

**Receivers' First Report on the State of Affairs of**

**Bridgecorp Limited (In Receivership)  
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)**

Pursuant to Section 23 of the Receiverships Act 1993

Company Numbers: 1126646  
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114042  
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1178286

**September 2007**

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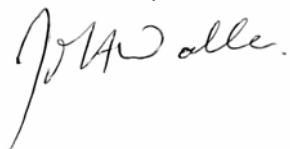
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**Bridgecorp Capital Limited (In Receivership)**  
**Monice Properties Limited (In Receivership) – together “the Companies”**

Please find attached our first report in relation to the Companies pursuant to Section 23 of the Receiverships Act 1993. A copy of this report has been sent to the Trustee, Covenant Trustee Company Limited. Secured debenture holders in the Companies have been provided with a separate update, incorporating additional information since our last written report to secured debenture holders dated 6 August 2007.

Yours faithfully  
For the Companies



J A Waller  
Receiver



C T McCloy  
Receiver

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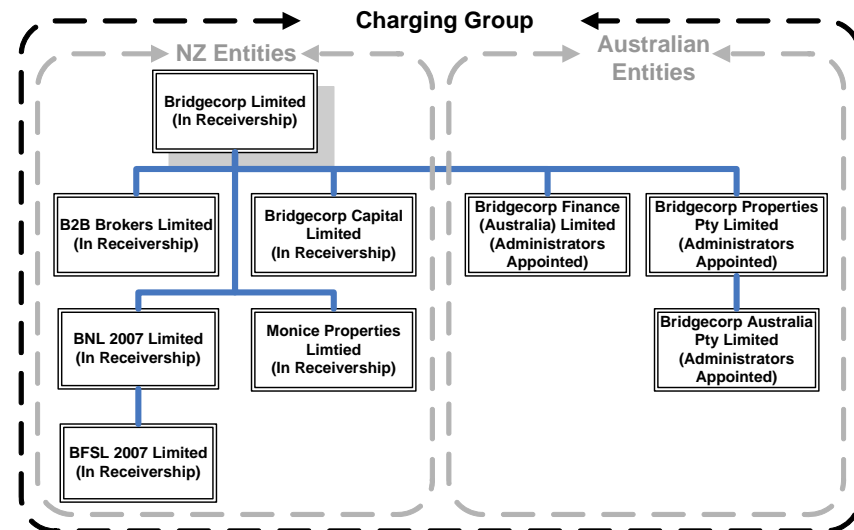
## 1 Introduction

- Following a breach of Bridgecorp Limited's ("Bridgecorp") Trust Deed, the Directors of Bridgecorp completed an analysis of the financial standing of Bridgecorp. As a result, the Directors concluded that it was in the best interests of Debenture holders that a receiver be appointed to the Companies.

- We, Colin Thomas McCloy and John Anthony Waller, Chartered Accountants of Auckland were appointed receivers 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, being:

- Loans advanced to third parties, primarily secured by way of registered mortgages;
- Accounts receivable and funds held;
- Property assets;
- Advances to related parties;
- Fixed assets and investments; and
- Recorded taxation assets.

- 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 with Administrators Appointed), as illustrated in the diagram below:



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

- In addition, the following New Zealand subsidiaries of the Companies' shareholder, Bridgecorp Holdings Limited (Administrators Appointed), have been placed in liquidation with John Waller and Colin McCloy as liquidators:
  - Poseidon Limited – owner of the motor yacht "Medici"
  - Bridgecorp Investments Limited – issuer of Capital Notes
  - Goodman Limited – a fully owned subsidiary of BHL
- Please note that this report does not address the Australian companies outside the Charging Group or companies in liquidation.
- This report has been prepared by us in accordance with and for the purpose of Section 23 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.
- 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 Receiverships Act 1993. Furthermore, in preparing this report we have relied upon and not independently verified or audited information or explanations provided to us.

## 2 Events following our appointment

- Upon appointment, we attended the Companies' premises to secure the assets and records, pending determination of the most appropriate method of realisation. Our actions have included:
  - Providing regular communications with investors and the Trustee;
  - Securing the key assets;
  - Undertaking an initial investigation of the affairs of the Companies;
  - Formulating and commencing asset realisation processes;
  - Overseeing the Companies' operations to ensure efficient and effective management.
- Following our appointment we restructured the management of the Companies. The services of the executive directors and general manager were not retained, and a new management structure involving remaining staff has been implemented. In addition we have retained specialist property and legal advisers to assist with our analysis. We take this opportunity to express our gratitude to the new management team for their continued support.
- Our initial estimates are that secured debenture investors could recover 25% to 74% of their investments over time. Regretfully, unsecured creditors, including capital notes investors in Bridgecorp Investments Limited (In Liquidation) are unlikely to recover anything from the receivership.
- In light of the poor recoveries to investors we have referred certain events leading up to receivership to various authorities for investigation.
- We note that we have received the full cooperation of the Directors during the course of the receivership.

### 3 Financial standing

- The table below summarises the reported consolidated financial position of the Charging Group as at 30 June 2007, based on un-audited management information. The position reported shows positive net assets of \$76m. However, upon review of the quality of the assets our view is that the accounts should have shown a substantial negative net asset position.

Charging Group Balance Sheet		As at
Draft Management Accounts Unaudited		30 June 2007
(NZD'000)	Note	Total
Loan Book	3.1	393,075
Cash at Bank		158
Accounts Receivable	3.2	60,785
Property Settlements	3.3	18,563
Properties for Resale	3.3	20,044
Intergroup Advances	3.4	87,546
Investments	3.5	2,010
Fixed Assets (net book value)	3.6	1,194
Taxation	3.7	11,909
<b>Total Assets</b>		<b>595,284</b>
<i>Gross Borrowings</i>		
Secured Borrowings - Property	3.8	28,278
Secured Borrowings - Investors	3.9	458,738
Accounts Payable	3.10	11,067
Taxation	3.7	11,147
Intergroup Borrowings	3.11	10,186
<b>Total Liabilities</b>		<b>519,416</b>
<b>NET ASSETS</b>		<b>75,868</b>

Source: Unaudited Management Information

- The key elements of the balance sheet are discussed on the following pages. Please note that we have omitted certain details concerning the realisation of receivership assets, as we believe that their inclusion would materially prejudice the exercise of our functions and in particular, our duty to obtain the best price reasonably obtainable.

### 3.1 Loan Book (\$393m)

#### Status upon Receivership

- The Charging Group's major asset is the Loan Book, which consists of 69 loans with a total book value of \$393m, to a range of New Zealand, Australian, Fijian and other offshore borrowers. The majority of loans are in respect of development properties in various stages of completion. Interest accruing is added to the loan balance and received on repayment of the loan, as opposed to interest being paid on a monthly or quarterly basis.
- The majority of the loans are secured by mortgages on land and buildings. However, the mortgages are typically 2nd or 3rd ranking mortgages, or some other low ranking security. The practical effect of this is that often when loans are in default, the receivers are unable to enforce security on the loans without the consent of prior ranking mortgagees. This circumstance limits the options open to the receivers in attempting to recover individual loans.
- The table below summarises the mortgage priority of the loans; including the number with first, second or third ranking mortgages, or other known security details.

Loan Book	Number
Mortgage Priority Summary	of Loans
1st Mortgage	9
Combined 1st/2nd Mortgage	4
2nd Mortgage	12
3rd Mortgage	11
Other Secured Lending	8
Unsecured Lending	15
Security Subject to Legal Dispute	10
<b>Total Loans</b>	<b>69</b>

Source: Unaudited Management Information

- Our assessment of the Loan Book is that many of the better quality loans have been sold to other financiers to generate cash flow for principal and interest payments to Bridgecorp investors, leaving a Loan Book which is more difficult to recover.
- An initial review of the Loan Book shows loan provisions appear to have been understated and further substantial provisions are required against these loans, in addition to those included in the un-audited management 30 June 2007 balance sheet. This will have a significant adverse impact on the amount and timing of returns to secured debenture investors

#### *Recovery Strategies – General*

- We are working with a number of stakeholders to recover these loans and note that, in general, prior ranking mortgagees are co-operating with the receivers in formulating strategies to maximise recoveries for all stakeholders. However, it is clear that this will be a complex, costly and time consuming exercise.
- Each loan is being analysed on an individual basis to determine the most appropriate strategy for maximising realisations. We are unable to provide details in respect of individual loans due to confidentiality and commercial reasons. However, we advise that options being addressed in each instance include, but are not limited to:
  - Potential refinancing by the borrower;
  - Feasibility of partial/full completion of developments in conjunction with the borrower and other lenders;
  - Allowing orderly sell down of properties by the borrower;

- Identification of additional action that may be taken to improve the realisable value of mortgage assets through changes or additions to current property management;
  - Formal recovery action through the use of mortgagee powers and enforcement of associated securities; and
  - Consideration of purchase and/or settlement proposals received from borrowers and third parties.
- Specialist property consultants, legal advisors and valuers have been engaged to assist in assessing the options available.

#### *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. We note that of the 69 loans, only 19 are subject to these insurance policies.
- We have endeavoured to take account of the insurance when assessing potential returns to secured debenture investors based upon projected shortfalls in the recovery of the insured loans.



*Offshore Loans*

- Included in the \$393m of loans are loans to parties associated with specific developments in Australia, Fiji and other offshore locations. These loans have a balance due of \$106m. An account receivable of \$51.1m (refer 3.2 below) is also related to a Fijian development, bringing the total amount to \$157.1m.
- The recoverability of these amounts is complex and subject to commercial and political uncertainties. Progress has been made in respect of developing strategies and furthering negotiations with third parties in respect of these loans, however potential recoveries remain uncertain.

**3.2 Accounts Receivable (\$61m)**

- As noted above, Accounts Receivable includes \$51.1m owing in respect of a Fijian development. For reasons outlined above it is difficult to assess potential recoveries at this time.
- The balance of Accounts Receivable is represented by prepayments and accruals (\$4.3m), trade receivables (\$4.4m) and other receivables (\$1m). Of the trade receivables amount, approximately \$3m has been received to date, with a further \$1m anticipated.

**3.3 Property Assets (\$39m)**

- Property Settlements (book value \$19m) and Properties for Resale (book value \$20m) represent five properties held by the Companies. The properties are secured by term loans to various lenders with lending as at 30 June 2007 totalling approximately \$18.0m. Initial analysis indicates that a number of these properties will not realise their book value.

**3.4 Inter-Group Advances (\$88m)**

- Inter-Group Advances represent amounts advanced to other group companies, outside of the Charging Group. These balances are summarised in the table below.

<b>Charging Group Balance Sheet</b>	
<b>Intergroup advances as at 30 June 2007</b>	
<b>(NZD'000)</b>	
Parent Company	20,173
Australian related entities	51,820
New Zealand related entities	15,553
<b>Total</b>	<b>87,546</b>

*Source: Unaudited Management Information*

- We are endeavouring to recover the advances, but again indications are that recoveries will be less than book value, particularly in view of the appointment of Administrators and/or Receivers to the parent company and other Australian entities.
- We continue to work with the Administrators of BHL to determine the likely recoveries for Australian entities, however the final outcome will not be known for some time.

**3.5 Investments (\$2m)**

- Investments represent an unsecured investment in a related entity which we are seeking to recover.

**3.6 Fixed Assets (\$1m)**

- Fixed Assets are mainly leasehold improvements, office fixtures and fittings. Material recoveries from these assets are not anticipated.

### 3.7 Taxation (\$12m asset, \$11m liability)

- The Taxation asset is a deferred tax balance. We are investigating this to determine whether it will be recoverable. We note however the tax liability in the balance sheet for a similar amount which brings into question any recoveries from taxation.

### 3.8 Secured Borrowings – Property (\$28m)

- Secured Borrowings – Property represents loans totalling \$28.2m, \$18.0m of which is secured against the five properties held for resale (referred to above in 3.3) and will be required to be repaid from the proceeds of those properties.
- The balance of \$10.2m relates to secured lending from third parties in respect of mortgages held by Bridgecorp in relation to the Loan Book. The secured amounts will rank ahead of the mortgages of Bridgecorp as the applicable loans are realised.

### 3.9 Secured Debenture Investors (\$459m)

- The Secured Debenture Investors balance represents approximately 19,000 investments held by 14,361 secured debenture holders.
- We wrote to investors on 6 July 2007 advising them of our appointment as receivers and requesting their confirmation of the amounts recorded as outstanding in respect of their investments. We have received 12,429 confirmations to date, with a further 1,258 confirmations to come from custodial service groups. We continue to seek the remaining 674 responses outstanding, representing approximately 5% of investors.

- A list of frequently asked questions for investors, last updated on 4 September 2007, is available on our website at: [www.pwc.com/nz/Bridgecorp](http://www.pwc.com/nz/Bridgecorp).

### 3.10 Accounts Payable (\$11m)

- Accounts Payable consists of reported liabilities and accruals including Resident Withholding Tax, GST, commissions, employee entitlements and suppliers.
- The outstanding amounts in relation to the taxation obligations above remain subject to verification in conjunction with IRD.

### 3.11 Inter-Group Borrowings (\$10m)

- Inter-Group Borrowings represents amounts borrowed from other group companies.

**4 Amounts owing to creditors with preferential claims**

**4.1 Employee entitlements**

- Based on the information available from the Companies' records, employee preferential entitlements relating to salaries and wages, accrued holiday entitlements and redundancy entitlements as at the date of receivership are estimated to be approximately \$334k.
- \$233k of these entitlements have been distributed to date, with a number of employees electing to carry over their holiday entitlement into the receivership.

**4.2 Inland Revenue Department ("IRD")**

- The preferential entitlements of the IRD preferential claims will be in relation to PAYE, Goods and Services Tax ("GST") and Resident Withholding Tax ("RWT") unpaid at the date of receivership.
- The outstanding amounts in relation to the above remain subject to verification in conjunction with IRD.

**5 Amount and timing of dividend to secured debenture holders**

- In an effort to provide an indicative recovery range for secured debenture investors we have split the assets of the Charging Group into two categories, namely:
  - The Loan Book (excluding specific Australian, Fijian and other offshore loans and receivables) and all other assets; and
  - The specific Australian, Fijian and other offshore loans and receivables.
- Our indicative recovery range for each category is as follows:

**5.1 The Loan Book (excluding specific Australian, Fijian and other offshore loans and receivables) and all other assets.**

- In order to assess the potential recoveries to secured debenture investors from the Loan Book (excluding specific Australian, Fijian and other offshore loans and receivables) and all other assets, we took account of the following matters:
  - Our assessment that a further substantial provision on the Loan Book in addition to the provision as at 30 June 2007 is required based on updated reports from management in respect of individual loans;
  - Estimated realisations for properties held, net of secured party repayments;
  - Recoveries on Inter-Group Advances not related to specific NZ based assets are assumed to be nil, pending the outcome of the Australian entity Administrations and Receiverships;

- Recoveries on the Taxation balance are assumed to be nil;
- Allowing for preferential creditors such as Employees and Inland Revenue; and
- Incorporating a contingency allowance for unknown factors.
- Based upon the above, our preliminary assessment of recoveries to secured debenture investors from this category is 25 to 40 cents in the dollar of their original investment. The calculation of this estimate is summarised in the table below.

<b>Bridgecorp Limited (In Receivership) and subsidiaries</b>		
<b>Preliminary Estimate of Potential Recoveries</b>		
<b>Excluding specific loans and receivables</b>		
<b>(NZD'000)</b>	<b>Low</b>	<b>High</b>
Total Assets Per 30 June Balance Sheet	595,284	595,284
Less specific Australian, Fijian & other offshore loans and receivables	(157,117)	(157,117)
<b>Total Assets Assessed</b>	<b>438,167</b>	<b>438,167</b>
<i>Reductions</i>		
Loan Provisions	(159,030)	(110,552)
Asset Write Offs	(87,546)	(87,546)
Asset Write Offs - Taxation	(11,909)	(11,909)
Secured Borrowings - Property	(28,278)	(28,278)
Allowance for Preferential Creditors	(5,300)	(5,300)
Contingency	(30,000)	(12,500)
<b>Potential Recoveries prior to Costs</b>	<b>116,104</b>	<b>182,082</b>
<b>Secured Borrowings - Investors</b>	<b>458,738</b>	<b>458,738</b>
<b>Estimated Dividend Range</b>	<b>25%</b>	<b>40%</b>

**5.2 Specific Australian, Fijian and other offshore loans and receivables**

- The specific Australian, Fijian and other offshore loans and receivables have a book value of \$157.1m. At this stage it is difficult to estimate the recovery from the specific Australian, Fijian and other offshore loans and receivables given the complexity of the transactions, the current state of the projects, and political uncertainty in Fiji.
- As noted earlier in this report, progress has been made in the development of strategies and furthering negotiations in respect of these amounts. Potential recoveries remain uncertain, however indications to date are that the balances, representing 34 cents in the dollar for secured debenture investors, may not be recovered in full.

**5.3 Total recoveries**

- Combining the two categories in sections 5.1 and 5.2 above, our preliminary estimates indicate that secured debenture investors could recover between 25% and 74% of their original investment, as set out below.

<b>Bridgecorp Limited (In Receivership) and subsidiaries Preliminary Estimate of Potential Recoveries (NZD'000)</b>		
	<b>Low</b>	<b>High</b>
Loan Book (excluding specific Australian, Fijian and other offshore loans and receivables) and all other assets	116,104	182,082
Specific Australian, Fijian & other offshore loans and receivables	-	157,117
<b>Total Estimated Recoveries prior to Costs</b>	<b>116,104</b>	<b>339,199</b>
<b>Secured Borrowings - Investors</b>	<b>458,738</b>	<b>458,738</b>
<b>Estimated Dividend Range</b>	<b>25%</b>	<b>74%</b>

- The ultimate recovery to secured debenture investors will depend on a number of factors and so remains volatile. In particular, a number of the developments on which the Companies have lent require further funding to complete and a large number are in the process of a financial restructure. Ultimately many recoveries are dependent upon the performance of third parties such as developers and prior ranking charge holders.
- Furthermore, amounts due to IRD in respect of PAYE, GST and RWT remain subject to verification. These amounts will represent preferential entitlements and therefore rank ahead of secured debenture investors. Accordingly, the level of PAYE, GST and RWT outstanding could be material to recoveries to secured debenture investors.
- The timing of any payout is difficult to assess at this stage as it will depend on a number of factors including the method by which the value in the Loan Book and other assets are realised. In particular, due to the nature of the Companies' lending, recoveries will likely take a considerable period of time.
- It is highly likely that any recoveries to investors will be paid out over time as loans are recovered, as opposed to a lump sum payout. Furthermore, due to the current state of the marketplace and as cash in-flows will primarily only occur at the completion of large property transactions it would be prudent for investors to assume that they will not receive any distributions within the next six months. Once we have a better indication of potential timeframes for recoveries we will advise investors.

**6 Amounts likely to be available for other creditors**

- Given the estimated returns to secured investors, we regret to advise that there are unlikely to be any amounts available for payment to unsecured creditors, including Capital Note holders in Bridgecorp Investments Limited (In Liquidation).

## 7 Other matters

- Upon our appointment, all records of the Companies held at their premises were secured and a full electronic back-up of computer records was obtained.
- The receivers are conscious of a number of concerns raised by investors and other parties in respect of the activities of the Companies and third parties prior to receivership. Accordingly, a thorough investigation is being undertaken, including (but not limited to) examination of the following:
  - Specific transactions entered into by the Companies;
  - The Companies conduct in respect of investors, including the treatment of funds received, maturing investments and associated dealings with third parties;
  - The activities and conduct of the Companies, the officers of the Companies, and third parties leading up to the appointment of receivers;
  - The financial reporting practices of the Companies;
  - The compliance of the Companies with the requirements of the Trust Deed and applicable legislation, including the Securities and Companies Acts; and
  - Additional matters raised by investors and other parties as they are received.
- Due to the nature of these investigations and potential legal consequences, we are unable to provide details regarding individual issues or our findings to date because doing so would prejudice any proceedings which may be taken.
- Potential breaches of legislation or the Companies' Trust Deed identified during the course of our investigations will be referred to the appropriate Government authorities. Those authorities may take such actions as they deem appropriate.
- Furthermore, where our investigations result in the identification of actions which may be taken by the receivers directly, such actions will be pursued based upon an assessment of the legal position and available remedies, including (but not limited to) potential recoveries for secured debenture investors through court action.
- We will endeavour to keep investors updated on a regular basis. In the meantime, 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 I

### 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.