

# Receivers' Third Report



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

30516  
16 February 2012

### 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 (net of the provision that was in place at the date of receivership).
- The amount of principal owing on the date of receivership to secured debentureholders in whose interests the Receivers were appointed was \$192.3 million.

Corporate Recovery Services  
Turnaround & Restructuring Services  
Real Estate Advisory  
Forensics

*Independent New Zealand  
firm internationally affiliated  
with the KordaMentha Group*

[nz@kordamentha.com](mailto:nz@kordamentha.com)  
[www.kordamentha.com](http://www.kordamentha.com)

#### New Zealand

Level 16, 45 Queen Street  
Auckland 1010

PO Box 982, Shortland Street

Auckland 1140

Office: +64 9 307 7865

Fax: +64 9 377 7794

#### Offices

Adelaide

Brisbane

Gold Coast

Melbourne

New Zealand

Perth

Singapore

Sydney

Townsville

#### Cooperation with AlixPartners

Chicago

Dallas

Detroit

Düsseldorf

London

Los Angeles

Milan

Munich

New York

Paris

San Francisco

Shanghai

Tokyo

Washington, DC

- The majority of the Company's investors invested in a product that is covered by the Crown's Retail Deposit Guarantee Scheme. As at 27 January 2012 the Treasury has advised us that approximately 97% of these investors have been repaid under the scheme (by value).
- In total, we have repaid \$50 million to investors and the Crown. These payments equate to approximately 26% of the principal amount owing at the date of Receivership.
- We estimate that loan recoveries might enable us to repay between 65% and 70% (\$124.9 to \$134.6 million) of the total amount that was owing to investors on the day Receivers were appointed (this estimate includes the interim distributions on 8 August 2011 and 15 December 2011).
- A Company related to EML, Equitable General Insurance (EGI), issued loan loss cover policies in respect of EML's advances. We are assessing the claim that can be made under these policies and discussing with EGI its ability to meet these claims, which we expect will significantly exceed EGI's reserves. Our recovery estimate above does not allow for any recovery from these policies.
- 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 approximately \$25k.
- 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 19 June 2011 to 18 December 2011

<b>RECEIPTS</b>	<b>\$</b>
Balance carried forward	41,033,148.53
Adjustment to balance carried forward	5,841.61
Interest received	453,351.01
Loan interest received	612,281.12
Loan repayments	25,998,131.47
Rental income	79,303.13
Sundry receipts	360.82
<b>TOTAL RECEIPTS</b>	<b>68,182,417.69</b>
<b>PAYMENTS</b>	
Balance carried forward	3,614,911.46
Accountancy Fees	5,859.15
Bank charges	695.98
Commission	317.80
Company searches	27.57
Consultancy fees	84,865.34
Courier	122.45
Electricity	3,978.85
Investors Distributions	47,187,003.50
Loan advances	1,979,813.28
Legal costs	288,883.53
Management fees	5,872.17
Postage	885.75
Printing & Stationery	2,157.35
Property-related Costs	1,914.26
Rates – Council	40,312.44
Receivers remuneration	539,469.75
Rent	24,021.07
Repairs & Maintenance	1,012.34
Salaries & Wages (Gross)	168,983.58
Security costs	11,342.46
Software/ IT-Related Costs	38,112.60
Storage	1,095.68
Sundry payments	2,904.38
Telephone	6,221.47
Travelling expenses	5,819.90
Trustee Fees	149,381.18
Valuation fees	5,001.00
<b>TOTAL PAYMENTS</b>	<b>54,170,986.29</b>
<b>NET CASHFLOW</b>	<b>14,011,431.40</b>