
Receivers' Final 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 period 12 March 2010 to 28 September 2018

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

28 September 2018

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 ("SAL") (In Receivership)
Strategic Mortgages Limited ("SML") (In Receivership)
(Collectively, "the Companies" or "Strategic")

Please find attached our final report in relation to the Companies pursuant to Section 24 of the Receiverships Act 1993 for the period of the receivership, being 12 March 2010 to 28 September 2018. A copy of this report has been sent to the Trustee, Covenant Trustee Services Limited and is available on our website.

Yours faithfully
For the Companies

A handwritten signature in black ink, appearing to read "J H R Fisk", written over a horizontal line.

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. The liquidators remain in office. None of the other companies in the Strategic group have been placed into liquidation.
- 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.

2 Events Leading to our Appointment

- 2.1 SFL was a Wellington based finance company which had a registered prospectus and issued secured debenture stock, unsecured deposits and subordinated notes to the general public.
- 2.2 SNL, SNAL, SAL and SML are all 100% owned subsidiaries of SFL.
- 2.3 On 7 August 2008 SFL withdrew its prospectus and subsequently suspended all repayments to investors. The decision to suspend repayments was made due to concerns about the liquidity of SFL and its ability to meet its ongoing payment obligations to investors and other creditors.
- 2.4 On 2 December 2008, SFL’s directors proposed a moratorium that, inter alia, rescheduled principal payments to investors over a five year period, introduced some new governance, lending and reporting covenants, including repayment milestones. This moratorium proposal was subsequently passed by the requisite majority of investors and the Trust Deed was accordingly amended to reflect the moratorium proposal on 22 December 2008.
- 2.5 In January 2010, SFL announced to its investors that it would be unable to meet its milestone payment on 7 January 2010. It also advised that as a result of further provisioning, its total loan book value (net of provisioning) had fallen below 75% of the aggregate of principal monies owed to debenture holders, depositors and subordinated note holders. Both of these were “Review Events” under the moratorium terms.
- 2.6 Following negotiations between SFL and the Trustee, the Trustee concluded that it was in the best interests of investors that a receiver be appointed to the Companies.

3 Particulars of assets and disposals of receivership property

- 3.1 The recorded assets of Strategic at the date of receivership and recoveries for the receivership period are summarised in the table below:

NZ\$ in 000s	Para	Feb-10 Book Value (Management/ Unaudited)	Final Report
Net property loan book	3.2	229,104	59,269
Accounts receivable	3.8	5,352	1,926
Other assets	3.10	1,101	39
Bank accounts	3.12	4,962	4,920
Non Asset Recoveries	4	-	23,029
Total Assets		240,519	89,183

Property Loan Book

- 3.2 At the time of our appointment, SFL's major remaining asset was its property loan portfolio which comprised 87 loans with a book value of \$229M made to borrowers either directly through SFL or through SNL or SNAL.
- 3.3 The majority of the lending was in relation to property developments located in Auckland and overseas, although there were also large developments in Queenstown and Northland. The majority of the lending was subordinate to other chargeholders (58%) and in many cases further development funding was required to complete the development.
- 3.4 Of the 87 loans approximately 25 were to borrowers that were either in liquidation or receivership or the property was subject to a mortgagee sale at the time we were appointed receivers to Strategic.

- 3.5 A sales process for Strategic's full loan book was undertaken upon our appointment as receivers, however, no acceptable offers for the full loan portfolio were received. Accordingly we took steps to manage the loan portfolio on a loan by loan basis.
- 3.6 SNL and SNAL lent money where both SFL and other investors had contributed funding. It was accordingly necessary to work with the directors and other investors of SNL and SNAL to realise SFL's interest in these loans.
- 3.7 Over the period of the receivership, Strategic received \$89.2M from the recovery of the property loan book, including recoveries under guarantees.

Accounts Receivable

- 3.8 At the time of our appointment there were accounts receivable of \$5.4M owing to Strategic relating to pre-payments, exit and margin fees and other sundry debtor balances.
- 3.9 The receivers were able to recover \$1.9M of these amounts, of which \$1.2M relates to income tax refunds.

Other assets

- 3.10 At the time of our appointment there were other assets comprising fixed assets (primarily office fixtures and fittings and computer equipment) and other non-cash items with a book value of \$1.1M. Realisations from the sale of these assets totalled \$39k.

Bank Accounts

- 3.11 At the time of our appointment there was \$4.9M in Strategic's bank accounts. The receivers took control of these funds and they were used to pay distributions to secured debenture holders, along with the proceeds from other asset realisations.

4 Legal claims against third parties

- 4.1 The receivers engaged in without prejudice settlement discussions with the directors of Strategic in relation to alleged breaches of their obligations under the Companies Act 1993.
- 4.2 The Financial Markets Authority (“FMA”) also pursued the directors of Strategic for alleged breaches of the Securities Act.
- 4.3 The receivers also commenced legal proceedings against Strategic’s auditors, BDO Spicers in relation to its audit of SFL’s 2007 financial statements.
- 4.4 As a result of the actions by the receivers and the FMA a total of \$23M was received from the directors and BDO Spicers in settlement of any and all claims against them by Strategic and the FMA. These realisations were distributed to secured debenture holders along with other realisations.
- 4.5 In addition each of Strategic’s directors agreed that they would not act as a director or promoter of a public issuer for five years or accept appointment as CEO or CFO of a public issuer for three years without the consent of the FMA.

5 Particulars of debts and liabilities outstanding and requiring to be satisfied from the property in receivership

Secured debenture investors

- 5.1 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.
- 5.2 During the receivership we made distributions to secured debenture investors totalling 21 cents in the dollar, which equates to \$77.2M.

Preferential Creditors

Employee entitlements

- 5.3 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. These entitlements were paid in full.

Inland Revenue Department ("IRD")

- 5.4 The IRD advised that it would not be filing a claim in the receiverships.
- 5.5 We are not aware of any other preferential claims in the receiverships of the Companies.

Other Creditors

Unsecured depositors

- 5.6 The unsecured depositors' balance of \$1.5M (as at 12 March 2010) represents approximately 70 investments held by approximately 65 unsecured depositors.

- 5.7 During the receivership we made no distributions to unsecured depositors.

Subordinated note investors

- 5.8 The subordinated note investors' balance of \$21.8M (as at 12 March 2010) represents approximately 1,050 investments held by approximately 950 subordinated note investors.
- 5.9 During the receivership we made no distributions to subordinated note investors.

Interest payable

- 5.10 Interest payable relates to interest that had been accruing on secured debenture stock, unsecured deposits and subordinated notes but had not been paid nor credited to the account of each investor at the date of receivership
- 5.11 No distributions were made in relation to interest payable.

Accounts payable and other liabilities

- 5.12 Accounts payable and other liabilities consisted of liabilities and accruals including Resident Withholding Tax, income tax, inter-company and trade liabilities. There were insufficient recoveries made in the receivership to allow a distribution to be made in relation to accounts payable and other liabilities.

6 Receipts and Payments

- 6.1 The table opposite sets out the receipts and payments for the Companies from 12 March 2010 to 28 September 2018.

Strategic Finance Limited and subsidiaries (In Receivership)
Receipts and Payments Summary
For the receivership period from 12 March 2010 to 28 September 2018

	NZ\$ 000's
Receipts	
Cash at Bank held on receivership	4,920
Receipts from Strategic Finance Limited loan book	19,334
Receipts from Strategic Nominees Limited loan book	44,979
Receipts from Strategic Mortgages Limited loan book	4
Receipts from sale of sundry fixed assets	39
Income Tax Refunds	1,245
Other receipts	681
Settlements from Directors and Auditors	23,029
GST refunds received	1,524
GST on receipts	13
Total receipts	95,767
Payment	
Loan expenses	5,072
Payment of preferential entitlements	52
Operational costs	2,565
Insurance	12
Liquidators fees	60
Legal fees and associated costs	3,700
Other professional fees and associated costs (including valuation costs)	938
Receivers' fees	3,081
Disbursements	312
Trustee fees	1,167
GST on payments	1,508
Total payments	18,466
Net funds prior to distributions	77,284
Distributions to Secured Debenure Holders	77,230
Balance paid to Liquidator	53
Net Funds Held	-

7 *Other Matters*

- 7.1 The receivers have completed all administrative and taxation matters and have concluded their efforts to contact those with unclaimed distributions.
- 7.2 Unclaimed monies where distributions occurred more than six years ago have now been paid to Inland Revenue in accordance with the requirements of the Trust Deed and the Unclaimed Money Act 1971. Unclaimed monies where distributions occurred less than six years ago have been paid to the liquidators to hold until they are claimed by the rightful owner or paid over to Inland Revenue once they are eligible to be paid in accordance with the requirements of the Trust Deed and the Unclaimed Money Act 1971.
- 7.3 As the receivership has now concluded all future correspondence and queries should be directed to the liquidators of SFL. Their contact details are as follows:

BDO Auckland
PO Box 2219
Auckland 1140
NEW ZEALAND

+64 9 379 2950

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.