

Receivers' First Report on the State of Affairs

Pursuant to Section 23 of the Receiverships Act 1993

**Merivale Ale House Limited (In Receivership)
trading as Cargo and Four Nations**

**The Parklander Limited (In Receivership)
trading as The Parklands Tavern**

**Premium Hospo Limited (In Receivership)
trading as 205 Cocktail Bar and Wine Cellar**

**Queenstown Hospitality Limited (In Receivership)
trading as The Boiler Room**

**Minus Five Queenstown Limited (In Receivership)
trading as Minus 5**

Brimstone Bar Limited (In Receivership)

BJB Investments Limited (In Receivership)

Cargo Bar and Restaurant Limited (In Receivership)

Fusion Fiji Limited (In Receivership)

HHML Finance Limited (In Receivership)

Hornby Hospitality Limited (In Receivership)

Merivale Hospitality Limited (In Receivership)

(together "the Companies")

Reporting Period: 26 June 2009 to 26 August 2009

Introduction

We, Malcolm Grant Hollis and Maurice George Noone, Chartered Accountants, were appointed Receivers of Merivale Ale House Limited trading as Cargo and Four Nations by South Canterbury Finance Limited ("SCF"), on 26 June 2009.

Furthermore, on 2 July 2009 Malcolm Grant Hollis and Maurice George Noone were appointed receivers by SCF, of the following companies:

- The Parklander Limited, trading as The Parklands Tavern
- Premium Hospo Limited, trading as 205 Cocktail Bar and Wine Cellar
- Queenstown Hospitality Limited, trading as The Boiler Room
- Minus Five Queenstown Limited, trading as Minus 5
- Brimstone Bar Limited
- BJB Investments Limited
- Cargo Bar and Restaurant Limited
- Fusion Fiji Limited
- HHML Finance Limited
- Hornby Hospitality Limited
- Merivale Hospitality Limited

- together referred to as "the Companies" or the "Botherway Group of Companies"

Receivers were appointed under the terms of security agreement's 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.

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 II. 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.

Events leading to our appointment

Merivale Ale House Limited was refurbished in late 2008. However the refurbishment creditors could not be paid and the company entered into a Creditors Compromise with its refurbishment creditors. However during the period of the Compromise the bar was trading poorly and it was evident the Compromise was not likely to succeed. Discussions were held with a number of interested parties for the sale of the Merivale Ale House Limited business. Discussions were also held with New Zealand Breweries which had a second ranking General Security Agreement over the company's assets, as it considered they may be able to introduce a suitable purchaser.

However New Zealand Breweries chose to appoint receivers to protect their interests. They appointed receivers on 26 June 2009 to which SCF immediately responded with our appointment.

Once Merivale Ale House Limited had been placed in receivership, SCF moved to appoint receivers over the remaining Companies.

Particulars of assets

Below are the particulars of the Companies' assets as at the date of our appointment, which have been prepared from the Companies' accounting records and information supplied to us by both the Companies and its director. In preparing these particulars we have not carried out anything in the nature of an audit. We retain the right to amend the particulars if we consider it necessary in light of information, which becomes known to us subsequent to the date of this report:

The principle assets are five trading bars located in Auckland, Christchurch (2) and Queenstown (2). The assets of each bar include goodwill, lease, stock and chattels at each location.

Brimstone Bar Limited is not trading but owns bar chattels located in Dunedin.

Fusion Fiji Limited owns a property in Fiji.

We are not aware that the remaining five Companies hold any realisable assets.

Proposals for disposal of receivership property

The overall strategy has been to continue to trade all the bars that were trading at the date of the receivership. Although all five bars are diverse and each has its own trading pattern, we established that in order to maximise the value of the businesses it was important to continue trading them.

The receivers will work through the process of selling each business as a going concern either individually or collectively.

We have obtained a valuation of the stock and chattels and other assets of each of the trading venues on both an ex-situ and in-situ basis.

The Merivale Ale House Limited bars, Cargo and Four Nations, were advertised for sale in the New Zealand Herald shortly after our appointment. We received three non-binding indicative offers from interested parties however none were at an acceptable sale price. We have decided to continue trading this venue in the short term, with a view of revisiting the sale process at a later date.

We have advertised the two Queenstown trading bars for sale and are currently in the process of providing information to interested parties.

We will shortly advertise 205 Cocktail Bar and Wine Cellar business for sale and already hold a list parties who have expressed an interest in this business.

The Parklands Tavern business was subject to a conditional sale and purchase agreement at the time of our appointment. Because of building maintenance issues, the conditions were not able to be met and the contract has since lapsed. We are currently in negotiations with the landlord and other interested parties with regards to the way forward to selling this business.

We have received an offer for the purchase of the shares in Fusion Fiji Limited which would mean the ownership of the land owned by this company would be sold.

We have omitted further details concerning our proposal for the disposal of receivership property 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 for the sale of receivership property.


Amounts likely to be available for payment to creditors other than creditors of the company having statutory preferential claims

The process of realising the Company's assets is obviously not yet complete. However, from our observations to date we believe that there will not be any funds available for unsecured creditors.

Information provided by the company

The director of the Companies has co-operated fully in making available the information required by the receiver to complete this report.

Dated: 27 August 2009



Malcolm Grant Hollis
Receiver

Appendix I

Particulars of debts and liabilities at the date of receivership outstanding and requiring to be satisfied from the property in receivership

List of Creditors claims received to 26 August 2009

	HHML Finance Limited \$	Merivale Ale House Limited \$	Premium Hospo Limited \$	The Parklander Limited \$	Minus 5 Queenstown Limited \$	Queenstown Hospitality Limited \$	Brimstone Bar Limited \$	Total \$
Preferential Creditors								
Holiday Pay		24,512	2,334	35,708	13,975	6,787		83,316
GST		11,129	2,104	13,589	20,416	3,243		50,481
PAYE		68,935	1,792	20,712	18,152	5,185		114,775
KiwiSaver deductions		2,242	220	225	128	271		3,086
Student Loan		1,093	101	180	Nil	Nil		1,374
		107,911	6,551	70,414	52,671	15,486	0	253,033
Secured Creditors								
South Canterbury Finance Limited	7,824,486							7,824,486
Allround Finance Ltd		31,460						31,460
Equico Equipment Finance		29,835						29,835
Equico Equipment Finance		34,565						34,565
Harrows Contract Furniture		27,928						27,928
Music Touch Systems Limited			9,000					9,000
Nationwide Finance Limited				5,536		3,996		9,532
New Zealand Breweries Limited		1,290,267				23,810	69,333	1,383,410
Southern Hospitality Limited		3,437						3,437
UDC Finance Limited		29,523						29,523
	7,824,486	1,447,015	9,000	5,536	0	27,806	69,333	9,383,176
PMSI Creditors								
Beaver Liquor Limited						11,285		11,285
BOC Gases Limited		541						541
Glengary Hancocks Limited		4,467	1,457					5,924
Vintners NZ Limited			343					343
Trents Wholesale Limited			441	8,617				9,057
Tasman Suppliers Limited		0						0
Tasman Liquor Company Limited		5,832						5,832
		10,840	2,240	8,617	0	11,285	0	32,982
Unsecured Creditors								
Landlord		115,313	15,000	56,250	10,761	11,583		208,907
Inland Revenue Department		7,323	747	6,028	5,240	1,728		21,066
Trade Creditors claims received to date		157,633	5,911	42,024	40,810	4,030		250,408
		280,269	21,658	104,302	56,811	17,341	0	480,381
Total creditors claims received	7,824,486	1,846,036	39,449	188,869	109,482	71,917	69,333	10,149,572

**Appendix II
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. 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.

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.