

Receivers' First Report on the State of Affairs of

**Don Ha Real Estate Limited (In Receivership)
(Formerly DH Group Limited and Trading as Ray White Manukau)**

19 May 2011

Company Number: 1628279

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Introduction

Tim Downes and David Ruscoe of Grant Thornton New Zealand Limited were appointed jointly and severally as Receivers and Managers of all the assets, property and undertakings of Don Ha Real Estate Limited (In Receivership) (the Company) on 17 March 2011. The appointment was made under the powers contained within a General Security Agreement (GSA) dated 7 March 2007, issued by the Company in favour of Kiwibank Limited ("Kiwibank"). We set out below our first report on the state of the affairs of the above named Company as required by section 23 of the Receiverships Act 1993.

The director of the Company at the time of appointment was Duong Hai Ha.

Events leading up to our appointment

Kiwibank had made various loans to the Don Ha Group (the Company and other associated entities). As part of the security for these loans, Kiwibank took a GSA over the Company. The Company stood as guarantor for other monies owing to Kiwibank by the wider Don Ha Group. An event of default occurred within the wider Don Ha Group which resulted in Kiwibank taking action under its GSA, by appointing us as Receivers, to protect its security position.

Trading on/sale of business

At the date of our appointment the Company operated as a real estate business and property management business.

The Receivers continued to trade the business in an effort to sell the business as a going concern. A sale of the business was achieved and settled on 18 April 2011.

Property disposed of to date

Since our appointment, as noted above, we have disposed of the business and fixed assets of the Company, realising \$1.35m.

Proposals for recovery of receivership property

We will continue to pursue the trade debtors and intercompany debtor balances due. At this stage of the receivership we are uncertain of estimated further recoveries.

Amounts owing to the general security agreement holder and other creditors

Based upon the information provided to us by the General Security Agreement holder, Kiwibank was owed \$7,060,715 as at appointment. The Company debt amounted to \$154,991 and the Guarantee debt amounted to \$6,905,724. We have since repaid \$1,200,000 following settlement of the sale of the business and assets.

Based upon the information available it is unlikely that the general security agreement will be paid in full from proceeds arising from the receivership of the Company.

Other secured creditors

The following parties had charges registered on the PPSR at the time of our appointment.

Name	Collateral Type
Fuji Xerox Finance Limited	Goods - Other
KiwiBank Limited	All Present and after acquired property
DSE (NZ) Limited	Goods - Other
Connect Capital Limited	Goods - Other
Cogent Communications Limited	Goods - Other
Konica Minolta Business Solutions New Zealand Limited	All Present and after acquired property
Leasing Solutions Limited	All Present and after acquired property
Onesource Group Limited	All Present and after acquired property
Solutions Group Receivables Limited	Goods - Other
Alleasing New Zealand Limited	Goods - Other
Orix New Zealand Limited	Intangibles; Goods - Motor Vehicles
Technology Holdings Limited	Goods - Other

Preferential creditors

We are liaising with the Inland Revenue Department to establish the extent of its preferential claims. The information we have to date indicates that PAYE had an outstanding balance of \$13k for the month of March 2011 and GST of approximately \$80k owing for the period 1 December 2010 to 17 March 2011. We are yet to complete the pre-receivership GST return for the period 1 February 2011 to 17 March 2011. A preferential claim is yet to be received from the Inland Revenue Department.

The amounts owing to employees at the date of our appointment have been paid in full, totalling \$18k, with the exception of one further claim which needs to be verified before payment is made.

Based upon the information available, it is likely that the preferential creditors will be paid in full.

Unsecured creditors

To date we have received 30 claims totalling \$890k. Based upon the information we have available it appears that no funds will be available to meet the claims of unsecured creditors and that there will be insufficient funds available to repay the full amount of the debt due to the general security agreement.

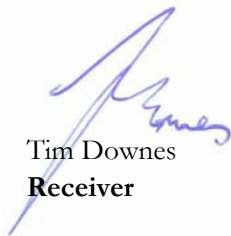
Unsecured creditors may direct their queries and creditors claim form to the Receivers.

Particulars of assets and liabilities

We have attached as appendix A particulars of the assets of the Company and as appendix B particulars of the liabilities of the Company as at the date of our appointment.

Information provided by the company

The Director of the Company co-operated fully in making available the information required by the Receivers to complete this report.



Tim Downes
Receiver



David Ruscoe
Receiver

Appendix A – Assets of the Company

<u>Notes</u>		Book Value	Estimated to Realise
	ASSETS	\$	\$
1	Cash on Hand		12,750
2	Plant & Equipment	12,201	} 1,350,000
2	Office Equipment	76,874	
2	Furniture and Fittings	267,156	
2	Leasehold Improvements	301,745	
2	Motor Vehicles	15,088	
3	Debtors	144,241	unknown
4	Intercompany debtors	2,558,154	unknown
5	Sales Consultant Recharges/loan	140,936	unknown
		<u>3,516,394</u>	<u>unknown</u>

Notes

- 1 Cash on hand represents the actual cash in the bank accounts at the time of appointment.
- 2 These amounts are taken from management accounts at the date of appointment and do not include any adjustment for depreciation for the 2010 financial year.
- 3 These amounts are taken from management accounts at the date of appointment. We have made certain adjustments for payments received pre receivership, double invoicing and entry errors. We are in the process of verifying the balance of the debtors.
- 4 These amounts are taken from management accounts at the date of appointment. The intercompany debtor balances are due from 15 related parties some of which have ceased trading. We are still verifying collectability of these debts.
- 5 These amounts are taken from management accounts at the date of appointment. The amounts are due from former sales agents and are considered unlikely to be collectible.

Appendix B – Liabilities of the Company

Notes

	<u>LIABILITIES</u>	\$
	Secured Creditors	
1	Kiwibank Limited	154,991
2	Other Secured Creditors - Specific Assets	unknown
	Preferential Creditors	
3	Employees	18,317
4	IRD - Employer Deductions i.e. PAYE/Student Loans/Kiwi Saver	13,171
4	IRD - GST	80,000
	Unsecured Creditors	
5	Unsecured Creditors - Trade	1,054,633
5	Unsecured Creditors - Intercompany	1,039,727
6	Shareholder Advances	742,241
		<u><u>2,360,839</u></u>

Notes

- 1 The Company owed \$154,991.31 and guarantees liabilities in respect of other Don Ha related entities to the extent of a further \$6,905,724.31.
- 2 Other Secured Creditors that have security interests in respect of specific office equipment of the Company.
- 3 The Employees have been paid their outstanding wages and holiday pay. We are still verifying one claim which is not included in this amount at this stage.
- 4 The IRD are owed Paye for the month of March 2011 and GST for the period 1 December 2010 to 17 March 2011. We have estimated \$34k due for the period 1 February 2011 to 17 March 2011.
- 5 These are approximate amounts and include both trade creditors and intercompany or related party debts.
- 6 These are amounts taken from the management accounts at the time of our appointment with an adjustment for other shareholder advances not recorded in the management accounts.



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