

NZF Money Ltd (In Receivership) ("the Company") Company No. 868536

30536

21 September 2011

Introduction

Grant Robert Graham and Brendon James Gibson were appointed Joint and Several Receivers and Managers of the assets and undertakings of the abovenamed company on 22 July 2011 pursuant to a Debenture Trust Deed dated 21 October 1999 granted in favour of Covenant Trustee Company Limited ("the Trustee").

Restrictions

This report has been prepared by us in accordance with and for the purposes of Section 23 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

Background

- The Company was incorporated on 27 August 2007 and traded as a finance company providing commercial and residential loans. The Company traded from leased premises in Auckland.
- Due to an anticipated breach of the Debenture Trust Deed, the Directors asked the Trustee to appoint Receivers in order for the loans of \$28.3 million (before deduction of bad debt provisions) to be recovered.
- At this time it is not possible to accurately forecast the level of recovery from the loan book assets. We are continuing to review the loan book and have commenced the process of collection of outstanding loans. We note however that several loans of significant size have already been subject to previous restructuring, and in many cases valuations for security properties are well out of date. These factors logically give rise to concerns that there will be a material level of impairment on the loan book.

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nz@kordamentha.com
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

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- Other assets to be realised comprise of:
 - Inter-company debt owing from NZF Group Limited of \$283k;
 - A Subordinated Note for \$900k owing by NZF Mortgages Limited in its capacity as Trustee of the NZF Mortgages Warehouse A Trust that matures in September 2013;
 - Cash at bank of \$428k; and
 - Fixed assets with a book value of \$41k consisting of minor office furniture and computer equipment. We are in the process of realising these assets.

Creditors

- At the date of receivership Debentureholders were owed approximately \$16.4 million.
- The following security interests were registered on the Personal Property Security Register as at the date of receivership:

Secured Party	Address	Collateral Type	Date Registered
Covenant Trustee Company Ltd	48 Shortland St, Auckland	All present and after acquired personal property	24 Oct 02
Covenant Trustee Company Ltd	48 Shortland St, Auckland	All present and after acquired personal property	30 May 08
Motor Trade Finances Ltd, MTF Leasing Ltd & MTF Securities Ltd	193 Princes St, Dunedin	Goods – Motor Vehicles	10 Oct 08
Marac Finance Ltd	Cnr Teed and Gilles Ave, Auckland	Goods – Motor Vehicles	23 Dec 08
Marc Finance Ltd	Cnr Teed and Gilles Ave, Auckland	Goods – Motor Vehicles	16 Apr 10
Magnolia Lee Lease & Rentals and Mary Searley	143 Commerce St, Kaitaia	Goods – Motor Vehicles	17 Aug 10
UDC Finance Ltd	107 Carlton Gore Rd, Auckland	Goods – Motor Vehicles	17 Mar 11

- As at the date of appointment the preferential liabilities comprised employee entitlements of \$33k (gross) which have now been paid. At this time we have yet to receive a claim from the Inland Revenue Department.
- From the Company records and claims received to date, we estimate that the total unsecured creditor liability is circa \$115k. Again, we have yet to receive a claim from the Inland Revenue Department which is likely to increase the current unsecured claims.
- Hillview Trust claims an interest in the proceeds of certain loans in priority to the Trustee's interest. The Receivers do not yet agree Hillview Trust's claim is valid.
- Based on our preliminary estimates, we believe that it is unlikely there will be a return to unsecured creditors.
- We note that we have received co-operation from the Company's Directors.



G R GRAHAM
Joint Receiver