
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 2016 to 12 September 2016

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

17 October 2016

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" or "Strategic")

Please find attached our thirteenth 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, Covenant Trustee Services Limited. A copy of this report is also being provided to secured debenture holders in the Companies rather than a separate report, as has previously occurred.

Yours faithfully
For the Companies

A handwritten signature in black ink, appearing to read "J H R Fisk", with a long, sweeping horizontal stroke extending to the right.

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. 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 As at 19 December 2013, Perpetual Trust Limited was replaced as Trustee of the Companies by Corporate Trust Limited. As at 1 March 2016 Corporate Trust Limited was replaced by Covenant Trustee Services Limited (“the Trustee”).
- 1.3 On 26 July 2010 John Joseph Cregten and Andrew John McKay were appointed joint and several liquidators of SFL. On 10 June 2014 John Cregten resigned as liquidator. On 22 December 2014 Adrienne Mary Stone was appointed joint liquidator with Andrew McKay.
- 1.4 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.
- 1.5 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.
- 1.6 Our last report on the receiverships was dated 12 May 2016.

2 Legal claims against third parties

- 2.1 There is nothing further to report in relation to legal claims against third parties with all material matters being dealt with in our previous reports.

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 2016, we advised that our estimate of the gross recoveries to secured debenture investors from the realisation of SFL’s loan book was 18.8% to 20% of the principal amount outstanding to secured debenture investors as at 12 March 2010. Our revised estimate is now between 20% and 20.7% of the principal amount outstanding to secured debenture investors at 12 March 2010.
- 3.2 Distributions in the receivership to date total 18.8 cents in the dollar, which equates to \$69.1M in total interim distributions.

Property Loan Book

- 3.3 At the time of our appointment, SFL’s major remaining asset was its property loan portfolio which comprised loans made to borrowers either directly through SFL or through SNL or SNAL (collectively referred to as “Strategic”).

Loans where issues continue to be worked through to enable realisation of property assets

- 3.4 In our previous six month report, we advised that there were two material remaining loans where the underlying properties are not under contract or subject to any arrangement for sale. The current status of these loans is as follows:
- Two properties where Strategic holds 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, a settlement has been reached with the developer which means a payment of \$5.5 million has been received shortly after the period covered by this report.

Loans where the only remaining security is guarantees

- 3.5 We have sought to maximise the value of any collateral securities (including personal guarantees) that Strategic holds. There is currently \$700,000 expected to be recovered from guarantors.
- 3.6 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 where necessary issuing legal proceedings to recover funds.
- 3.7 One guarantor with whom we have previously settled has failed to make the agreed payments under the settlement agreement. Accordingly, our solicitors have issued demand for the payments to be brought up to date.
- 3.8 During the period covered by this report we have reached an in principle agreement which should result in a small recovery for Strategic in settlement of the obligations under a guarantee. Payment had not been received by the end of the period covered by this report.

- 3.9 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

- 3.10 For the period 13 March 2016 to 12 September 2016, Strategic has received net realisations totalling approximately \$256k from the recovery of the property 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 interim distributions to secured debenture investors totalling 18.8 cents in the dollar, which equates to \$69.1M.
- 4.3 Subsequent to the period covered by this report we have made a further distribution to secured debenture investors of 1.2c in the dollar. This will be included in our next report.
- 4.4 We last wrote to secured debenture investors on 30 March 2016 to update them on the receiverships. No further separate communications will be sent to investors with this report being sent to investors instead.

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 2016 to 12 September 2016.
- 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 Sep 2016, net proceeds to Strategic (after settlement of prior ranking security holders and sale costs) from the property loan book totalled \$256k.
 - Other receipts relates to Bank interest.
 - Loan expenses includes, where required, 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 paid in the last six months primarily relate to enforcement action and legal advice in relation to assessing and pursuing claims against guarantors, and the aforementioned settlement.
 - Other professional fees include 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 2016 to 12 September 2016	
	NZ\$ 000's
Opening Balance	1,081
Receipts	
Receipts from loan book	256
Other receipts	2
GST refunds received	12
GST on receipts	-
Total receipts	270
Payments	
Loan expenses	8
Operational costs	18
Legal fees and associated costs	2
Other professional fees and associated costs (including valuation costs)	8
Receivers' fees	60
Trustee fees	42
GST on payments	19
Total payments	157
Net funds received	113
Closing Balance	1,194

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.co.nz/deals-services/corporate-restructuring/companies-in-receivership/strategic-finance/

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.