



**ROCKFORTE FINANCE LIMITED
(IN RECEIVERSHIP)**

RECEIVER'S INTERIM REPORT 1

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).

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

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 dated 21 January 2004. 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. Further investor claims are currently being investigated.

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.

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.

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 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.

Amounts Likely to be Available to Secured and Other Creditors

At this point the Receivers anticipate that the return to the Treasury will be no greater than 10c in the \$. This however will be subject to the ability of the Receiver to recover the performing 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 25th day of January 2011

DC Parsons

DC Parsons
Receiver

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**STATEMENT OF RECEIPTS & PAYMENTS
For the Period 7 May 2010 to 3 December 2010**

RECEIPTS	\$
Cash in company Bank Accounts	1,231.41
Loan Repayments	290,411.68
Sale of Assets	1,000.00
GST Refunds	16,244.54
EMA Central	675.00
TOTAL RECEIPTS	309,562.63
PAYMENTS	
	\$
Accounting Fees	4,904.79
Advertising	193.57
Agent & Collection Costs	1,421.84
Bank Fees	602.75
Computer Fees	599.13
Equipment Rental	1,470.77
Insurance - Autosure	546.64
Insurance - Veripay	1,144.03
Legal Fees	11,263.57
Payments to MTF	2,019.41
Payments to Quadrant Finance	6,231.00
Postage & Delivery	905.31
Power	371.40
Receivers Fees	143,201.49
Repairs & Maintenance	157.50
Search Fees	303.73
Staff Salaries	11,353.73
Telephone	2,043.15
Travel	2,249.97
Trustee Fees	32,549.83
TOTAL PAYMENTS	223,533.61
BALANCE	
	\$
Funds Held	86,029.02

Bank Balances at 3/12/10

National Bank	60,156.11
BNZ	16,648.28
Trust Account	9,224.63
	<u>86,029.02</u>

