



**ROCKFORTE FINANCE LIMITED
(IN RECEIVERSHIP AND IN LIQUIDATION)**

RECEIVER'S INTERIM REPORT 2

Section 23 of the Receiverships Act 1993

Introduction

On 10 May 2010 Dennis Clifford Parsons and Katherine Louise Kenealy, Insolvency Practitioners of Indepth Forensic Limited, Insolvency Practitioners of Hamilton, were appointed Receivers of all the assets and undertakings of the company Rockforte Finance Limited (In Receivership and In Liquidation).

The appointment in respect of Rockforte Finance Limited was made pursuant to the terms of a Debenture Trust Deed, dated 21 January 2004, in favour of Covenant Trustee Company Limited

Rockforte Finance Limited was placed into liquidation on 15 February 2011 in the High Court at Gisborne on the petition of the Commissioner of Inland Revenue. The Official Assignee at Hamilton is administering the liquidation.

Restrictions

This Report has been prepared in accordance with and for the purpose 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 Grantor and the records of the company.

All information contained in this report is for the confidential use of the parties to which it is provided in accordance with Section 26 and 27 of the Receivership Act 1993, and is not to be disseminated or provided to other persons without the express written authority of the Receiver or in accordance with the law.

As Receivers we reserve the right (but are under no obligation) to review this report and if we consider it necessary, to revise the report in light of any information existing at the date of this report which becomes known to us after that date.

Company Details

Events Leading to Appointment of Receivers

Rockforte Finance Limited (“Rockforte”) was incorporated on 10 June 2003 and provided financial lending services from its offices in Gisborne. The company issued debt securities via a prospectus to the general public. The company ceased taking investor funds in 2009.

Rockforte is a party to a Crown Deed of Guarantee (“Crown Guarantee”) under the Crown Retail Deposit Guarantee Scheme. Details of this guarantee can be found online at www.treasury.govt.nz.

Between late 2009 and May 2010 Rockforte had been attempting to locate an institutional investor to assist in its financial position. When these negotiations stalled, the directors requested that the Trustee appoint Receivers.

Dennis Parsons and Katherine Kenealy, Insolvency Practitioners of Hamilton, were appointed as Receivers and Managers of Rockforte on 10 May 2010.

However our investigations have identified that the company was having material liquidity problems with non performing loans since mid 2009.

Crown Guarantee

Rockforte records indicated there were 77 investors with \$3.25m invested in secured debentures. All debenture stock is secured under the Trust Deed dated 21 January 2004 in favour of Covenant Trustee Company Limited. However further investors were identified totalling \$0.61m whose funds appear to have been transferred to third parties without their knowledge or consent.

The Receivers provided extensive information requested by Treasury to help facilitate their contact and verification of investor claims under the Crown Retail Deposit Guarantee Scheme. As a result of this Treasury have made payments to all advised investors.

Treasury has also made payments to a number of investors whose funds had been transferred out of the company without their knowledge or consent.

Recovery of Assets

The Receivers have reviewed the company’s loan book in detail. Rockforte has 318 loans, primarily small sums secured over second hand Japanese imported vehicles. At the date of receivership there was \$4.8m outstanding with \$1.1m classed as overdue. Security for loans can generally be described as poor and in some cases non existent. 35 loan files cannot be located.

Our initial review of the loan book indicated that this overdue figure was materially inaccurate as the company regularly refinanced non-performing loans into new loans, creating a new and current liability and by doing so had the effect of removing the non-performing loan from its records. In some instances this refinancing took place immediately prior to receivership.

The initial focus of the Receiver's was to evaluate the loan book to determine the best method of realisation and the strategies to be put in place to facilitate this realisation. The Receivers identified a number of specific loans which would substantially affect the realisation of the potential value of the loan book.

Non performing loans, and defaulting debtors have been referred to collection agencies for focused recovery action. To date the recoveries from these loans have been minimal only, with the recovery

process hampered by the material lack of documentation, the inability of the debtor to repay the debt and the poor level of security available. A number have been progressed to formal court action for recovery, however the costs of these actions in many cases, outweigh any possible return to the company.

Given the concerns as to the true nature and form of these loans detailed investigations were undertaken. These investigations revealed that a significant proportion of the loan book had been under-performing for over twelve months and that there was material undisclosed related party lending (\$2.0m).

Since appointment the Receivers have been managing the loan book of Rockforte. Recoveries to date have been in line with our investigations.

We have referred a number of matters for legal recovery involving the related parties, which include the directors of Rockforte.

Formal proceedings have been filed in the Gisborne High Court against the three directors of the company, Nigel O'Leary, John Gardner and Colin Simpson, in relation to alleged conversion of funds, and their management and stewardship of the company amounting to \$1.9 million. Since the filing of those proceedings, Mr Nigel O'Leary has been adjudicated bankrupt. A claim has been lodged with the Official Assignee in Mr O'Leary's bankrupt estate for the sum detailed in the Statement of Claim. To date no reports have been received from the Official Assignee in relation to the assets available in that bankrupt estate.

Formal Complaints Filed

As a result of the Receivers' investigations detailed complaints were filed with the Serious Fraud Office, the Securities Commission and the National Enforcement Office of the Companies Office. These complaints cover the Receivers' concerns of the apparent misappropriation of investor funds; the accuracy of the registered prospectus and the accuracy of the books and records of the company.

The Financial Markets Authority has recently announced that they have referred the complaint in relation to Rockforte Finance Limited, which they inherited from the Securities Commission, back to the Serious Fraud Office to prosecute. Officers from the Serious Fraud Office have reviewed all records held by the Receivers and have made wider enquiries, however we are not aware of any charges being laid at this stage.

Amounts Likely to be Available to Secured and Other Creditors

Given the likelihood of recovery against the directors is considered to be low, the Receivers anticipate that the return to the Treasury will now be less than 5c in the \$. This however will be subject to the ability of the Receiver to recover the remaining loan portfolio on a cost effective basis. This will also be dependent on successful resolution of various legal actions currently underway.

Other unsecured creditors owed a total of \$234,070.67 will not receive any recovery.

DATED at Hamilton this 14th day of September 2011

DC Parsons

DC Parsons
Receiver

**ROCKFORTE FINANCE LIMITED
(IN RECEIVERSHIP)**

**STATEMENT OF RECEIPTS & PAYMENTS
For the Period 4 December 2010 to 31 August 2011**

RECEIPTS	\$
Cash in company Bank Accounts at 4.12.10	86,029.02
Loan Repayments (net of commission and costs)	168,108.83
GST Refunds	23,915.85
Interest	962.17
TOTAL RECEIPTS	279,015.87
PAYMENTS	
	\$
Accounting Fees	4,246.76
Agent Fees	1,015.08
Bank Fees	372.35
Computer Fees	332.88
Software license	2,096.28
Insurance - Veripay	327.75
Legal Fees	43,559.88
Postage & Delivery	561.74
Receivers Fees	106,616.45
Search Fees	104.65
Telephone	601.10
Treasury Payouts	60,000.00
Trustee Fees	26,190.10
TOTAL PAYMENTS	246,025.02
BALANCE	
	\$
Funds Held	32,990.85