
Receivers' Fifteenth Report on the State of Affairs of

Bridgecorp Limited (In Receivership and In Liquidation)

B2B Brokers Limited (In Receivership)

BFSL 2007 Limited (In Receivership)

BNL 2007 Limited (In Receivership)

Bridgecorp Capital Limited (In Receivership)

Monice Properties Limited (In Receivership)

For the six month period from 2 January 2014 to 1 July 2014

Company Numbers: 1126646
1148342
114020
114042
1542917
1178286

September 2014





Registrar of Companies
Companies Office
Private Bag 92061
Auckland Mail Centre

September 2014

Bridgecorp Limited (In Receivership and In Liquidation)
B2B Brokers Limited (In Receivership)
BFSL 2007 Limited (In Receivership)
BNL 2007 Limited (In Receivership)
Bridgecorp Capital Limited (In Receivership)
Monice Properties Limited (In Receivership) – together “the Companies”

Please find attached our report in relation to the Companies pursuant to Section 24 of the Receiverships Act 1993. A copy of this report has been sent to the Trustee, Covenant Trustee Company Limited.

Yours faithfully
For the Companies

A handwritten signature in black ink, appearing to read 'C T McCloy', written over a light blue horizontal line.

C T McCloy
Receiver

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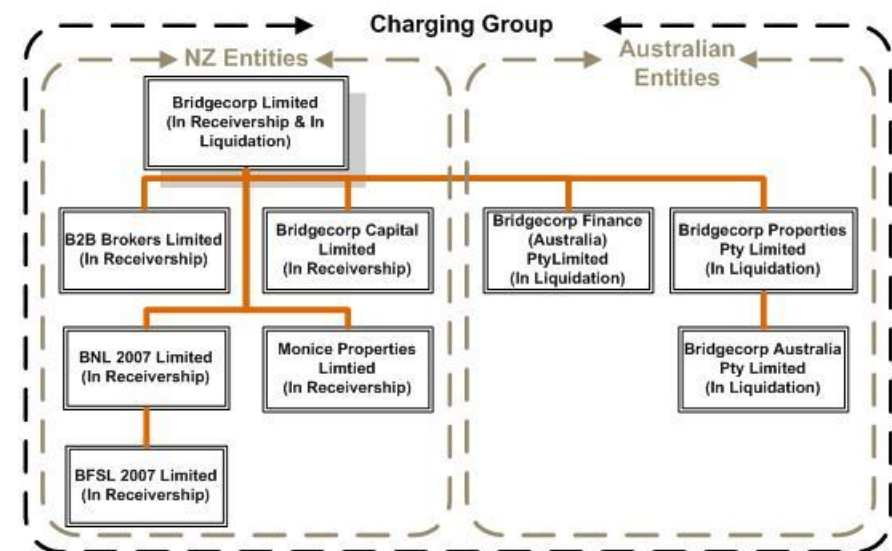
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Appendix A - Restrictions

1. Introduction

- Following a breach of Bridgecorp Limited's ("Bridgecorp") Trust Deed, the Directors of Bridgecorp completed an analysis of its financial standing. As a result, the Directors concluded that it was in the best interests of Debenture holders that a receiver be appointed to the Companies.
- Receivers were appointed to each of the Companies on the evening of Monday, 2 July 2007 by Covenant Trustee Company Limited ("the Trustee"). We were appointed under the terms of security agreements giving the secured party a security interest over all of the assets and undertakings of the Companies. The property in receivership comprises all of the assets, property and undertakings of the Companies, including:
 - Loans advanced to third parties, primarily secured by way of registered mortgages;
 - Accounts receivable and funds held;
 - Property assets;
 - Advances to related parties; and
 - Fixed assets and investments.
- Three Australian subsidiaries of Bridgecorp are also subject to the security under which receivers were appointed to the Companies, being Bridgecorp Finance (Australia) Pty Limited, Bridgecorp Australia Pty Limited and Bridgecorp Properties Pty Limited (all in Liquidation), as illustrated opposite.

- Together with the Companies, the three Australian subsidiaries form "the Charging Group" referred to in this report. Accordingly, the reported assets of the nine companies in the Charging Group have been included in this report.



- Please note that this report does not address companies outside the Charging Group, some of which are in receivership and/or liquidation.

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- At the commencement of the receiverships Colin McCloy and John Waller were appointed joint and several receivers to each of the Companies. Mr Waller has subsequently retired from his position at PricewaterhouseCoopers and has accordingly resigned as receiver of the Companies. Maurice Noone of PricewaterhouseCoopers was appointed as replacement receiver on 22 December 2008.
 - Bridgecorp Limited was placed into liquidation by the High Court on 29 August 2008, at the application of the Inland Revenue Department. Kevin Newson and John Scutter, Chartered Accountants of Wellington were appointed liquidators. We will continue to communicate and work with the liquidators to assist with their process where appropriate.
 - To date interim distributions totalling 12 cents in the dollar have been paid. Following resolution of the remaining issues in the receivership a final distribution is expected to be made.
 - This report has been prepared by us in accordance with and for the purpose of Section 24 of the Receiverships Act 1993 (“the Act”). 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 for the six month period from 2 January 2014 to 1 July 2014.
 - This report is subject to the restrictions set out at Appendix I. In particular, all information contained in this report is provided in accordance with Sections 26 and 27 of the Act. Furthermore, in preparing this report we have relied upon and not independently verified or audited information or explanations provided to us.

2. Particulars of assets and disposals of receivership property

- The recorded assets of the Charging Group at the date of receivership and recoveries to date are summarised in the table below:

NZ\$ in 000s	Note	Jun-07	01-Jul-14
		Book Value (Management Unaudited)	
New Zealand loans		254,199	31,005
Australian loans		32,868	1,893
Specific Australian and other offshore loans		50,478	22,872
Advances in respect of Momi development in Fiji		106,639	-
Property assets		38,606	20,729
Total Loan & Property Assets	2.1	482,790	76,499
Parent company (Bridgecorp Holdings Limited)		20,173	919
Australian related entities		51,820	2,036
New Zealand related entities		15,553	1,145
Total Intergroup Advances	2.2	87,546	4,101
Trade receivables		4,451	4,004
Prepaid interest, commission and expenses		2,637	-
Accrued loan fees		1,625	-
Foreign exchange contracts		961	-
Taxation		11,909	-
Fixed assets		1,194	26
Investments		2,010	13
Other		160	-
Total Other Assets	2.3	24,947	4,043
Non-Asset Recoveries	2.4	-	24,369
Total		595,283	109,011

2.1 Loan and property assets

New Zealand loans

- The majority of physical assets subject to security held by Bridgecorp in respect of New Zealand loans have now been realised. In most instances Bridgecorp was not the first ranking mortgagee or security holder in respect of assets over which loans were secured. Thirty-two loans, representing greater than 85% of the total value of New Zealand loans, had prior security interests at the date of receivership.
- From those thirty-two loans, we have been involved in, or are aware of, gross recoveries of c.\$164m had been achieved as at 1 July 2014. Only \$22.13m of this amount was received by Bridgecorp, the balance being paid to prior ranking security holders. The extent of prior ranking securities and longer time periods required to realise large complex properties have invariably reduced the funds available to Bridgecorp, due to ongoing interest and other charges incurred.
- In respect of the remaining loans not subject to prior ranking securities, \$8.87m had been recovered as at 1 July 2014, bringing the total Bridgecorp receipts from New Zealand loans to \$31.00m. Further minor recoveries are expected from ongoing actions in respect of remaining security.
- Bridgecorp also held insurance policies on nineteen loans. We have continued to correspond with the insurers and other parties regarding quantification and acceptance of claims, which were disputed. Subsequent to the period covered by this report a negotiated settlement was reached with one of these parties, resulting in a recovery of \$4.0m in August 2014. Negotiations with other parties are ongoing.

Australian loans

- Seven loans, with a recorded book value of \$32.87m as at the date of receivership, were advanced by an Australian subsidiary of Bridgecorp, Bridgecorp Finance (Australia) Pty Limited (In Liquidation) (“BFAL”). The assets of BFAL are subject to security held by Covenant Trustee Company Limited, for the benefit of Bridgecorp’s secured debenture investors. To date \$1.9m has been recovered in respect of these loans.
- We continue to work with the liquidators (PricewaterhouseCoopers’ Sydney office) to recover assets from which Bridgecorp secured debenture investors will benefit. However future returns are likely to be minimal.

Specific Australian and other offshore loans

- In respect of the \$50.48m due in respect of Australian and other offshore loans, the majority of this amount relates to lending in respect of large hotel assets. Prior mortgagees undertook enforcement action with the surplus proceeds transferred to the liquidators of the borrower entities.
- The liquidators of the Australian borrowers completed a distribution process for the funds held in July 2012. Bridgecorp received \$22.87m as a result of the distribution. The liquidators have yet to finalise the liquidation, however, no further material recoveries are anticipated.

Advances in respect of Momi development in Fiji

- As previously reported, an unsuccessful auction process was undertaken in respect of the Momi Resort by the prior mortgagee in August 2009, and in June 2010 a decree was issued by the Government of Fiji vesting the land in the name of the first mortgagee and prohibiting any further legal action in respect of the transfer to the first mortgagee or related issues. Political developments in Fiji have materially impacted upon the ability to progress any recovery efforts and it is likely that a complete loss will be suffered on this loan exposure.

Property Assets

- As previously reported this category comprised five properties held for resale, with a recorded book value of \$38.61m, subject to mortgages totalling \$28.3m at the date of receivership. All of the properties have been sold, realising \$20.73m, with repayment of the associated mortgages totalling \$17.38m. No further recoveries are anticipated.

2.2 Intergroup advances

Parent company and Australian related entities

- To date \$2.96m has been recovered in respect of Bridgecorp’s parent company and Australian related entities.
- As a result of the settlement reached with Bridgecorp’s Directors and their insurers, final distributions of c.\$1.3m are expected.

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- As previously reported most of the New Zealand related entities were without material assets. Two entities held tangible assets, one of which was the owner of a development completed during the receivership process, with the other previously owning the motor yacht Medici.
 - To date \$1.15m has been recovered from New Zealand related entities. A further \$0.25m-\$0.35m is expected once activities required to wind up these entities are completed.

2.3 Other assets

- To date, \$4.04m has been recovered from Bridgecorp's other recorded assets, primarily a \$4m recovery of a trade receivable. No further material recoveries are anticipated from these assets.

2.4 Non-asset recoveries

- To date, \$24.37m has been recovered from non-asset sale activities including, but not limited to: the settlement with Bridgecorp's Directors and their insurers; interest received on funds held; GST recovered on expenses; and rental income received on various assets prior to sale.
- In addition, \$4m has been received subsequent to the period covered by this report in respect of a negotiated settlement of legal proceedings related to insurance. Further recovery avenues relating to legal proceedings are discussed further in the "Other Matters" section of this report.

3. Particulars of debts and liabilities outstanding and requiring to be satisfied from the property in receivership

3.1 Secured Creditors

Direct borrowing against assets

- Loans with a recorded balance of \$28.3m were secured directly against specific property and/or loan assets of the Companies. All such assets have been realised and the proceeds applied in repayment of the secured amounts.

Secured debenture investors

- Secured debenture investors represent approximately 19,000 investments held by 14,367 secured debenture holders, totalling \$459m. Distributions of 3.5c in the dollar, 4.5c in the dollar and 4.0 c in the dollar were made in August 2011, August 2012 and April 2014 respectively. The timing of further distributions to secured debenture investors remains uncertain due to the nature of Bridgecorp's assets. Future cash in-flows are largely dependent upon insurance and legal matters.

- A separate update was provided to secured debenture investors on 10 April 2014. The receivers appreciate investors' ongoing patience regarding the logistical difficulties in maintaining communication with the large number of investors and other parties.

3.2 Preferential creditors

Employee entitlements

- Based on the information available from the Companies' records, employee preferential entitlements as at the date of receivership were initially estimated to be approximately \$334k. Following further calculations and analysis \$251k of these entitlements were paid. No further distributions are anticipated.

Inland Revenue Department ("IRD")

- Following resolution of outstanding pre-receivership taxation matters with IRD, an initial claim of \$3.9m was reduced to \$3.6m and has been paid in full.

3.3 Unsecured liabilities

- Given the estimated returns to secured investors, we have regrettably advised that there are unlikely to be any amounts available for payment to unsecured creditors.

4. Receipts and payments

- The table opposite sets out the receipts and payments for the Companies from 2 July 2007 to 1 July 2014.

Bridgecorp Limited and subsidiaries (In Receivership)
Receipts and Payments Summary
For the full receivership period from 2 July 2007 to 1 Jul 2014

	NZ\$ in 000s
Receipts	
Loan receipts - assets subject to prior chargeholders	22,136
Loan receipts - no prior charges	8,869
Proceeds of property sales	20,729
NZ Intercompany loans recovered	1,145
Australian Intercompany loans recovered	919
Funds received under guarantee from shareholder	668
Funds received on behalf of Trustee for Australian security	26,134
Accounts receivable collected	4,004
Litigation settlements received	18,920
Realisation of Investment	13
Rental received	928
Interest received	2,206
Other receipts	1,217
GST received	1,123
Total receipts	109,011
Payments	
Net repayment of secured debt	17,383
Distribution of settlement entitlements to other Group entities	2,264
Payment of preferential entitlements	3,851
Direct loan/property expenditure	7,039
Loan advances/(repayments)	988
Net interest paid	1,570
Loan related fees	152
Marketing of assets	127
Insurance	75
Operational costs	4,377
Legal fees and associated costs	6,720
Other professional fees and associated costs	1,436
Receivers' fees	4,883
Disbursements	263
Resident withholding tax paid/(recovered)	4
GST paid (net of refunds)	1,965
Total payments	53,100
Net funds prior to distributions	55,912
Distributions to Secured Debenture Holders	54,839
Net funds held	1,073

5. Other matters

5.1 Investigations

- As noted in our prior reports, due to the nature of the investigations being undertaken and potential legal consequences, we are unable to provide specific details regarding unresolved individual issues or our findings to date because doing so could prejudice proceedings currently in progress.
- Criminal proceedings brought against five Bridgecorp directors by the Financial Markets Authority (“FMA”) are now complete. Bruce Davidson entered a guilty plea and was sentenced to nine months home detention, 200 hours of community work, and payment of \$500,000 reparation. Gary Urwin entered a guilty plea and was sentenced to two years imprisonment. Rodney Petricevic and Robert Roest were found guilty at trial and were sentenced to six and a half years imprisonment. Peter Steigrad was found guilty at trial and was sentenced to nine months home detention, 200 hours of community work, and payment of \$350,000 reparation.
- Criminal proceedings brought against two Bridgecorp directors by the Serious Fraud Office are also complete. Messrs Petricevic and Roest entered guilty pleas and their existing prison sentences were extended by six months and three months respectively.

- We reached an \$18.9m settlement with the directors and their liability insurers regarding the breaches of their directors’ duties under the Companies Act 1993. The FMA has consented to the settlement and has accordingly withdrawn its civil proceedings against the directors. We have also reached a settlement with a third party in respect of insurance policies held on certain loans and \$4m has been recovered.
- We continue to actively pursue a number of potential actions against third parties in respect of their conduct prior to receivership, and we are working with legal counsel in this regard. These claims involve complex legal issues and we are unable to accurately predict a timeframe for their resolution.

5.2 Further reporting

- Our next statutory report under Section 24 of the Receiverships Act 1993, covering the period from 2 July 2014 to 1 January 2015, will be issued in March 2015.
- Should investors or other stakeholders have any queries arising from this report, please contact us in writing via our website, facsimile, or private bag address, as follows:

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Website: www.pwc.co.nz/bridgecorp.

Appendix A

Restrictions

- All information contained in this report is provided in accordance with Sections 26 and 27 of the Receiverships Act 1993.
- The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise.
- We have not independently verified the accuracy of information provided to us, and have not conducted any form of audit in respect of the Companies or the Charging Group. Accordingly, we express no opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied. Whilst all care and attention has been taken in compiling this report, we do not accept any liability whatsoever arising from this report.
- The statements and opinions expressed in this report are based on information available as at the date of the report.
- We reserve the right, but will be under no obligation, to review or amend our report, if any additional information, which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.
- We have relied on forecasts and assumptions prepared by the Companies about future events which, by their nature, are not able to be independently verified. Inevitably, some assumptions may not materialise and unanticipated events and circumstances are likely to occur. Therefore, actual results in the future will vary from the forecasts upon which we have relied. These variations may be material.
- In addition the following should be noted:
 - Certain numbers included in tables throughout this report have been rounded and therefore do not add exactly.
 - Unless otherwise stated all amounts are stated in New Zealand dollars.