
Receivers' Ninth 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 2011 to 1 July 2011

Company Numbers: 1126646
1148342
114020
114042
1542917
1178286

September 2011





Registrar of Companies
Companies Office
Private Bag 92061
Auckland Mail Centre

September 2011

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 ninth 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. Secured debenture investors in the Companies were provided with a separate update on 14 July 2011. .

Yours faithfully
For the Companies

A handwritten signature in black ink, appearing to read 'C. T. McCloy'.

C T McCloy
Receiver

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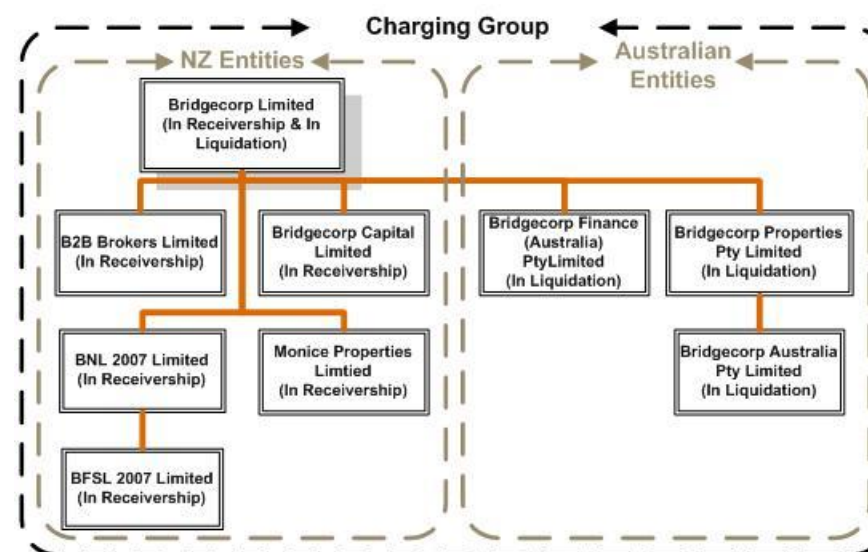
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Appendix A - Restrictions

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.

- 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.
- 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 2011 to 1 July 2011.
- 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. *Events following appointment*

- Upon appointment, we attended the Companies’ premises to secure the assets and records, and determined the most appropriate method of asset realisation. Our actions to date have included:
 - Securing the key assets;
 - Providing regular communications with investors and the Trustee;
 - Undertaking investigations into the affairs of the Companies;
 - Reporting to and assisting Government Authorities with their investigations;
 - Formulating and undertaking asset realisation processes; and
 - Overseeing the Companies’ operations to ensure efficient and effective management.
- Following our appointment we restructured the management of the Companies. At the date of the receiverships, Bridgecorp employed thirty-seven staff. Following an assessment of ongoing requirements, staffing was initially reduced to twenty-eight. At the date of this report no employees remain with the Companies.
- Following resolution of outstanding taxation matters an interim distribution of 3.5c in the dollar was made to investors in August 2011. We advised investors in updates dated prior to and on 14 July 2011 that the return to secured debenture investors is likely to be less than ten cents in the dollar. That position remains unchanged.

3. *Particulars of assets and disposals of receivership property*

3.1 *Loan assets (including overseas)*

The book value of loan assets at the date of receivership is represented by the following categories:

NZ\$ in 000s	Jun-07 Book Value (Management Unaudited)
New Zealand loans	254,199
Australian loans	32,868
Specific Australian and other offshore loans	50,478
Total Loan Assets (excluding Momi)	337,545
Advances in respect of Momi development in Fiji	106,639
Total Loan Assets	444,184

We provide further detail on each of the categories in the following paragraphs.

New Zealand loans – direct recoveries

- The majority of physical assets subject to security held by Bridgecorp in respect of New Zealand loans have now been realised. As previously advised, 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 in excess of \$157m as at 1 July 2011. Only \$17.8m of this amount was received by Bridgecorp, the balance being paid to prior ranking security holders. The extent of prior ranking securities, and the 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 during the realisation process.
- In respect of the remaining loans not subject to prior ranking securities, \$7.8m had been recovered as at 1 July 2011, bringing the total Bridgecorp receipts from New Zealand loans to \$25.5m.
- Of the remaining loans, the majority have no specific secured assets and therefore recoveries are primarily dependent upon the pursuit of guarantors, resolution of insurance/legal claims, or extended payment plans agreed to during or prior to receivership.

New Zealand loans - recoveries from insurance policies held

- Bridgecorp holds insurance policies on certain qualifying loans, covering a percentage of any unrecovered principal, up to a maximum for each loan of \$3.5m, with an overall maximum claimable within a twelve month period of \$20.0m. Nineteen of the New Zealand loans were subject to those insurance policies. We continue to correspond with the insurers regarding quantification and acceptance of claims, many of which are disputed.

Australian loans

- Seven loans, with a recorded book value of \$32.9m 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.
- In June 2010 \$0.5m was received in respect of guarantees provided by Bridgecorp’s parent company for shortfalls on those loans. A further \$1.2m was received in August 2010 as a result of recoveries made by the Australian liquidators.
- We continue to work with the liquidators (PricewaterhouseCoopers’ Sydney office) to recover loans and other assets from which Bridgecorp secured debenture investors will benefit. However future returns from those loans are likely to be minimal.

Specific Australian, Fijian and other offshore loans and receivables

- As previously advised, loans of \$157.1m were made by Bridgecorp to parties associated with specific developments in Australia, Fiji and other offshore locations. The majority of those loans and receivables, totalling \$106.6m, were advanced by Bridgecorp in respect of the Momi development in Fiji.

- An unsuccessful auction process was undertaken in respect of the Momi Resort by the prior mortgagee in August 2009, with the highest bid materially less than the outstanding debt owed to the prior mortgagee. 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.
- We continue to investigate potential actions available to Bridgecorp. However, the potential outcome remains uncertain and it is likely that a complete loss will be suffered on this loan exposure. Political developments in Fiji continue to impact upon the ability to progress any recovery efforts.
- In respect of the balance of \$50.5m 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 have taken enforcement action in respect of these assets.

- In respect of the Australian lending on hotel assets (approximately \$50m), discussions with the liquidators of the Australian borrowers have progressed and we are now hopeful of receiving a distribution from the liquidations prior to the end of 2011 although a substantial shortfall is expected. We will continue to work with the liquidators in order to progress matters as quickly as possible.

3.2 Property assets

- This category comprised five properties held for resale, with a recorded book value of \$38.6m, subject to mortgages totalling \$28.3m at the date of receivership. All of the properties have been sold, realising \$20.7m, with repayment of the associated mortgages totalling \$17.4m. No further recoveries are anticipated.

3.3 Intergroup advances

- The breakdown of amounts owing to Bridgecorp as a result of intergroup advances is as follows:

NZ\$ in 000s	Jun-07 Book Value (Management Unaudited)
Parent company (Bridgecorp Holdings Limited)	20,173
Australian related entities	51,820
New Zealand related entities	15,553
Total Intergroup Advances	87,546

Parent company and Australian related entities

- In June 2010 \$0.7m was received in respect of intercompany debts owed by Bridgecorp's parent company. A further \$1.4m was received on behalf of the Trustee for security held over other Australian entities.
- We continue to work with the liquidators of the parent company, Bridgecorp Holdings Limited (In Liquidation) and other related entities. An additional distribution of approximately \$0.7m has been received from Bridgecorp's parent company. It is unlikely further material recoveries will be made.

New Zealand related entities

- Most of the New Zealand related entities are 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.
- All properties in the development have now been sold with an expected recovery for Bridgecorp of approximately \$1.1m following settlement of all matters. At the date of this report \$1.0m had been received.
- The motor yacht Medici has been sold by the liquidators of its owning entity and it is anticipated Bridgecorp will receive approximately \$0.25m after the payment of all associated costs.
- We continue to investigate potential recovery avenues from other New Zealand related entities. However material recoveries are unlikely.

3.4 Other assets

- Other assets of Bridgecorp recorded as at the date of receivership were as follows:

NZ\$ in 000s	Jun-07 Book Value (Management Unaudited)
Trade receivables	4,451
Prepaid interest, commission and expenses	2,637
Accrued loan fees	1,625
Foreign exchange contracts	961
Taxation	11,909
Fixed assets	1,194
Investments	2,010
Other	2
Total Other Assets	24,789

Trade receivables

- As at 1 January 2011, \$4.0m had been received in respect of trade receivables. No further material recoveries are anticipated from this asset.

Prepayments, accrued loan fees and foreign exchange contracts

- Analysis of these balances revealed them to consist primarily of standard accounting entries to spread up-front costs over the life of loans and/or investments. No recoveries are anticipated.

Taxation

- Bridgecorp's accounts show a tax asset of \$11.9m as at 30 June 2007. However, there is a corresponding taxation liability recorded in Bridgecorp accounts for \$11.1m and no recovery will be made from this asset.

Fixed assets and investments

- Fixed assets comprised primarily leasehold improvements, office fixtures, and fittings. No material recoveries are anticipated from these assets.
- Bridgecorp held a \$2.0m subordinated investment in a related entity. The value of this investment has since been reduced substantially as a result of losses suffered by the entity, which is now in receivership. No recovery will be made from this asset.

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

4.1 *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, required to be repaid from the proceeds of those assets. As at 1 July 2011, approximately \$3.4m remained outstanding, secured against loan assets.

Secured debenture investors

- Secured debenture investors represent approximately 19,000 investments held by 14,367 secured debenture holders, totalling \$459m.
- A distribution of 3.5c in the dollar was made in August 2011. 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 the realisation of overseas loan assets and insurance/legal matters.

- A separate update was provided to secured debenture investors on 14 July 2011. The receivers appreciate investors' ongoing patience regarding the logistical difficulties in maintaining communication with the large number of investors and other parties.

4.2 *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 had been distributed as at 1 July 2011. No further distributions are anticipated.

Inland Revenue Department ("IRD")

- In August 2010 we received an anticipated preferential claim from IRD totalling \$3.9m in relation to PAYE, Goods and Services Tax ("GST") and Resident Withholding Tax ("RWT") unpaid at the date of receivership.
- Following resolution of outstanding pre-receivership taxation matters with IRD, the existing claim of \$3.9m was reduced to \$3.6m and has been paid in full.

4.3 *Unsecured liabilities*

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

5. Receipts and payments

The table opposite sets out the receipts and payments for the Companies from 2 January 2011 to 1 July 2011. We note the following in respect of the payments summarised:

- As noted earlier in this report, 32 loan assets are subject to prior chargeholders' interests. Gross recoveries in excess of \$157m had been realised in respect of these assets as at 1 July 2011, of which only \$17.8m was received by Bridgecorp.
- Direct loan/property expenditure includes, where required, payment for body corporate fees, local authority levies, insurance, marketing, maintenance, valuation, professional and completion costs in preparation for realisation. Recoveries from the assets for which these costs were incurred are yet to occur in a number of instances.
- Legal services to date include general receivership advice, loan specific legal requirements, litigation as required, property administration and transfer, and loan documentation. Other professional fees include advice obtained from specialist property, accounting and tax consultants.
- Subsequent to the period covered by this report, further recoveries were made an interim dividend of 3.5c in the dollar (\$16.0m) was distributed to secured debenture investors. At the date of this report, remaining funds on hand total \$1.6m.

Bridgecorp Limited and subsidiaries (In Receivership) Receipts and Payments Summary For the six month period from 2 January 2011 to 1 July 2011

	NZ\$ in 000s
Receipts	
Brought forward	59,218
Loan receipts - assets subject to prior chargeholders	4
Loan receipts - no prior charges	422
Proceeds of property sales	-
NZ Intercompany loans recovered	-
Australian Intercompany loans recovered	190
Funds received under guarantee from shareholder	138
Funds received on behalf of Trustee for Australian security	373
Accounts receivable collected	-
Rental received	-
Interest received	279
Other receipts	0
GST received	61
Total receipts	60,685
Payments	
Brought forward	42,548
Net repayment of secured debt	-
Payment of preferential entitlements	3,600
Direct loan/property expenditure	33
Advances to reduce prior charges	-
Loan advances/(repayments)	147
Net interest paid	-
Loan related fees	-
Marketing of assets	-
Insurance	2
Operational costs	52
Legal fees and associated costs	379
Other professional fees and associated costs	89
Receivers' fees	190
Disbursements	10
Resident withholding tax paid/(recovered)	0
GST paid (net of refunds)	76
Total payments	47,126
Net funds on hand	13,559

6. Other matters

6.1 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 any proceedings which may be taken.
- Criminal proceedings brought against five Bridgecorp directors are ongoing, with a trial date in respect of charges brought by the Securities Commission set down for September 2011. We understand the current charges in those proceedings carry a maximum penalty of 5 years imprisonment or fines of up to \$300,000.
- Criminal proceedings have also been brought against two Bridgecorp directors by the Serious Fraud Office. A trial date for these charges has been set for February 2012.
- We continue to actively pursue a number of potential actions against certain of Bridgecorp's directors and other parties in respect of their conduct prior to receivership, and we are working with legal counsel and various Government Authorities to co-ordinate action in this regard.

- In 2010, following analysis undertaken by the receivers, an entity in which Bridgecorp is recorded as a shareholder was placed into voluntary liquidation by shareholder resolution. With Bridgecorp's support, the liquidators of this entity have issued proceedings against the Petricevic Family Trust to recover a recorded debt in excess of \$2m. Hearings on this matter are ongoing.

Further reporting

- Our next statutory report under Section 24 of the Receiverships Act 1993, covering the period from 2 July 2011 to 1 January 2012, will be issued in March 2012.
- 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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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..