

---

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

**Strategic Finance Limited (In Receivership and In Liquidation)**

**Strategic Nominees Limited (In Receivership)**

**Strategic Nominees Australia Limited (In Receivership)**

**Strategic Advisory Limited (In Receivership)**

**Strategic Mortgages Limited (In Receivership)**

For the six month period 13 March 2013 to 12 September 2013

Pursuant to Section 24 of the Receiverships Act 1993

Company Numbers:	951477
	632029
	1367148
	925900
	1406962





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

12 November 2013

**Strategic Finance Limited (In Receivership and In Liquidation) (“SFL”)**  
**Strategic Nominees Limited (In Receivership) (“SNL”)**  
**Strategic Nominees Australia Limited (In Receivership) (“SNAL”)**  
**Strategic Advisory Limited (In Receivership)**  
**Strategic Mortgages Limited (In Receivership)**  
(Collectively, "the Companies")

Please find attached our seventh six monthly 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, Perpetual Trust Limited. Secured debenture holders in the Companies were provided with a separate report on the status of the receiverships on 5 July 2013.

Yours faithfully  
For the Companies

A handwritten signature in black ink, appearing to read "J H R Fisk", with a large, stylized flourish at the end.

J H R Fisk  
Receiver

## **1 Introduction**

- 1.1 We, John Howard Ross Fisk and Colin Thomas McCloy, Chartered Accountants were appointed receivers to each of the Companies on 12 March 2010 by Perpetual Trust Limited (“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.
- 1.2 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.
- 1.3 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 Act. Furthermore, in preparing this report we have relied upon and not independently verified or audited information or explanations provided to us.
- 1.4 Our last report on the receiverships was dated 12 May 2013.

## **2 Legal claims against third parties**

- 2.1 We have filed and served proceedings against BDO Spicers in relation to the audit of SFL’s 2007 financial statements. The FMA have asked us to keep them informed about the progress and filing of this claim and we have done so.
- 2.2 We have previously advised that our confidential and privileged settlement discussions with SFL’s directors are effectively complete subject to the resolution of certain outstanding matters on an agreed timetable. This remains the position.
- 2.3 FMA’s confidential settlement discussions with the directors are also effectively complete, subject to the resolution of certain outstanding matters.
- 2.4 We expect to provide a further update to secured debenture investors on these matters by the end of March 2014.

## **3 Particulars of assets and disposals of receivership property**

### ***Estimate of Gross Recoveries to Secured Debenture Investors***

- 3.1 In our previous report for the six month period to 12 March 2013, we advised that our estimate of the gross recoveries to secured debenture investors from the realisation of SFL’s loan book was 12% to 20% of the principal amount outstanding to secured debenture investors as at 12 March 2010.
- 3.2 At this time our assessment of the estimated range of recoveries to secured debenture investors remains unchanged.
- 3.3 Distributions in the receivership to date total 10 cents in the dollar, which equates to \$36.8M in total interim distributions.

3.4 As detailed in paragraph 3.10 of this report, the majority of the property loan book has now been realised. There are five key remaining property loans which are more challenging to realise due to the nature of these properties – being development or coastal properties with title/resource consent issues.

3.5 We note that, for the purposes of this report, no allowance has been made for potential claims and subsequent recoveries that may arise from our investigations. We will continue to refine and update the estimated recovery range as we realise the loan assets.

3.6 Pursuant to our rights under Section 24(3) of the Act, we have chosen to omit from this report details of our proposals for disposal of receivership property as we consider that inclusion may materially prejudice the exercise of our duties as receivers.

### ***Property Loan Book***

3.7 At the time of our appointment, SFL's major remaining asset was the property loan book. These loans were made to borrowers either directly through SFL or through SNL or SNAL (collectively referred to as "Strategic").

### ***Overall Loan Realisation Strategy***

3.8 The status of Strategic's remaining loans can be categorised as follows:

- Loans where the underlying properties have either been sold and settled or are under contract;
- Loans where further work is required to resolve certain issues prior to marketing the properties for sale; and
- Loans where the only remaining security is guarantees.

### ***Loans where the underlying properties have either been sold and settled or are under contract***

3.9 We outline below a summary of loans and related properties that have either been sold and settled or are now under contract for sale since our previous six month report (we have only included in this list property sales where there are proceeds available to Strategic):

- One loan where an assignment of Strategic's debt has now been completed with an initial payment and further consideration payable over time.
- Development site in Fiji has now sold with the net proceeds payable to Strategic.
- Repayment plans have been entered into with certain guarantors, which provides for funds to be paid to Strategic over an agreed period of time.

### ***Loans where further work is required to resolve certain issues prior to marketing the properties for sale***

3.10 In our previous six month report, we advised that there were five key remaining loans where the underlying properties are not under contract or subject to any arrangement. The current status of these loans is as follows:

- Property located in Northland where the borrower is endeavouring to resolve title issues so that the development can be sold. We expect these title issues to be resolved prior to Christmas 2013;
- Property located in Australia where an amendment to the resource consent has recently been approved and the property will now be marketed for sale;
- Property located in Fiji where title issues are still being dealt with and is subject to litigation; and

- Two properties where Strategic has a second mortgage and there are substantial amounts owing to the first mortgagee. On one property, receivers have been appointed and we expect that there will be no funds available to Strategic. In relation to the second property, we are working with the borrower to negotiate the best possible outcome for Strategic.

3.11 In addition, there are three loans where legal action is being taken to try to recover funds for Strategic. The legal action primarily relates to disputes as to who is entitled to certain funds. These legal proceedings were all heard this year and the current status is as follows:

- Strategic was successful in relation to a summary judgment proceeding as to the entitlement to certain funds, however, this was appealed by the defendant. We are currently awaiting a decision from the Court of Appeal.
- Strategic successfully obtained summary judgment in relation to a debt owed by a third party under a guarantee. The third party has entered into a payment arrangement with Strategic.
- The third matter was heard in the Court of Appeal in early 2013 and Strategic was only partially successful.

#### *Loans where the only remaining security is guarantees*

3.12 We are also seeking to maximise the value of any collateral securities (including personal guarantees) that Strategic holds.

3.13 We have now dealt with the majority of the guarantors of loans either by way of settlement arrangements (which provides for funds to be repaid to Strategic over an agreed period of time) or making demand and issuing legal proceedings to recover funds.

3.14 There are two key guarantors where we are working towards a resolution of Strategic's claims under the guarantees as quickly as possible.

3.15 Where guarantors are bankrupted, we have filed claims in their respective bankruptcies and will await the outcome of the bankruptcy process to determine whether there will be any funds available to Strategic.

#### *Realisations from the Property Loan Book*

3.16 For the period 12 March 2010 to 12 September 2013, Strategic has received net realisations totalling approximately \$47.4M from the recovery of the loan book.

---

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

### **Secured debenture investors**

- 4.1 The secured debenture investors' balance of \$367.8M (as at 12 March 2010) represents approximately 12,900 investments held by approximately 10,000 secured debenture investors.
- 4.2 To date, we have made five interim distributions to secured debenture investors totalling 10 cents in the dollar, which equates to \$36.8M.
- 4.3 We last wrote to secured debenture investors on 5 July 2013 to update them on the receiverships.

### **Preferential Creditors**

#### **Employee entitlements**

- 4.4 Based on the information available from the Companies' records, employee preferential entitlements relating to salaries and wages and accrued holiday entitlements as at the date of receivership were calculated at approximately \$52k and have been paid.

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

- 4.5 The IRD has advised that it will not be filing a claim in the receiverships.
- 4.6 We are not aware of any other preferential claims in the receiverships of the Companies.

## **5 Amounts likely to be available for other creditors**

- 5.1 Given the estimated return to secured debenture investors, we regret to advise that there are unlikely to be any amounts available for payment to unsecured creditors, including unsecured depositors and subordinated noteholders.

## 6 Receipts and Payments

6.1 The table opposite sets out the receipts and payments for the Companies from 13 March 2013 to 12 September 2013.

6.2 We note the following in respect of the receipts and payments summarised in the table:

- As noted earlier in this report, as at 12 September 2013, net proceeds to Strategic (after settlement of prior ranking security holders and sale costs) from the property loan book totalled circa \$47.4M.
- Loan expenses includes, where required, payment of body corporate fees, local authority levies, insurance, marketing, maintenance, dealing with resource consent issues and GST payable on mortgagee sales. These costs continue to reduce as the properties securing the loan book are sold.
- Operational costs include, but are not limited to, investor registry and administration costs.
- Legal services incurred in the last six months primarily relate to enforcement action and legal advice in relation to assessing and pursuing claims against third parties, property administration and conveyancing in relation to the sale of property.
- Other professional fees include valuation costs and advice obtained from specialist property, accounting and tax consultants as required.

**Strategic Finance Limited and subsidiaries (In Receivership)**  
**Receipts and Payments Summary**  
For the receivership period from 13 March 2013 to 12 September 2013

	NZ\$ 000's
<b>Opening Balance</b>	
<b>Receipts</b>	
Brought forward	2,632
Receipts from loan book	2,801
Other receipts	17
GST refunds received	138
<b>Total receipts</b>	<b>5,589</b>
<b>Payment</b>	
Distributions to investors	1,142
Loan expenses	288
Operational costs	18
Legal fees and associated costs	502
Other professional fees and associated costs (including valuation costs)	47
Receivers' fees	268
Disbursements	31
Trustee fees	68
Foreign exchange movements	19
GST on payments	140
<b>Total payments</b>	<b>2,523</b>
<b>Net funds received</b>	<b>3,066</b>

---

## **7 Other Matters**

- 7.1 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:

**Strategic Finance Limited (In Receivership and In Liquidation)**  
**C/o PricewaterhouseCoopers**  
**PO Box 243**  
**Wellington**  
**Facsimile: +64 4 462 7492**  
**Website: [www.pwc.com/nz/strategicfinance](http://www.pwc.com/nz/strategicfinance)**

---

## **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.