April 2008 and a further repayment of 5 cents in the dollar made on 15 August. This brings total repayments to secured debenture investors to 22.5 cents in the dollar on their original investment.
- The funds to make these distribution came primarily from the daily collections, since the date of receivership, of amounts owing by customers in relation to the various loan books, proceeds from the sale of the vineyard loan book which was completed in late December 2007 and proceeds from the sale of the consumer loan book in March 2008.

- We acknowledge investors' ongoing support during the receivership. We will continue to keep investors updated on a regular basis via our website. A further formal update will be distributed by 31 December 2009.

#### 5.2 Inter-Group Borrowings

- Inter-Group Borrowings of \$6.380m represents the Companies recorded balance of amounts advanced from Five Star Consumer Finance Pty Limited ("FSCFPL") and Five Star Rentals Pty Limited ("FSRPL"), now both in receivership.
- The claims of the Australian receivers of FSCFPL and FSRPL have been classified as an unsecured creditor of the Companies.

#### 5.3 Accounts Payable \$2.5m

- Accounts Payable consists of liabilities and accruals including preferential creditor amounts for employee entitlements and Resident Withholding Tax together with unsecured creditor amounts such as amounts owed to trade suppliers.
- As noted previously, unsecured creditors will not recover any funds from the receivership.

#### 5.4 Preferential creditors

##### *Employee entitlements*

- All \$88k of preferential entitlements have now been paid to former employees.

##### *Inland Revenue Department ("IRD")*

- There was a preferential entitlement due to the IRD in relation to Resident Withholding Tax ("RWT") unpaid at the date of receivership. The outstanding amount of \$275k was been agreed and paid to the IRD.

#### **6.0 Receipts and Payments**

- We attach, as Appendix A, a combined statement of receipts and payments in the receivership for the 29 August 2007 to 28 August 2009

#### **7.0 Investigations**

- Following our investigations into the affairs of the Companies prior to our appointment, we gave instructions as the receivers of Five Star Consumer Finance Ltd (In Receivership) for the Company to issue civil proceedings on 3 July 2008 against the directors and an alleged shadow/de facto director for breaches of duties owed to the Company (including duties of care).
- The Companies claim was commenced after taking advice from a Queen's Counsel and after considering various matters including the costs of litigation and recovery issues.
- The defendants in that proceeding have filed statements of defence in relation to these proceedings and the parties are currently working through the discovery process.
- A Court hearing date has been set down for May 2010.

- At this stage, and while the matter is before the Court, it is too early to comment further on the merits and likely outcome of that claim.
- In addition, various Government Authorities have indicated a strong focus on identifying potential prosecutions involved with various finance companies including Five Star Consumer Finance Limited. The receivers have provided assistance and information to Government Authorities in respect of their investigations and will continue to co-operate and assist as required.

#### **8.0 Prohibition of the Directors**

- On 23 March 2009 the Deputy Registrar of Companies prohibited each of the Companies' directors, Nicholas Kirk, Anthony Bowden and Marcus Macdonald from being directors or promoters of, or taking part, whether directly or indirectly, in the management of any company for a period of five years.
- On 29 May 2009 a further person involved with Five Star Consumer Finance Limited, Neill Williams, was prohibited from being a director or promoter of, or taking part, whether directly or indirectly, in the management of any company for a period of five years. This was on the basis that the Deputy Registrar of Companies was satisfied that Mr Williams was a de facto director or manager of two or more companies to which section 385 of the Companies Act 1993 applies.

#### **9.0 Distributions**

- The receivers made a first pro-rata interim repayment to secured debenture investors on 16 April 2008 representing 17.5 cents in the dollar, of secured debenture investments.
- A further repayment of 5 cents in the dollar was made on 15 August 2008; bringing total repayment to date to 22.5 cents in the dollar.
- Our expectation remain the same that secured debenture investors could receive between 22.5% to 25% of their outstanding investment, excludes the outcome of legal action being brought by the Companies against the directors. As previously stated it is difficult to quantify both the quantum and timing of any further distributions to secured debenture investors as they are dependent on the outcome of the legal action and actions we are currently taking to recover certain commercial loans.

#### **10.0 Future Correspondence**

- Our next statutory report under Section 24 of the Receiverships Act 1993, covering the period from 29 August 2009 to 28 February 2010, will be prepared on or before 28 April 2010.
- We continue to keep secured debenture investors updated on a regular basis and are next due to report to them by 31 December 2009.
- Should investors or any other stakeholders have any queries arising from this report please contact us via one of the following methods:

1. Web at: <http://www.pwc.com/nz/fivestarfinance>
2. Post Office box: Five Star Consumer Finance, C/-  
PricewaterhouseCoopers, Private Bag 92 162, Auckland
3. Facsimile: 09 355 8013.

Dated this 12<sup>th</sup> day of November 2009



Richard D Agnew  
Receiver



Colin T McCloy  
Receiver

**Appendix A : Receipts and Payments**

- The table below sets out the receipts and payments for the Company from 29 August 2007 to 28 August 2009

	<b>\$ 000's</b>
<b>Receipts</b>	
Consumer ledger receipts	5,317
Commercial ledger receipts	3,139
Other ledger receipts	863
Consumer ledger sale	4,921
Vineyard ledger Sale	2,664
Management fees	186
Bank interest received	209
Other receipts	556
<b>Total Receipts</b>	<b>17,855</b>
<b>Payments</b>	
Operational costs	1,699
Receivers' fees & disbursements	1,440
Legal fees & disbursements	955
GST paid	285
IRD preferential payments	279
Secured debenture investor repayments	11,758
Other payments	184
<b>Total Payments</b>	<b>16,600</b>
<b>Net Funds on Hand</b>	<b>1,255</b>