
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 2017 to 12 September 2017

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

24 October 2017

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 fifteenth 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.

Yours faithfully
For the Companies

A handwritten signature in blue 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 John Howard Ross Fisk and Colin Thomas McCloy 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. On 25 October 2016 Colin McCloy resigned as receiver and was replaced by David John Bridgman.
- 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 24 April 2017.

2 Legal claims against third parties

- 2.1 The Financial Markets Authority’s settlement with the former directors of Strategic has now been finalised with no further monies anticipated to be received by the Receivers.

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 2017, we advised that our estimate of the gross recoveries to secured debenture investors from the realisation of SFL’s loan book was 20% to 20.7% of the principal amount outstanding to secured debenture investors as at 12 March 2010. Our revised estimate is a final distribution of 21%.
- 3.2 Distributions in the receivership to date total 20 cents in the dollar, which equates to \$73.5M in total interim distributions.
- 3.3 The Receivers intend to shortly make one further distribution to secured debenture holders, following which the receivership will be brought to an end.

Property Loan Book

- 3.4 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

- 3.5 In our previous six month report, we advised that there was one material remaining loan where the underlying property was not under contract or subject to any arrangement for sale. The current status of this loan is as follows:
- A property where Strategic holds a second mortgage and there are substantial amounts owing to the first mortgagee. Receivers have been appointed and we still expect that there will be no funds available to Strategic. An agreement has been reached which assigns Strategic's interest in the loan to the Receiver of the borrower. This does not result in any further realisations for Strategic but allows the receivership of Strategic to be brought to an end.
 - We do not anticipate any further realisations in relation to the loan book.

Loans where the only remaining security is guarantees

- 3.6 We have sought to maximise the value of any collateral securities (including personal guarantees) that Strategic holds. As previously advised there was a further \$100,000 expected to be recovered from guarantors.
- 3.7 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.
- 3.8 One guarantor with whom we have previously settled had failed to make the agreed payments under the settlement agreement. Accordingly, our solicitors issued demand for the payments to be brought up to date. This was successful and \$590,000 was received during the last reporting period. One final payment of \$100,000 was due to be received during this reporting period. The guarantor sought an extension to pay, which was agreed. We confirm that

\$100,000 plus interest was received shortly after the reporting period ended, details of which will be included in our next report.

- 3.9 Where guarantors are bankrupted, we have filed claims in their respective bankruptcies. We do not anticipate any funds being available to Strategic from these bankruptcies.

Realisations from the Property Loan Book

- 3.10 For the period 13 March 2017 to 12 September 2017, Strategic has received no realisations from the recovery of the property loan book, including recoveries under guarantees.

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 20 cents in the dollar, which equates to \$73.5M.
- 4.3 During the period covered by this report we made no distribution to secured debenture investors.
- 4.4 We intend to make one small final distribution to secured debenture investors shortly. We will then be in a position to retire from the receivership
- 4.5 In addition to our statutory reports 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

- 4.6 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")

- 4.7 The IRD has advised that it will not be filing a claim in the receiverships.

- 4.8 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 2017 to 12 September 2017.
- 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 2017, there were no receipts in relation to the property loan book.
 - Other receipts relates to Bank interest.
 - Operational costs include, but are not limited to, investor, registry and administration costs.
 - Legal fees and associated costs relates to legal expenses in relation to pursuing the claim against the remaining guarantor.
 - Other professional fees include advice obtained from specialist accounting and tax consultants as required.

Strategic Finance Limited and subsidiaries (In Receivership) Receipts and Payments Summary For the receivership period from 13 March 2017 to 12 September 2017	
	NZ\$ 000's
Opening Balance	3,793
Receipts	
Receipts from loan book	-
Other receipts	123
GST refunds received	-
GST on receipts	-
Total receipts	123
Payments	
Operational costs	28
Legal fees and associated costs	1
Other professional fees and associated costs (including valuation costs)	10
Receivers' fees	17
Trustee fees	50
GST on payments	16
Total payments	122
Net funds received	1
Closing Balance	3,794

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/services/business-recovery/receiverships/strategic-finance.html

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.