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## FE Investments Limited (in Receivership and in Liquidation)

Company No. 1353487

1 December 2020 | 30666

### 1. Introduction

On 1 April 2020, Neale Jackson and Brendon James Gibson of Calibre Partners were appointed Joint Receivers and Managers ('the Receivers') of all of the assets and undertaking of FE Investments Limited ('FEI' or 'the Company') pursuant to a Trust Deed dated 8 August 2003 (as amended from time to time) and a security interest registered in accordance with the Personal Property Securities Register Act 1999 on 9 October 2003, granted in favour of Trustees Executors Limited ('TEL').

This is the Receivers' second statutory report and covers the period 1 April 2020 to 30 September 2020 ('the Period').

### 2. Restrictions

This report has been prepared by us in accordance with and solely for the purposes of Section 24 of the Receiverships Act 1993.

In compiling this report, we have relied on the accuracy of all relevant information provided by the Company. We have not independently audited or verified that information and express no opinion on its accuracy, completeness or reliability.

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 law.

We reserve the right (but will be 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.

### 3. Background

FEI was incorporated on 21 July 2003 and traded as a non-bank deposit taking finance company providing commercial loans and finance leases.

Prior to the appointment of the Receivers, FEI had been working to recapitalise the Company. It was unable to recapitalise and defaults occurred under the terms of the trust deed dated 8 August 2003 (as amended from time to time). As a result, TEL appointed the Receivers.

The amount owed to deposit holders as at the date of receivership totalled \$54.6million. As a consequence of the receivership, all payments of principal and interest to deposit holders were suspended. A first interim distribution totalling \$2.2 million was paid to depositors on 30 October 2020.



## 4. Commentary

### 4.1 Asset position at date of appointment

FEI's balance sheet recorded the following assets at 31 March 2020

As at 31 March 2020 (unaudited)	No. of Loans	Book Value \$m
Current assets		
Cash and cash equivalents	-	5.9
Other current assets	-	0.3
<b>Total current assets</b>	<b>-</b>	<b>6.2</b>
Property loans	8	22.2
Finance lease	2,719	8.1
Related party	2	1.3
Other loans	2,013	33.2
<b>Total loans</b>	<b>4,742</b>	<b>64.8</b>
Intangible assets	-	1.4
<b>Total non-current assets</b>	<b>-</b>	<b>66.2</b>
<b>Total fixed assets</b>	<b>-</b>	<b>0.7</b>
<b>Total assets</b>	<b>4,742</b>	<b>73.1</b>

As is shown above, FEI had two significant assets at the date of the Receivers' appointment which was cash on hand and loans advanced to borrowers.

#### Cash balance at date of appointment

- At the date of appointment, the Company held \$5.6 million in actual cash and a further \$0.3 million as bonds.
- We were advised that other parties potentially had claims to some of the cash. During the Period, we have analysed those claims and, where necessary, have taken steps to resolve them.
- \$0.82 million of the \$5.6 million of cash related to property sales which third parties have an interest in. This is discussed later in this report.

#### Loan accounts

FEI's loan book was split between:

- Property loans: Eight borrowers accounted for the \$22.2 million recorded above. The book value of these loans (as shown above) materially overstates the recoverable value of these loans. We have resolved the position on most of these loans during the Period, with the rest likely to be resolved in the coming weeks. Third party investors have claims against the proceeds recovered from these loans. We discuss this further later in this report.
- Finance leases: 2,719 borrowers accounted for the \$8.1 million that is recorded above. Most of these loans have generated regular cashflows throughout the Period. The income generated during the Period is shown in the attached receipts and payments account. During the period we commenced a sale process to realise value from these loans.
- Related parties: Two borrowers accounted for the \$1.3 million that is recorded above. We have collected one of the loans and are in negotiations with the remaining party.
- Other loans (primarily lending to businesses): 2,013 borrowers accounted for the \$33.2 million that is recorded on FEI's balance sheet. We continue to work through these loans and collect cash where possible. The amount that we recover in respect of these loans will be substantially lower than the book value shown above.



There are currently 16 loans with a balance sheet value of \$25.6 million that are in dispute. We continue to work through these disputes with the borrowers. These disputes need to be resolved before we can recover any value from these loans.

## 4.2 Realisations of assets

During the Period, the Receivers have collected the following assets:

	\$m
Finance lease income	2.58
Other loan income	0.75
Cash and cash equivalents/other realisations	4.81
<b>Total</b>	<b>8.14</b>

The Receivers have realised \$2.58 million from managing the finance lease book during the Period. As noted above, during the Period we commenced a sales process to sell the finance lease book. If the book can be sold for an appropriate value, returns to deposit holders will be accelerated compared with the position if the loans are collected to their maturity.

We will provide a further update on the sales process in our next statutory report.

During the Period, \$0.75 million has been collected from various other (non-finance lease) loans.

Further details about the loans and realisations will be disclosed in future reports when it is appropriate to do so.

## 4.3 Funds currently held in the Receivers' trust account

There is currently \$2.56 million sitting in the Receivers' trust account, which is the proceeds from property loans which are subject to potential claims from third parties. These funds will be held in the Receivers' trust account pending resolution of these claims.

	\$m
Property Loan: Anzac	1.64
Property Loan: BL Holdings/Alberton	0.92
<b>Total</b>	<b>2.56</b>

At the date of the Receivers' appointment there was approximately \$0.82 million sitting in FEI's bank account which was proceeds from the sales of properties relating to the BL Holdings/Alberton lane loans. The last remaining property was sold during the Period and a further \$0.1 million was received by FEI following repayment of the first mortgagee's mortgage debt and sales costs.

During the Period, FEI received net proceeds of \$1.6 million from the sale of the 'Anzac' development following repayment of the first mortgagee's debt and sale costs. FEI holds these funds as trustee for itself and co-investors under the co-investor trust arrangements.

## 4.4 Realisations secured but not yet finalised

The Receivers have agreed the settlement of a property sale worth approximately \$4 million which is scheduled to complete in November 2020. The net proceeds (once the first mortgagee has been repaid) is subject to a priority dispute. FEI's share of the proceeds will be disclosed in the Receivers' next report. In addition, the Receivers expect to realise a loan of approximately \$0.5 million in mid-December 2020. The actual amount received will be disclosed in the Receivers' next report. Repayments in respect of a further \$2.2 million are currently subject to negotiation.



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## 5. Depositors

At the date of receivership there were 1,234 individual deposits totalling \$54.6 million. Interest continues to accrue on this balance in accordance with each deposit certificate.

On 30 June 2020, we wrote to all depositors asking them to confirm the details of their deposits held with FEI. The purpose of the confirmation exercise was to ensure that we held correct and up to date information on depositors.

On 30 October 2020, the Receivers paid a first interim distribution of \$2.2 million to depositors who had completed the depositor confirmation process before 27 October 2020. Depositors received a distribution of 4.5% of the value of their deposit as at 30 October 2020. As this is out with the Period, it does not show in the attached receipts and payments account.

Catchup distributions will be paid at the end of each month to those depositors that complete the depositor confirmation process. The Receivers are currently assessing whether they can pay a further distribution to depositors from the funds available. The Receivers will notify depositors prior to the payment of any further distributions.

## 6. Creditors

### 6.1 Preferential creditors

During the Period, the Receivers have paid \$32,587 in respect of employees' preferential entitlements. There remains a preferential employee claim balance of \$16,376 in respect of those employees still employed by the Company.

The IRD have submitted a preferential claim for outstanding GST and RWT at the date of receivership totalling \$315,237. We are currently reviewing this claim.

### 6.2 PMSI Creditors

Our search of the Personal Property Securities Register shows several parties had registered financing statements against the Company. The registrations were summarised in the schedule attached to the Receivers' first report. We have assessed secured interests and confirmed those with a perfected security interest.

### 6.3 Unsecured Creditors

To date, we have received \$96,297 of unsecured creditor claims.

On 24 July 2020, FEI was put into liquidation by special resolution of the shareholders pursuant to section 241(2)(a) of the Companies Act 1993. Rees Logan and Rhys Cain of the firm EY were appointed joint and several liquidators of FEI. Unsecured creditors should contact the liquidator with any claims or queries.

Should you have any queries regarding this report, please do not hesitate to email [fei@calibrepartners.co.nz](mailto:fei@calibrepartners.co.nz).

Yours faithfully

Neale Jackson  
Joint Receiver



## FE Investments Limited (In Receivership and in Liquidation)

Statement of receipts and payments for the period 1 April 2020 to 30 September 2020

	\$
<b>Opening balance</b>	-
<b>Receipts</b>	
Cash at bank at the date of receivership	4,756,972
Finance lease income	2,582,280
Interest received	1,840
MDS wage subsidy	55,080
Other loan income	746,372
Other income	1,396
<b>Total receipts</b>	<b>8,143,942</b>
<b>Payments</b>	
Administration charges	23,638
Advertising	636
Bank charges	6,139
Couriers	2,231
Employee preferential entitlements paid	32,587
GST paid	154,670
Insurance	39,250
Legal fees	232,491
Liquidators' funding	19,619
Loan advances	245,543
<b>Loan related costs - legal fees</b>	
Business loans	152,887
Intercompany	80,454
Other loans	192,740
Property loans	175,813
MDS wage subsidy	55,080
Property costs	75,344
<b>Receivers' remuneration</b>	
Accounting	47,135
Asset Realisation	326,033
Creditors	17,805
Depositor	52,117
General administration	95,216
Statutory and reporting	52,207
Strategy	59,680
Trading	137,737
Printing and stationary	3,553
Software/IT related costs	79,843
Staff costs	245,150
Sundry costs	13,120
Trustee fees	150,490
Valuation costs	4,200
<b>Total payments</b>	<b>2,773,406</b>
<b>Net cashflow</b>	<b>5,370,535</b>
<b>Closing balance</b>	<b>5,370,535</b>

### Comprises of:

Bank balance	5,423,915
GST (payable)/receivable	(50,259)
PAYE	(3,121)
<b>Closing Balance</b>	<b>5,370,535</b>
Funds held on Trust	2,555,713