

Receivers' Second Report



Equitable Mortgages Limited (In Receivership) ("the Company") Company No: 907414

30516
17 August 2011

Introduction

The Company was placed in receivership on 29 November 2010 at the request of its directors. Subsequently Grant Robert Graham and Brendon James Gibson were appointed Joint and Several Receivers and Managers of the assets and undertakings of the Company on 17 December 2010 pursuant to a Trust Deed dated 5 May 1998. The appointment was in place of persons who had vacated office as receivers and managers.

Restrictions

This report has been prepared by us in accordance with and for the purposes of Section 24 of the Receiverships Act 1993. 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. In compiling this report we have relied on the accuracy of all relevant information provided by the Company. While 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 prior written authority or in accordance with the law.

Commentary

- The Company was incorporated in May 1998 and traded as a finance company providing first ranking loans for commercial, industrial or residential property. The Company traded from premises in central Auckland and Christchurch.
- The Company advises that due to uncertainties about the future viability of the Company related to the expiry of the Crown's Retail Deposit Guarantee Scheme, Receivers were appointed pursuant to the Trust Deed dated 5 May 1998. Subsequently Grant Robert Graham and Brendon James Gibson were appointed Joint and Several Receivers and Managers of the assets and undertakings of the Company on 17 December 2010.
- At the date of receivership the Company had loans of \$188.4 million to be recovered. It will not be possible to recover the full amount outstanding, but the Receivers are yet to confirm what portion can be collected.
- Subsequent to the period covered by this report, we have repaid \$35 million to investors and the Crown. That payment equated to approximately 18% of the amount owing.

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- The amount owing on the date of receivership to secured debentureholders in whose interests the Receivers were appointed was \$192.3 million.
- The majority of the Company's investors invested in a product that is covered by the Crown's Retail Deposit Guarantee Scheme. As at the 24 June 2011 the Treasury has advised us that approximately 78% of these investors have been repaid under the scheme.
- At this time we are yet to receive a claim from the Inland Revenue Department.
- From the Company records and claims received to date, we estimate that the total amount owing to unsecured creditors is circa \$25k. Again, we are yet to receive a claim from the Inland Revenue Department which is likely to increase the current unsecured claims.
- Based on our preliminary estimates, we believe it is extremely unlikely there will be a return to unsecured creditors and we expect there to be a shortfall owing to investors and the Crown.



G R GRAHAM
Joint Receiver

EQUITABLE MORTGAGES LIMITED
(IN RECEIVERSHIP)

Statement of Receivers' Receipts and Payments
From 29 November 2010 to 18 June 2011

RECEIPTS	\$
Cash at bank at date of appointment	32,504,153.66
Interest received	522,245.10
Loan interest received	1,676,958.09
Loan repayments	6,194,074.78
Pre-receivership tax refunds	53,640.10
Rental income	81,666.62
Sundry receipts	410.18
TOTAL RECEIPTS	41,033,148.53
 PAYMENTS	
Accountancy fees	22,922.11
Advertising	326.66
Bank charges	2,153.12
Commission	247.54
Company searches	128.02
Consultancy fees	108,083.58
Courier	38.59
Electricity	3,000.68
General expenses	1,612.83
Insurance	1,715.00
Legal costs	530,757.66
Loan advances	1,394,859.60
Management fees	383,750.00
Other assets	3,743.00
Postage	5,663.50
Printing & Stationery	1,901.40
Property-related costs	1,548.43
Rates - Council	39,605.52
Receivers remuneration	733,851.67
Removal expenses	3,143.25
Rent	12,230.96
Repairs & Maintenance	5,100.93
Salaries & Wages	111,559.72
Security costs	5,954.58
Software/IT-Related costs	56,786.60
Sundry payments	9,735.81
Telephone	408.22
Travelling expenses	6,866.08
Trustee fees	145,643.90
Valuation fees	21,572.50
TOTAL PAYMENTS	3,614,911.46
NET CASHFLOW	37,418,237.07