

24 June 2009

**FIRST REPORT OF THE LIQUIDATORS
TO CREDITORS AND MEMBERS OF
BAIRDS ROAD PHARMACY LIMITED (IN LIQUIDATION)**

INTRODUCTION

Bairds Road Pharmacy Limited (In Liquidation) ("the Company") was placed into liquidation on Friday, 15 May 2009 at 4.58 pm by order of the High Court in Auckland pursuant to Section 241(2)(c) of the Companies Act 1993 ("the Act"). Gareth Russel Hoole and Kevin David Pitfield were appointed joint and several liquidators of the Company at that time.

RESTRICTIONS

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The liquidators reserve the right (but will be under no obligation) to review this report and, if considered necessary, to revise the report in light of any information existing at the date of this report which becomes known to us after that date.

BACKGROUND AND STATEMENT OF POSITION

Directors and Shareholders

On the date of the appointment of the liquidators the records of the company reflected the following:

Directors: DHANSHUK, Jaishree
 KNOTT, James Stewart

Shareholders: KNOTT, James Stewart
 AMARSEE, Dhanshuk and DHANSHUK, Jaishree (Joint shareholding)

History

The company was incorporated as Bairds Road Pharmacy Limited on 22 September 1995.

The principal business of the Company was that of pharmaceutical retailing.

The petitioning creditor who brought the winding up proceedings against the Company was New Zealand Guardian Trust Company Limited (“NZGT”) who were a lender to two related development companies, Sai Developments Limited (In Liquidation) and Bhima Developments Limited (In Liquidation) (“the Development Companies”). The lending was secured by first ranking mortgages over two properties owned by the Development Companies and by Unlimited Deeds of Guarantee and Indemnity granted by the Company and other parties associated with Dhanshuk Amarsee.

In July 2008 NZGT exercised its rights as mortgagee by issuing Property Law Act notices and subsequently realising the properties by way of mortgagee sale.

As the mortgagee sales realised less than amounts owing to NZGT by the Development Companies, NZGT made repeated demands on the guarantors for payment of the shortfall. Such payments were not made, resulting in the issuing of statutory demands and ultimately to the commencement of the winding up proceedings.

Actions Taken To Date

On 19 May 2009 the liquidators and their representatives attended a meeting with the Company’s director. Mr Amarsee stated that the pharmacy business had been sold by the Company on 22 December 2008 and referred the liquidators to the Company’s lawyer and accountant.

Following repeated attempts to obtain information pertaining to the Company (including its books and records) from the Company’s advisors, the liquidators issued formal demands under section 261 of the Act. The Company’s accountant has been cooperative in supplying the required information, however to date the Company’s lawyer has not provided all of the Company’s information in their possession and the liquidators are now considering their options with respect to the lawyer’s non-compliance with section 261 of the Act.

The liquidators have reviewed the sale and purchase agreement between the Company and the purchaser of the pharmacy business, a company also associated with Mr Amarsee.

The sale and purchase agreement appears to have been “settled” with no immediate cash benefit to the Company. Specifically, with respect to the consideration to be received by the Company for tangible and intangible assets, the principal amount is stated to be payable on the 10th anniversary of the purchase date. Amounts included in the Sale and Purchase Agreement for inventory, which was to have been paid in cash, are recorded in the Company’s accounting records as a receivable from the purchaser indicating that cash was never paid.

Consequently, the sale and purchase of the pharmacy business appears to have had little (if any) commercial purpose; was not transacted on an arms length basis; and was structured to enable cash flow from the pharmacy operation to be retained under Mr Amarsee’s control

and/or be available to support borrowings from other creditors of Mr Amarsee's wider group of companies, rather than being available to meet the liabilities of the Company.

Given the circumstances of the sale of the pharmacy business, the liquidators have formed the view that the transaction is voidable pursuant to the provisions of the Act. In this regard, the liquidators have successfully sought to have an injunction placed over the purchaser of the pharmacy business, to prevent any further sale of or dealing with the pharmacy business other than in the normal course of trading, pending the hearing of application by the Court.

In addition to the pharmacy business (or the receivable arising from its sale), the liquidators have established that the Company has assets in the form of loans made to related entities. Demands have been issued to these entities to recover the outstanding amounts.

Statement of Position

Attached by way of Appendix 1 is the Statement of Position of the Company as at 15 May 2009 as derived from the Company's records. The information contained in the attached statement of position is based on the Company's latest approved financial statements and the processing (to the extent possible in the time since obtaining them) of source documents of the Company since the date of those financial statements. It is possible that subsequent investigation could result in a revision of the information thus presented.

Securities and Charges

A search of the Personal Property Securities Register has revealed registered security interests, including a General Security Agreement held by Pharmacy Retailing (NZ) Limited trading as Propharma.

The other security interest identified relates to the pharmaceutical stock purchased by the Company on credit terms.

Apart from creditors designated as preferential in terms of the Seventh Schedule of the Companies Act 1993 and the secured creditors referred to above, all other creditors of the company will rank as unsecured.

PROPOSALS FOR THE CONDUCT OF THE LIQUIDATION

Investigations into the existence and whereabouts of any assets not identified at the date of this report will be undertaken.

The liquidators will initially seek to overturn the sale of the pharmacy business and, if successful, seek to sell the business as a going concern on terms which provide immediate cash to satisfy creditors and which are no less favourable than the transaction considered to be voidable.

The Company has a number of related entity balances which require collection. The liquidators will pursue outstanding amounts using all available legal remedies.

The liquidators will review disbursements made by the Company in the period beginning on 24 February 2007 through to their appointment for purposes of determining whether any further transactions can be considered voidable within the ambit of Section 292 of the Act.

From the records made available to the liquidators, at the time of appointment the Company was prima facie solvent. However, further investigations revealed that five of the related entities, which collectively owe the Company a substantial amount of money, are in liquidation. In the event that these receivables are uncollectible, the Company is insolvent from a balance sheet perspective. In any event the Company appears to be insolvent from a cash flow perspective. At this time the liquidators have not been able to determine how long the Company traded under insolvent circumstances. However, they will conduct the appropriate investigation in this regard and report their findings to the Registrar of Companies as considered necessary. The liquidators will pursue appropriate action against the director to the extent considered economically beneficial if evidence exists to support such action

CREDITORS' MEETING

The liquidators advise that a meeting of creditors will be held at Level 9, Tower Centre, 45 Queen Street, Auckland on Tuesday, 30 June 2009 at 10.00am. Please find documentation in relation thereto enclosed with this report.

UNSECURED CREDITORS CLAIM FORM

A creditor's claim form is enclosed for your convenience. The liquidators request that this be completed and returned to their office together with supporting documentation to register your claim in this liquidation by Friday, 10 July 2009.

If you believe that you hold security for your claim please advise the liquidators, in writing, providing supporting documentation and all other details of the nature of the security that you believe you hold.

ESTIMATED DATE OF COMPLETION OF LIQUIDATION

Subject to any unforeseen matters arising from the investigation of the Company's affairs; the timeframe associated with the collection of receivables; and the Court action relating to the sale of the pharmacy business; the liquidators tentatively estimate that this liquidation will be completed within the next year.

Please note that all subsequent reports prepared by the liquidators will not be mailed to the creditors and members of the Company, but will be available on the New Zealand Companies Office and Staples Rodway websites.

Should you have any queries regarding the liquidation of the Company, please do not hesitate to contact Tania Watson at the office of the Liquidators on telephone 309 0463 or by email on tania.watson@staplesrodway.com.



.....
Gareth Russel Hoole
JOINT LIQUIDATOR



.....
Kevin David Pitfield
JOINT LIQUIDATOR

APPENDIX I

BAIRDS ROAD PHARMACY LIMITED (In Liquidation)

STATEMENT OF POSITION AS AT 15 MAY 2009

	Book Value	Estimated Realisable Value
ASSETS		
Cash on Hand	-	
Fixed Assets	-	
Debtors	-	
Intercompany loans	<u>6,289,104.68</u>	<i>Note 1 & 2</i>
<i>Total Assets</i>	<u>6,289,104.68</u>	
LIABILITIES		
Secured Creditors	-	
Unsecured Creditors		
- intercompany loans	1,859,082.90	
- other creditors	759,121.84	<i>Note 3</i>
Preferential Creditors	<u>103,272.47</u>	
<i>Total Liabilities</i>	<u>2,721,477.21</u>	
 Excess Assets over Liabilities	 <u><u>3,567,627.47</u></u>	

Notes:

1. The liquidators will pursue all outstanding loans using all legal remedies available.
2. The amounts outstanding are all due from related entities, some of which are also in liquidation. The liquidators cannot estimate with any degree of accuracy the amount likely to be collectable.
3. The Company appears to have granted guarantees to financiers of related parties. To date the liquidators have been unable to quantify the aggregate extent of these guarantees.

APPENDIX II

BAIRDS ROAD PHARMACY LIMITED (In Liquidation)

CREDITORS LISTING AS AT 15 MAY 2009

Name	Address		
Ahimsa Developments Ltd	C/- BDO Spicers	PO Box 51 563	Auckland
Aldersgate Royal Oak Limited	2B/519 Remuera Rd	Remuera	Auckland
ANZ National Bank Limited	PO Box 540	Wellington	
ASAP Finance Limited	PO Box 99 975	Newmarket	Auckland
Bhakti Developments Ltd	C/- BDO Spicers	PO Box 51 563	Auckland
Bharat Developments Ltd	C/- BDO Spicers	PO Box 51 563	Auckland
Bhima Developments Ltd (In Liquidation)	C/- Staples Rodway	PO Box 3899	Auckland
Centurian			
Cressida Capital Limited	PO Box 99 887	Auckland	
D Amarsee & J Dhanshuk	C/- BDO Spicers	PO Box 51 563	Auckland
Damodar	C/- BDO Spicers	PO Box 51 563	Auckland
Dharma Developments Ltd	C/- BDO Spicers	PO Box 51 563	Auckland
Gokul Developments Ltd	C/- BDO Spicers	PO Box 51 563	Auckland
Gopal Developments Ltd	C/- BDO Spicers	PO Box 51 563	Auckland
Govinda Ltd	C/- BDO Spicers	PO Box 51 563	Auckland
Hari Development Ltd	C/- BDO Spicers	PO Box 51 563	Auckland
Inland Revenue	Private Bag	Manukau City 2241	
Joyti Developments Ltd	C/- BDO Spicers	PO Box 51 563	Auckland
Lalita Developments Ltd	C/- BDO Spicers	PO Box 51 563	Auckland
M A Buckley			
Madhu Developments Ltd	C/- BDO Spicers	PO Box 51 563	Auckland
Matrix Funding Group Limited	PO Box 302 020	North Harbour	Auckland
North South Finance Limited	PO Box 37 218	Parnell	Auckland
Old Gopal Developments Ltd	C/- BDO Spicers	PO Box 51 563	Auckland
Otara Pharmacy (1992) Limited (In Liquidation)	C/- Staples Rodway	PO Box 3899	Auckland
Prema Developments Ltd	C/- BDO Spicers	PO Box 51 563	Auckland
Radha Developments Ltd	C/- BDO Spicers	PO Box 51 563	Auckland
Radhika Developments Ltd	C/- BDO Spicers	PO Box 51 563	Auckland
Rama Developments Ltd	C/- BDO Spicers	PO Box 51 563	Auckland
Ranchod Developments Ltd	C/- BDO Spicers	PO Box 51 563	Auckland
Rupa Developments Ltd	C/- BDO Spicers	PO Box 51 563	Auckland
Sai Construction Limited (In Liquidation)	C/- Staples Rodway	PO Box 3899	Auckland
Satya Investments Ltd	C/- BDO Spicers	PO Box 51 563	Auckland
Shakti Developments Ltd	C/- BDO Spicers	PO Box 51 563	Auckland
Shidhama Developments Ltd	C/- BDO Spicers	PO Box 51 563	Auckland
Sita Developments Limited (In Liq)	Gerry Rea Partners	PO Box 3015	Auckland
The New Zealand Guardian Trust Company Limited	PO Box 1934	Auckland	
		10 Customhouse Quay	Wellington
TTNZ Custodians (FM) Limited	Level 5	Quay	Wellington
Veera Developments Ltd	C/- BDO Spicers	PO Box 51 563	Auckland
Westpac Banking Corporation Limited	PO Box 58 206	Greenmount	Auckland
Yashoda Developments Ltd	C/- BDO Spicers	PO Box 51 563	Auckland