



Finance and Leasing Limited
(In Receivership)
First Report by Receivers

Pursuant to Section 23 of the Receiverships Act 1993

17 March 2011

Contents

1. Important Notice	1
2. Introduction	1
3. Receivership Details	2
4. State of Affairs	4
5. Receivers Contact Details	6
About Deloitte	7

1. Important Notice

The information required to complete this report was provided by the Directors and employees of Finance and Leasing Limited (In Receivership) ("Finance and Leasing" or the "Company") and obtained from Company records. Values are based on book values from the financial statements and accounting records of the Company.

We have relied on the information provided by the Directors and employees of the Company and on Company records in preparing this report.

We take no responsibility for any incorrect information contained in this report that has been supplied by the Company, its officers or other persons. This is a report prepared by the Receivers and Managers in terms of Section 23 of the Receiverships Act 1993. This report is not to be reproduced or used for any other purpose without our prior written consent in each case. We do not accept any liability whatsoever to any party from any use of, or reliance on, this report.

Any realisation projections, time taken to complete realisations and related costs were all subject to uncertainty at the time that these projections were prepared. We express no opinion on the likelihood of any projections being achieved. Financial projections are based on assumptions and estimates of future events which cannot be estimated with any certainty. Actual results are likely to be different from projections and the variations could be material since anticipated events frequently do not occur as expected.

In accordance with standard practice neither Deloitte, the Receivers and Managers, nor any member or employee of Deloitte, undertakes responsibility arising in any way whatsoever to any person in respect of realisation projections, the related commentary on options available to the receivership, any estimate of outcome for creditors, or any report content based on information supplied by the Company, including any errors or omissions herein arising through negligence or otherwise however caused.

2. Introduction

Brett Chambers and Paul Munro of Deloitte were appointed Receivers and Managers ("Receivers") of all the assets, property and undertakings of Finance and Leasing Limited ("Finance and Leasing" or the "Company") on 18 January 2011 by Perpetual Trust Limited ("the Trustee") pursuant to a Trust Deed dated 20 October 1986 (as amended) (the "Trust Deed"). The appointment was made under the powers contained in the Trust Deed.

3. Receivership Details

3.1. Events Leading Up to the Appointment of Receivers

Perpetual Trust Limited is the Trustee for the secured debenture stock (and deposits) issued by Finance and Leasing.

New Reserve Bank regulations for finance companies came into force on 1 December 2010 with respect to capital ratio requirements. Finance and Leasing was unable to meet the required covenants on a consistent basis within the required timeframe.

The Company had applied to the Reserve Bank for dispensation but that would have taken three months to process, and in the meantime the Companies Office was unwilling to approve the Company's prospectus. Without a registered prospectus, the Company was unable to trade as a finance company and therefore the Directors requested the Trustee to place the Company in receivership.

3.2. Impact of the February Earthquake

The earthquake in February has impacted on the operations of Finance and Leasing.

Critical systems were recovered from off-site back-ups shortly after the earthquake and daily operations have recommenced which has enabled the servicing and management of the loan receivables to continue.

At the time of preparation of this report, we have been unable to access the Finance and Leasing offices. Consequently we have not had access to key records and other information since 22 February. Therefore we have prepared this report based on the information currently available to us.

3.3. Disposal of Property

The Receivers are considering their options in relation to the disposal of the Company's assets.

Finance and Leasing Loan Book

Since appointment the Receivers have been managing the loan book of Finance and Leasing to ensure loan repayments continue to be made and loans in arrears or default are acted on as appropriate. The loan book contains loans for business activities including property development and asset acquisition or retention, and as at the date of receivership there were 77 loans in total.

While the initial focus has been to manage and evaluate the loan book to determine how to maximise the potential return to investors, the Receivers have been actively approving settlement of loans where full realisation is available.

The loan book comprises a small number of loans with a high dollar value, and in several instances Finance and Leasing has a subordinated security position. The top ten individual loans exceed \$14m (91% of the book) and substantial client concentration exists with 96% of loan balances relating to the top seven client exposures (when related individuals or parties are consolidated) covering 35 of the 78 loans.

Due to the destruction caused by the earthquake, we will be assessing all loan receivables and related asset security that may have suffered damage as a consequence.

At this stage the Receivers believe that the best way to maximise the value recovered from the loans is by managing the individual loans on a case by case basis having regard to the terms of the loan facility, the available security, and the particular circumstances of the borrower.

The Receivers are developing a recovery strategy for loans on an individual basis having regard for any relevant issues or constraints.

The Receivers believe that the loan book or the Finance and Leasing business could potentially be sold and have prepared information for potential purchasers to provide an assessment of the value they would pay for the different parts of the loan book. The Receivers intend to qualify expressions of interest received to date and consider seeking further expressions of interest.

3.4. Amounts Owing to Appointer (On Behalf of Secured Debenture Holders)

Finance and Leasing had 230 investors and \$17.2m in depositor funds at receivership date (including funds held by the Trustee). Approximately \$16.5m is invested in secured debentures ("debenture stock") and approximately \$0.7m was held by the Trustee. All debenture stock is secured under the Trust Deed.

3.5. Amounts Owing to Other Secured Creditors

A Personal Property Securities Register ("PPSR") search dated 14 March 2011 revealed that the Company has granted a subordinated security interest in favour of South Canterbury Finance Limited for a block funding facility which was drawn to approximately \$105,000 as at receivership date.

3.6. Amounts Owing to Other Preferential Creditors

Finance and Leasing's preferential creditors are its employees and the Inland Revenue Department ("IRD").

The Receivers adopted approximately \$14,000 of employee preferential creditor payments and these were paid by the Receivers during February 2011.

The Receivers are yet to confirm the value of other preferential creditor payments, including amounts that may be owing to the IRD.

3.7. Amounts Owing to Unsecured Depositors

Finance and Leasing had no unsecured deposits as at 18 January 2011.

3.8. Amounts Owing to Unsecured Creditors

Unsecured creditors were notified of the receivership subsequent to our appointment. As at the date of this report the Receivers have received several confirmations from unsecured creditors however we have yet to receive confirmations of debt from all known unsecured creditors.

3.9. Amounts Owing to Redeemable Preference Shareholders

The Company has 600,000 Perpetual Cumulative Redeemable Preference Shares (RPS). These shares have a fixed value of \$1.00 each. The RPS rank behind all secured and unsecured creditors of the Company and all payments having priority at law, but rank ahead of the ordinary shares of the Company.

3.10. Amounts Owing to Ordinary Shareholders

At the date of receivership Finance and Leasing had share capital with a book value of \$3.0m comprising ordinary shares. These shares have no par value and rank equally with regard to the Company's residual assets.

3.11. Amounts Likely to be Available to Secured and Other Creditors

The amount likely to be available to secured and other creditors is difficult to assess as the outcome will be dependent on the values realised from a small number of larger loan balances.

At this stage the Receivers are unable to provide an assessment of the amount likely to be available to secured creditors. Our initial estimate is that there will be insufficient funds available to provide any return to unsecured creditors, RPS holders and ordinary shareholders.

Given the confidential nature of Finance and Leasing loan book, the Receivers believe releasing specific details of loans and collections to date would prejudice the exercise of their functions and possibly the outcome for secured debenture holders. Accordingly, under Section 23(3) of the Receiverships Act 1993 the Receivers omit specific details in this section.

4. State of Affairs

4.1. Assets Comprising the Property in Receivership

The assets of Finance and Leasing principally comprise its loan book assets, cash, investment properties, and other assets including office equipment and computers used to carry on business activities.

According to the Company records available to the Receivers the primary assets of Finance and Leasing relate to finance receivables that total \$14.4m as of the date of receivership.

The finance receivables are categorised as follows:

Loan Receivables	Book Value ('000s)
Total Loan Contract Receivables	15,931
<i>Less: Impaired Loans / Accruals</i>	<i>(1,556)</i>
Total Book Value	14,375

The only other assets recorded in the latest financial position of the Company available as of the date of receivership are:

Other Assets	Book Value ('000s)
Bank	224
Funds held by Trustee	693
Accruals and Other Receivables	134
Office Equipment / Computers	6
Investment Properties	3,220
Deferred Tax	343
Total Other Assets	4,620

Total assets are therefore recorded at a book value of \$19.0m as at the date of receivership and are made up of:

Total Assets – Summary	Book Value ('000s)
Loan Receivables	14,375
Other Assets	4,620
Total Assets	18,995
Exclude Bank	224
Exclude Funds Held by Trustee	693
Total Assets (Excluding Bank)	18,078

4.2. Summary of Debts and Liabilities

Particulars of debts and liabilities as at the date of receivership:

Debts and Liabilities	Book Value ('000s)
<i>Secured Creditors</i>	
Perpetual Trust (for Debenture Holders) ¹	17,159
Preferential Creditors ²	110
<i>Unsecured Creditors</i>	
Unsecured Debenture and Deposit Holders	-
Creditors	139
Redeemable Preference Shares	600
Total	18,008
Notes:	
1. The 'Secured creditors' amount shown above includes accrued interest.	
2. Includes amounts distributed to employees and an estimate of preferential amounts owed to the IRD. All creditors (both secured and unsecured) were notified of the receivership at appointment and were provided Confirmation of Debt forms to complete. We have not yet received all creditor claims.	

4.3. Encumbrances Over the Property in Receivership

Particulars of encumbrances over the property in receivership are registered on the PPSR. A search of the PPSR dated 14 March 2011 revealed that the Trustee and South Canterbury Finance hold the only registered interests.

4.4. Any Default by the Grantor in Making Information Available

There has been no default by the Grantor in making information available.

5. Receivers Contact Details

The Receivers can be contacted at the address below.

Finance and Leasing Finance Limited (In Receivership)
C / - Deloitte
P O Box 248
Christchurch 8140
+64 3 379 7010
www.deloitte.com/nz/Finance and Leasing



Paul Munro
Receiver and Manager

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private Company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/nz/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte's approximately 170,000 professionals are committed to becoming the standard of excellence.

Deloitte New Zealand brings together more than 900 specialists providing audit, tax, technology and systems, strategy and performance improvement, risk management, corporate finance, business recovery, forensic and accounting services. Our people are based in Auckland, Hamilton, Wellington, Christchurch and Dunedin, serving clients that range from New Zealand's largest companies and public sector organisations to smaller businesses with ambition to grow. For more information about Deloitte in New Zealand, look to our website www.deloitte.co.nz.