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Best Pacific Institute of Education Limited (In Liquidation) ("the Company" and "BEST")

**LIQUIDATORS' REPORT (PURSUANT TO SECTION 255 OF THE COMPANIES ACT 1993);
FOR THE PERIOD 1 December 2017 TO 31 May 2018**

COMPANY NUMBER: 646909

1. Appointment

Conor McElhinney and William Black were appointed jointly and severally as Liquidators of Best Pacific Institute of Education Limited (In Liquidation) on 1 December 2017 by special resolution of the shareholders.

2. Disclaimer

The purpose of this report is to report to the creditors and shareholders in accordance with Section 255 of the Companies Act 1993.

This report has been prepared based on the information known to the Liquidators as at the date of this report. We reserve the right (but will be under no obligation) to review this report and if we consider it necessary to revise the report in the light of any information existing at the date of this report which becomes known to us after that date. We have not independently verified the accuracy of information provided to us, nor have we conducted an audit in respect of the Company. We express no opinion on the reliability, accuracy, or completeness of information provided to us and upon which we have relied.

The Liquidators do not accept responsibility or liability for any losses occasioned to any party as a result of the circulation, publication, reproduction, or use of this report.

3. Company information

Date of incorporation: 22 September 1994

Type of business: Education Provider

Date trading ceased: 30 November 2017

Directors: Anita Finnigan and Rachel Skudder

In association
with



Advisory
Forensic
Transactions
Restructuring
Insolvency



4. Events leading to appointment of Liquidators

As previously advised, BEST ceased trading on 30 November 2017, following receipt of advice on 23 November 2017 that BEST would not receive tertiary education funding in 2018. The Liquidators note that the balance of 2017 funding was also being withheld. Consequently, the Company could not meet its obligations as they fell due.

5. Report on the conduct of the liquidation

5.1 Asset realisations

The Liquidators conducted a sale process in relation to BEST's assets, by contacting directly a number of Private Training Establishments ("PTEs") and advertising the business and assets for sale in Trade Me. No material offers were received for either the business or the assets of BEST.

Two parties expressed interest in taking an assignment of BEST's leases at 5A Ryan Place and 48 Rosebank Road and to purchase the chattels at those properties. At the time, both properties were owned by the Tinos Trust, whose trustees include the Directors of BEST, Anita Finnigan and Rachel Skudder ("Trust").

5A Ryan Place

On 1 February 2018, the Trust issued a Property Law Act ("PLA") notice of intention to cancel the lease to BEST. With the consent of the Trust, BEST:

- a. Sold the furniture and chattels at the property to the PTE identified during the Liquidators' sale process for \$8,695 +GST.
- b. Sold the leasehold improvements made by BEST to the property to the Trust for \$100,000 +GST.

A new lease was entered into between the Trust and the PTE introduced by the Liquidator. The Liquidators are taking advice regarding a possible claim in relation to the improvements made by BEST to the leased premises owned by the Trust.

48 Rosebank Road

The Liquidators negotiated an assignment of the 48 Rosebank Road lease to a third party for a payment of \$250,000 +GST. A heads of agreement was entered into. BEST requested the consent of the Trust as landlord to the assignment under the lease. The Trust did not consent to the assignment.

The Trust issued a PLA notice of intention to cancel the lease on 31 January 2018. The lease was cancelled by the Trust on 19 February 2018. Consequently, no value was obtained by BEST from the lease. Minor chattels were removed by the Liquidators and sold at auction.

The third party introduced by the Liquidators subsequently purchased the property from the Trust. The Liquidators are taking advice regarding a possible claim in relation to the circumstances of the unsuccessful assignment of the lease and subsequent sale of the property by the Trust to the third party.

Other chattels

The Liquidators sold BEST's physical assets (e.g. desks, chairs, tables, computers etc.) at the other campuses through on-site auctions conducted by All About Auctions and a tender process for a mobile building. After taking advice from All About Auctions, the chattels located at the head office were sold by private treaty to a new tenant. This asset realisation process generated gross proceeds (before costs) of \$251,773 +GST, as shown in the receipts and payments schedule at Appendix 1.



5.2 Employee claims

The directors/shareholders of BEST provided almost \$450,000 of funding to the Liquidators to enable the payment of all employee preferential claims in full. Without this contribution, the Liquidators would not have been able to pay employee preferential claims for accrued wages and holiday pay.

The calculation and checking of employee preferential entitlements was completed and payments were made on 19 December 2017. Arrangements were also made for employees to uplift personal items located at all the various campuses.

5.3 Student transfer

One of the largest groups of current creditors of BEST (subject to potential refunds discussed below) are the students who were part-way through their studies, or who were due refunds for withdrawals. Consequently, the Liquidators provided significant assistance in time and costs liaising with the Tertiary Education Commission ("TEC") and New Zealand Qualifications Authority ("NZQA") to support the transfer of students to other PTEs. The TEC provided funding to the Liquidators to cover third-party costs incurred with this assistance, including BEST employee wages.

5.4. Trust account funds and claim to Bank bond

The Statement of Affairs provided with our first report showed three related balances: debtors of \$357,082, a trust account asset of \$926,820 and a liability to StudyLink of \$566,284. All three balances effectively relate to students who funded their studies through student loans:

- a. Debtors are amounts due from students for course fees.
- b. The trust account balance represents funds held by a trustee which were paid by StudyLink to the trustee, to be passed to BEST once BEST is entitled to receive the payment from the student (after a withdrawal period).
- c. The liability to StudyLink represents refunds due to students who withdrew from courses.

Given the closure of BEST on 1 December 2018, students are entitled to refunds for part-completed courses. As a result, the reported balances will be subject to change.

The Liquidators, NZQA, TEC, the Trustee and the shareholders/directors of BEST continue to work to determine BEST's and students' entitlements to funds held in trust and the amount of any claim against a bank bond (provided to cover further refunds due to students from the closure of BEST and/or to transfer course fees to the new PTE if a student transferred).

6. Receipts and payments

Attached is a summary of receipts and payments for the period 1 December 2017 to 31 May 2018.

7. Proposals for completing the liquidation

In addition to resolving the matters outlined in paragraph 5.4 above, the remaining known assets of BEST are the current accounts owing by Anita Finnigan and the Tinos Trust, which were reported as \$2.5 million and \$163,116 respectively in the Statement of Affairs prepared by the Directors. The Liquidators are continuing to review these balances and, in the absence of repayment, expect to make demand in the near future.

The Liquidators have also investigated and identified potential claims against certain parties and are considering whether to issue legal proceedings.

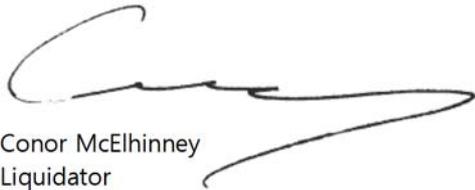


8. Estimated date of completion of the liquidation

It is not practical to estimate the date of the completion of the liquidation at this stage, given the matters outstanding.

9. Further information

If you require any further information in relation to the liquidation, or if you have any information that will be of assistance to the Liquidators, please contact David Walker on +64 9 926 5112 or dwalker@mcgrathnicol.co.nz.



Conor McElhinney
Liquidator



APPENDIX 1

Best Pacific Institute of Education Limited (In Liquidation)

Receipts and payments summary 1 December 2017 to 31 May 2018 \$

Receipts

Funding from Directors/shareholders for employee preferential claims	445,570
Sale of head office and other campus fixtures, fittings and chattels, portacom classrooms, motor vehicles	251,773
Sale of 5A Ryan Place fixtures, fittings and chattels	108,696
GST received	100,902
Funding from Directors/shareholders for Liquidators' fees and costs	75,000
Funding from TEC for costs associated with student transfers	62,070
Insurance refund	4,435
Interest received	179
Petty cash on hand	43

Total receipts **1,048,668**

Payments

Employee preferential claims paid	444,985
Liquidators' fees	100,000
Liquidators' disbursements	6,425
GST paid	59,028
Wages & salaries	49,685
Legal fees	44,653
Legal disbursements	15,606
Auctioneer charges and commission	34,963
IT services	6,818
Rent and rates	5,941
Insurance	5,111
Record destruction and rubbish removal	4,995
Security	3,930
Contractors	2,817
Data processing	2,029
Bank charges	112

Total payments **787,098**

Balance as at 31 May 2018 **261,570**