

# Meltzer Mason Heath

Chartered Accountants practising as insolvency specialists

Refer to: Lloyd Hayward

## Liquidators' First Report

### Art Properties 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 12 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>	26 August 2005	
<i>Trading Address:</i>	191 Queen Street, Auckland	
<i>Type of Business:</i>	Property Reseller	
<i>Date Ceased Trading:</i>	12 February 2008	
<i>Shareholder:</i>	BFB Underwriters Limited	100 shares
<i>Director:</i>	Neil Constantine Bell	
<i>Share Capital:</i>	100 ordinary shares	
<i>Date of Liquidation:</i>	12 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, attributable to a lack of sound management disciplines by its senior management. 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 would also 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 director advises that the Company was the corporate vehicle undertaking buy back transactions under guaranteed buy back arrangements given by various companies associated with the business known as Blue Chip. These properties were resold to new investors. At the time of liquidation the Company held no property.

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

The director advises that the Company has no assets.

##### ***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.

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

Should any person 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 being the assets and liabilities of the Company at the date of liquidation. We attach a copy.

**6. List of Creditors**

The director advises the Company has no creditors.

**7. Creditor's Claim Form**

Should any person believe they have a claim or are a creditor they 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 Art Properties Limited (In Liquidation), and you have not yet contacted the Liquidators, please contact us immediately.

**9. Initial Creditors Meeting**

As it is unlikely there will be a distribution to creditors, pursuant to s245 of the Companies Act 1993 the Liquidators propose to dispense with the meeting of creditors to consider whether to appoint different Liquidators, and to consider the views of creditors.

Accordingly a meeting of creditors will not be called unless a creditor gives notice pursuant to s245 to the Liquidators within 10 working days after receiving this notice, requiring a meeting to be called.

**10. Liquidation Committee**

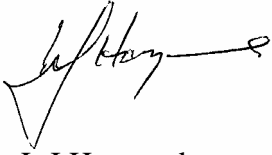
At any time during the liquidation, any creditor may in writing, request the Liquidators to call a meeting of creditors to consider whether a Liquidation Committee should be appointed, and if so, to choose the members of the Committee.

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

A handwritten signature in black ink, appearing to read 'L J Hayward', with a long horizontal flourish extending to the right.

L J Hayward  
**Liquidator**

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

Attach:

**Estimated Statement of Affairs of  
Art Properties Limited (In Liquidation)  
As at the date of the Appointment of Liquidators  
Being 12 February 2008**

	<i>Book Value</i>	<i>Estimated Realisable Value</i>
	\$	\$
<b>Assets:</b>	Nil	Nil
<b>Liabilities:</b>	Nil	Nil

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

**Disclaimer of Liability:**

We have prepared the Estimated Statement of Affairs as at the date of liquidation being 12 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

6 March 2008