

## Raptis hole deepens

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Nick Nichols, business editor

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ADMINISTRATORS to Raptis Group's troubled construction arm Rapcivic Contractors have laid bare the inner workings of the company, saying the first sign of problems emerged as early as May last year.

In his report to creditors, Brian Silvia, of BRI Ferrier, said that was when the ANZ Bank pulled its funding for the second tower of Raptis Group's Surfers Paradise Hilton.

That forced Raptis to find new sources of finance at a time when global credit markets were seizing up and property values were falling hard.

Mr Silvia said Rapcivic, apart from undertaking Raptis Group's construction activities, also 'fulfilled a treasury function' by incurring overhead and sales marketing expenses for the group.

"Substantial inter-company indebtedness arose as a result of the way in which the group funded its operations," he said.

"Our research to date shows the group's property portfolio has fallen substantially in value, leaving no net equity in the property holdings of associated entities after repayment of secured creditors."

Mr Silvia said a big shortfall in equity led Capital Finance Australia to appoint receivers to Southport Central's Tower 3 last September, triggering a default of all other loans to associated Raptis Group entities.

Rapcivic Contractors, which was placed in administration last month, has almost \$770 million in unrecoverable inter-company loans on its books, giving unsecured creditors no chance of receiving anything if the company is wound up, said Mr Silvia.

The ANZ Bank, St George and Capital Finance are owed a combined \$415 million.

Mr Silvia said St George and ANZ Bank would likely be paid in full from a completed Hilton project, but he said Capital Finance may have trouble recouping its entire claim of \$200 million.

Despite its secured status, Capital Finance Australia is said to be \$30 million out of pocket at Southport Central.

Mr Silvia said this shortfall was likely to 'swamp' the remaining claims of other unsecured creditors in the event of a liquidation of Rapcivic.

Rapcivic's unsecured trade creditors are owed \$24.59 million, with \$3.8 million of that associated with Southport Central's Tower 2.

A further \$4.3 million is owed to the Australian Taxation Office for GST, pushing Rapcivic's unsecured debt to \$28.9 million.

Mr Silvia described the unpaid subbies from Southport Central Tower 2 as the 'most aggrieved' as the tower was completed in April last year.

The administrator has recommended creditors accept a deed of company arrangement (DOCA) being drafted by Rapcivic director and Raptis Group chairman, Jim Raptis.

Details of the planned payout have not been disclosed, but the DOCA is expected to be on the agenda at a creditors' committee meeting to be held this morning in Surfers Paradise.

Mr Silvia said it was premature to submit the existing DOCA to creditors as it needed to be 'refined'.

As a result, next week's scheduled second meeting of Raptivic creditors has been postponed until an acceptable DOCA has been thrashed out.

Among the demands made by Mr Silvia is that Mr Raptis disclose his personal financial position to the creditors' committee.

The administrator also wants access to Raptis Group's consolidated financial accounts, as well as the reversal of a lease-back sale of three construction cranes in June and July last year to affiliate Ocean Blue Constructions.

"The transactions involving Blue Ocean are capable as being viewed as unreasonable director-related transactions having occurred during the six months prior to appointment of the administrators," said Mr Silvia.

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