

# Meltzer Mason Heath

Chartered Accountants practising as insolvency specialists

Refer to: Lloyd Hayward

## Liquidators' First Report

### Bribanc Property Group Limited (In Liquidation) ("The Company")

#### 1. Appointment

We advise that Jeffrey Philip Meltzer, Arron Leslie Heath and Lloyd James Hayward were appointed joint and several Liquidators of the above company on 8 February 2008 by special resolution of shareholders.

Jeff Meltzer, Arron Heath and Lloyd Hayward are Chartered Accountants and full time Insolvency Practitioners. They have not previously acted in any capacity for the Company or the officers and shareholders of the Company.

#### 2. Background

<i>Date of Incorporation:</i>	16 May 2003
<i>Trading Address:</i>	191 Queen Street and 85 Beach Road, Auckland
<i>Type of Business:</i>	Property Management
<i>Date Ceased Trading:</i>	25 January 2008
<i>Shareholder:</i>	Mead Limited 100 shares
<i>Director:</i>	Neil Constantine Bell
<i>Share Capital:</i>	100 ordinary shares
<i>Date of Liquidation:</i>	8 February 2008

#### 3. Events Leading to Appointment

During August 2007 the New Zealand operations of Blue Chip became part of a Master Franchise. The present director was appointed and the operation continued to trade as previously. New companies were formed for trading, underwriting and franchise purposes.

From October 2007 the New Zealand franchise group began to experience cash flow problems mainly stemming from a funder withholding underwriting fees due on a property development in Auckland. The new director also became aware that Bribanc Property Group Limited ("Bribanc") was experiencing significant operational issues. For example Bribanc's accounts and processes had not been maintained since the end of March 2007.



Media articles contributed to a fall in sales to investors and a consequent reduction in group income. The Group Directors attempted to raise additional capital and to sell assets but were largely unsuccessful in this endeavour.

Also the property portfolio managed by the Group experienced increased vacancy rates, putting additional pressure on cash flows.

As a result of these issues the Group Directors made the decision to appoint independent providers, Harcourts Real Estate and First Street Property Management Limited, to manage the portfolio. This decision was intended to enable the business to resolve the inaccuracies with crucial property data.

The issues combined to create a cash flow shortfall and interruption to client rental payments and investor payments.

As a consequence of the cash shortfall, non-completion of asset sales and downturn in new sales, the Group Directors determined that 19 of the group companies should be placed into voluntary liquidation and the Liquidators were consequently appointed.

#### **4. Proposals for Conducting the Liquidation**

The Company, as part of the business known as Blue Chip undertook the property management of properties owned by investors who had leased their property to ART Apartments Limited (In Liquidation) or to Auckland Residential Tenancies Limited (In Liquidation). Those companies in turn, leased the properties to tenants either on a long term or short term basis. The Company undertook property management, strata title management and body corporate management. In December 2007 and January 2008 prior to the liquidation of the Company, the business undertaken by the Company was contracted out and the Company ceased operations.

Having regard for the state of the financial records referred to in point 3 above the Liquidators intend to undertake such analysis and reconciliations that are possible in the circumstances to confirm the existence and quantum of assets and liabilities.

##### ***Realisation of Assets***

In relation to the assets identified to date:

(a) Trade Debtors

Normal debt recovery procedures will be implemented to recover receivables

(b) Fixed Assets

The Company acquired plant and equipment, office and computer equipment and motor vehicles.

Once the Liquidators determine that the Company has no further use for these assets they will be sold.

(c) Management Rights

The Company managed a significant book of rental property. In January 2008 this function was contracted out to Harcourts Real Estate in relation to long stay residential properties and First Street Property Management Limited in relation to short stay properties.

Investors were advised that the Company would accept termination if investors terminated leases with ART Apartments Limited and/or Auckland Residential Tenancies Limited. Investors both before and after liquidation terminated leases to the extent that more than half the rental book has terminated. This has had the affect of diminishing the potential value of the rental book considerably.

The Liquidators will continue to explore the possibility of sale of management rights subject to the risk of claims by the contractors should the subcontracts be disclaimed. Such claims could extinguish any financial benefit of sale of the management rights.

The Company continues to be entitled to a share of any commission earned by the contractors on properties that continue to be managed on behalf of the Company.

(d) Cash at Bank

The Liquidators have recovered \$126,000 from bank accounts operated by the Company. We understand that some monies may be held on trust and no monies will be disbursed until entitlement to the funds is determined.

Notwithstanding requests by the Company and newly appointed property managers, tenants continue to pay rentals by direct credit to the Company's bank account. This money will also be held and not disbursed pending determination as to who is entitled to these funds.

(e) Inter Company Receivable

The inter company receivable is from Mide Limited (In Liquidation). Mide is insolvent and any recovery is uncertain.

***Examination of Books and Records***

The Liquidators will examine the Company's available books and records and conduct a review of the Company's affairs. In particular the Liquidators intend to review:

- (a) Cashflows in the period prior to liquidation to ascertain the cash received from rental income and how that cash was disbursed.
- (b) The circumstances regarding the creation of "New Zealand Private Group" of which the Company is a part and the arrangements regarding the Blue Chip franchise contracted to the New Zealand Private Group.

- (c) Transactions with related parties. A consequence of the incomplete processing of transactions and reconciliations is that we have not yet been able to confirm the amounts that may be due from or payable to related party entities. Therefore the Estimated Statement of Position excludes any related party amount.
- (d) Assess whether the director (or any previous director) has breached any duty to the Company as set out in the Companies Act 1993.

### ***Knowledge of Information Relevant to the Liquidation***

Should investors, creditors and other parties possess any information that may be relevant to the liquidation, or may lead to realisations for the benefit of creditors, please advise the Liquidators in writing and provide them with copies of supporting documents.

## **5. Statement of Affairs**

The Liquidators have prepared an Estimated Statement of Affairs based on the books and records of the Company. At the date of liquidation the books and records of the Company were not up to date in terms of processing transactions and reconciliations. We therefore have considerable doubt as to the accuracy and reliability of the financial records and the assets and liabilities disclosed therein. We have nevertheless prepared the Estimated Statement of Affairs based on extracts from the Company's records so as to give creditors a preliminary view of the financial position of the Company. The attached copy of the Estimated Statement of Assets and Liabilities must therefore be read having regard for this and the disclaimer.

## **6. List of Creditors**

A list of all known creditors has been compiled by the Liquidators. Ordinarily this list must accompany the Liquidators First Report. The Liquidators applied to the High Court to vary the Companies Act 1993 requirement to deliver a list to every creditor. The High Court approved the variation and directed that the list of creditors be available on the Meltzer Mason Heath website and by post if requested.

The list of creditors is available on our website at [www.mmh.co.nz](http://www.mmh.co.nz). Any creditor who wishes to have a copy posted to them, please phone 09 357 6150 or email [lloyd@mmh.co.nz](mailto:lloyd@mmh.co.nz) to request a copy.

## **7. Creditor's Claim Form**

Creditors should complete and return a creditor's claim form. Our first communication with investors and creditors on 15 February 2008 included a claim form and asked creditors to complete this and return to our office by 18 March 2008. Creditors who do not make a claim within the period may be excluded from any distribution that may be made.

If you do not have a claim form and require one, the form is available on our website at [www.mmh.co.nz](http://www.mmh.co.nz) or by post. Please phone 09 357 6150 or email [lloyd@mmh.co.nz](mailto:lloyd@mmh.co.nz) to request a copy.

**8. Retention of Title Claims/Security Interests**

Please note, if you believe you have a valid retention of title claim or security interest over goods or equipment supplied to Bribanc Property Group Limited (In Liquidation), and you have not yet contacted the Liquidators, please contact us immediately.

**9. Initial Creditors Meeting**

The Liquidators intend to hold a creditors meeting. Attached to this report is a notice of meeting, agenda and other documents related to the meeting.

**10. Liquidation Committee**

In the notice of meeting referred to above the Liquidators have called for nominations for the Liquidation Committee to be elected at the creditors meeting. If you wish to make a nomination for the Liquidation Committee please ensure you have your nomination with the Liquidators 48 hours before the meeting.

A Liquidation Committee has certain powers set out in s315 of the Companies Act 1993, including to assist the Liquidators as appropriate in the conduct of the liquidation.

**11. Estimated Date of Completion of Liquidation**

It is not practicable to estimate the date of completion of the liquidation at this stage.

Enquiries should be directed to: Lloyd Hayward



L J Hayward  
**Liquidator**

Dated this 6<sup>th</sup> day of March 2008

Attach:

**Estimated Statement of Affairs of  
Bribanc Property Group Limited (In Liquidation)  
As at the date of the Appointment of Liquidators  
Being 8 February 2008**

	<i>Book Value</i> \$	<i>Estimated Realisable Value</i> \$
<b>Assets:</b>		
Cash at Bank	126,000	126,000
Debtors	342,000	Unknown
Intercompany Receivables	312,000	Unknown
Office Furniture, Computers, Fittings and Equipment, Motor Vehicles	120,000	<u>15,000</u>
<b>Estimated Total Assets Available for Preferential Creditors</b>		<u>141,000</u>
<i>Less</i> – First Ranking Preferential Creditors		
Wages and Holiday Pay (Includes PAYE)		<u>21,000</u>
		120,000
<i>Less</i> – Second Ranking Preferential Creditors		
Inland Revenue Department	GST 162,000	
	PAYE 102,000	
	<u>                    </u>	<u>264,000</u>
<b>Estimated Total Deficiency for Unsecured Creditors</b>		<u>144,000</u>
<i>Less</i> – Unsecured Creditors		<u>279,000</u>
<b>Estimated Total Deficiency as regards Unsecured Creditors</b>		<u><u>\$423,000</u></u>

**Note:** The above estimates are subject to the costs of realisation, including Liquidators' fees.

Having regards for the information available at this time, the Liquidators are not able to give meaningful estimates of the realisable value of assets and liabilities.

**Disclaimer of Liability:**

We have prepared the Estimated Statement of Affairs as at the date of liquidation being 8 February 2008.

The Estimated Statement of Affairs has been prepared based on information from the books and records of the Company together with information supplied by the Director. This information has not been verified. The Liquidators have not carried out an audit or reviewed the information supplied and therefore they do not accept any responsibility for the accuracy of the information from which the Estimated Statement of Affairs has been prepared. Further, the Estimated Statement of Affairs has been prepared for the purpose of the liquidation only, and the Liquidators do not accept any responsibility on any ground whatever, including liability in negligence, to any other person.

L J Hayward  
**Liquidator**

6 March 2008