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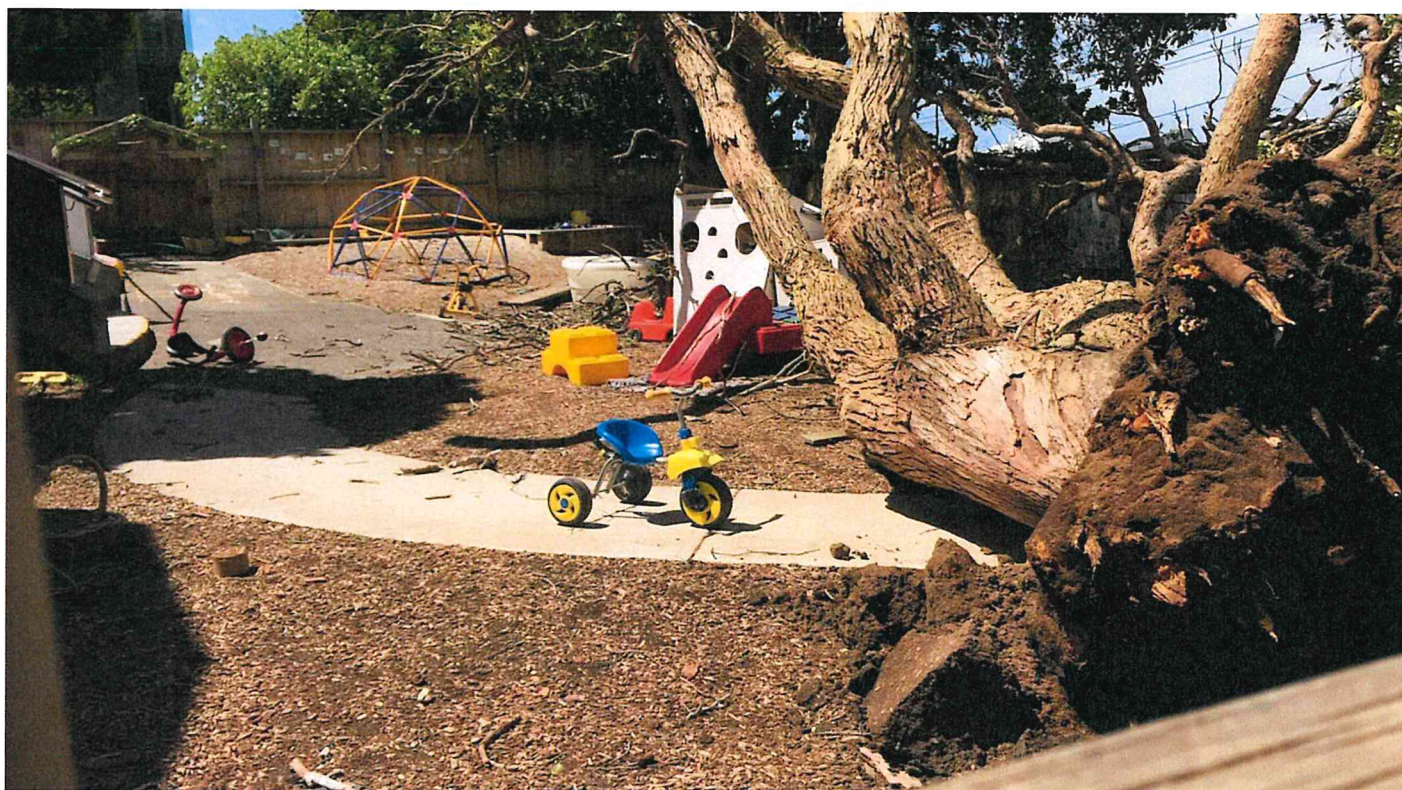
BUSINESS

PREMIUM

Liquidators reveal creditors of insolvent childcare centre

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Serious injuries caused to children at Discoveries Educare in Epsom. Photo / Cherie Howie



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A list of creditors of an insolvent Auckland childcare business has been released showing a major trading bank and many Government departments and agencies seeking money, including \$171,000 to the Ministry of Justice after a tree seriously injured children.

Pritesh Patel of licensed insolvency practitioners Patel & Co has just released his first

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play area at Discoveries Educare in Newmarket.

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A "large cracking noise" was heard as the tree collapsed on and around children and adults on November 8, 2016, Judge Eddie Paul said. The four children were hospitalised, with a 2-year-old boy suffering several fractures, including two to his skull.

Today, Patel released his report into one of 11 businesses - Discoveries Educare. That showed Accident Compensation Corporation, Inland Revenue, the Ministry of Social Development - Work and Income and the Ministry of Justice as "known creditors" of the business.

The Bank of New Zealand is a creditor along with Smartpay Rental Services, Employsure, ABC Accounting & Business Solutions, Employsure Peninsula Group Company, Khan & Associates.

The owners and directors of the business, Ajit Singh and Rippan Sandhu, also appear.

Eleven businesses are in liquidation: Discoveries Educare Target Rd, Discoveries Educare Browns Bay, Discoveries Educare Kolmar Rd, Discoveries Educare Kelston, Discoveries Educare Walter Rd Takanini, Discoveries On Gadsby, Discoveries Educare Mt Wellington, Discoveries On Lincoln Rd, Discoveries Educare Te Atatu Peninsula, Discoveries Educare Highland Park and Disclosure Educare.

Patel's report on one of the 11 showed amounts owed to the BNZ, IRD and Smartpay were yet to be confirmed.

The business failed due to a combination of events.

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"It appears that most of the Discoveries entities had some non-compliance issues compounded by complaints being made by the public," Patel wrote.

The Ministry of Education cancelled five licences in just one week and those centres did not reopen. The Covid lockdown aggravated the issues further, Patel said.

Despite numerous court proceedings to have the licences rescinded, all actions failed.

The immediate effect of the licence cancellations meant that the Discoveries entities stopped operating but they continued to incur fixed and variable expenses creating the negative cash flow situation across the wider group.

"Eventually most of these Discoveries entities were sold at nominal sums simply to get out of long-term leases which also have personal guarantees attached," Patel said.

A broad-brush approach to the failure was the ministry cancelling licences, debts due to fines imposed, a declining customer base once negative articles appeared in the media about the problems, staffing issues, unqualified teachers and an underdeveloped operational infrastructure to cope with rapid expansion.

Discoveries Educare had its registered offices at 29 Gillies Ave, Epsom and was owned jointly by Rippan Sandhu and Ajit Singh who were both directors.

The business was fined \$258,644 after branches from the dead tree collapsed on toddlers in the rear playground at Epsom.

Still, \$171,928 remains outstanding to the Ministry of Justice after the prosecution over the tree. That ministry ranks as an unsecured creditor in this liquidation.

"It appears there was a long-running history of poor performance and breaches of the early childhood education issues relating to most of the Discoveries entities," Patel said.

The business was eventually closed in mid-July this year, Patel noted. A further report will be issued with new information around mid-July next year.

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