

## **Water Mart Wairarapa (2017) Limited (In Liquidation)**

Company number: 6279047

New Zealand Business Number: 9429046115249

### **Liquidators' Second Report to Creditors and Shareholders**

## 1. Introduction

Iain Bruce Shephard and Jessica Jane Kellow, Licensed Insolvency Practitioners of BDO Wellington, (Registration Numbers: IP71 and IP75 respectively) were appointed joint and several liquidators (“Liquidators”) of Water Mart Wairarapa (2017) Limited (“Company”) on 12 October 2020 at 8:30am by special resolution of the shareholders in accordance with section 241(2)(a) of the Companies Act 1993 (“the Act”).

In addition to our statutory obligations, we are also bound by the RITANZ Code of Professional Conduct (“Code”) when carrying out all professional work relating to our appointment as Liquidators.

In accordance with section 255 of the Act we are obliged to report to all creditors and shareholders on the conduct of the liquidation during the preceding six-month period. This report should be read in conjunction with our previous report pursuant to section 255(2)(d) of the Act.

## 2. Restrictions

This report is not intended for general circulation, nor is it to be reproduced or used for any purpose other than that outlined above without our written permission in each specific instance.

We do not assume any responsibility or liability for any losses occasioned to any party as a result of the circulation, publication, reproduction or use of this report contrary to the provisions of this paragraph.

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.

## 3. Background and reasons for liquidation

The business of Water Mart was purchased as a going concern by the current owners in 2017. A significant portion of the purchase price was goodwill. The director has advised that numerous contracts that were purchased with the business failed to provide the expected profit and in fact were loss making. The Liquidators have not verified this.

The Company operated in several trade areas - mainly plumbing, building, roofing and drain laying. This included on-site services as well as operating a retail showroom that specialised in bathrooms and fireplaces.

At the appointment of liquidators there were 25 employees across all of the trading activities.

Trade creditors and Inland Revenue debts compounded following the losses incurred from the initial jobs referred to above.

Following receipt of a statutory demand from Inland Revenue the director and shareholders sought advice and resolved to place the Company into liquidation.

## 4. Conduct of the Liquidation in the Reporting Period

### 4.1. Liquidation of the Company

The Liquidators held a meeting with all staff that were present on the day of liquidation to advise of that the Company had been placed into liquidation and that their positions with the Company would be terminated.

At appointment, there were several jobs in progress throughout the Wairarapa. Following review, the Liquidators undertook to complete several contracts with the assistance of some employees. The remaining contracts were disclaimed.

Turners were engaged to complete an on-site liquidation auction of the Company's inventory and assets. This is also discussed further below. Following the collection of assets from the auction, the Liquidators arranged for a large skip bin to clear the remaining company records and unsold items.

The Liquidators contacted the Company's utility providers to open trading accounts as necessary to ensure the premises would remain alarmed and secure. A locksmith was contacted to change the locks.

Also placed in liquidation at the same time were two related entities, Water Mart Homes Limited (In Liquidation) and AG Services Waikato Limited (In Liquidation). Some of the Company's services, particularly utilities such as their website and email host, had been interlinked with these companies. The Liquidators liaised with any such providers to transfer these services to the related entities or have them cancelled if they were not required.

The Liquidators also engaged the Company's previous accountant to complete a review of the GST position between the three related companies and an archive of the Xero documents. This was required to confirm the treatment of GST. Nothing arose out of these investigations that required further action.

The Liquidators advertised their appointment in the relevant publications and made a call for creditor claims. The Liquidators also directly contacted all known creditors and answered any queries they may have had. The Liquidators subsequently reviewed all completed creditor claim forms received.

### Schedule of Receipts and Payments

Attached as **Appendix 1** is a schedule of receipts and payments for the six-month period.

Attached as **Appendix 2** is a remuneration schedule covering the duration of the liquidation.

### 4.2. Asset Realisations

#### *Pre-Liquidation Bank Account*

The Liquidators received \$4,480.47 from the Company's bank account upon liquidation.

#### *Plant & Equipment*

The Liquidators considered offering the business for sale as a going concern, however the lack of current and forward work did not provide for a viable business. Following negotiations, the Liquidators sold various assets to a Wellington plumbing business for \$18,800 + GST.

The Company owned two diggers, one with an accompanying trailer. The larger digger sold for \$65,000 plus GST while the smaller digger and trailer sold were sold for \$34,500 plus GST. Prior to the sale of these two diggers, Turners had a full valuation and mechanical inspection of both diggers and negotiations were entered into with several parties.

The bulk of the Company's plant and equipment was sold through a liquidation auction that was commissioned through Turners Auctions. The Liquidators engaged Turners who subsequently arranged for their Auckland based specialists to complete a full valuation and stocktake of the available plant and equipment. The auction took place online only with the final date accepted for bidding on 6 November 2020. All but a few minor items of little to no value were sold, and following auctioneers' costs and commission, the Liquidators received \$90,328.08 including GST for the Company's plant and equipment.

At the time of liquidation, the company had nine Toyota Hiace vans that were all leased from Toyota Finance. The Liquidators disclaimed the vehicles, but following the sale of the vehicles the Liquidators received \$639.91 from the resale of three of the vans.

Some other minor assets were sold to a contracting company for \$500 plus GST.

#### ***Inventory***

Included in the above mentioned auction was the Company's available inventory which consisted of assets from the retail showroom, various piping and plumbing inventory, and materials. The Liquidators received \$53,981.90 including GST from the sale of inventory.

#### ***Debtors and Trading***

Upon appointment, there was an accounts receivable balance of \$1,344,042.95 however the director had advised that the majority of this balance would be bad debts. As discussed below, a large balance was written off as a related party debt that was also placed into liquidation. The Liquidators have currently collected \$70,988.30 of the Company's accounts receivable ledger. Prior to the appointment of the Liquidators, the director had engaged Baycorp to collect overdue accounts. The Liquidators authorised Baycorp to continue collecting on outstanding accounts. A balance of \$16,008.80 remains outstanding, which the Liquidators continue to pursue.

As reported in the estimated statement of position in the Liquidators' first report, there was one large debtor with a balance of \$1,219,403.83. This was to a related party that was simultaneously placed in liquidation. This entire balance was written off as unrecoverable.

As previously mentioned, the Liquidators continued to trade the business for a week post liquidation. The completion of these jobs secured payment from some pre-liquidation debtors, and additional revenue of \$31,411.59.

#### ***Intellectual Property***

The Liquidators drafted a sale and purchase agreement with a Wellington plumbing business for the purchase of the Company's intellectual property for \$10,000 plus GST. This included the Company's website, full access to the Company's database including reoccurring contracts and contacts, use of the Company's 0800 numbers and email addresses, and use of the "Water Mart" business name.

### 4.3. Creditor Claims

#### ***Secured Creditors***

The Liquidators received nine claims valued at \$57,065.81 from secured creditors that predominantly related to inventory that was used on various projects. The Liquidators met several of the secured creditors on site to assess assets subject to their security. Some items were returned pursuant to their PMSI securities, however the remaining securities were for inventory that had already been used on sites. The balances owed to PMSI secured creditors are now classified as unsecured.

UDC Finance Limited had PMSI security over three vehicles and the larger digger. The vehicles and digger were sold and the proceeds settled UDC in full.

BOQ Equipment Finance Limited had registered a PMSI against the septic tank truck. A full distribution of \$12,122.24 was made following the sale of the truck.

Steel Building Products (Southern) Limited (“Steel”), who were a supplier of inventory, had registered a first ranking GSA against the Company. Their initial communication had advised they were owed \$32,220.16, however the guarantor was in the process of partially settling the debt. Ultimately, a distribution of \$13,431.09 was made to settle their debt in full. Steel and the guarantor both entered into an agreement for subrogation that allowed the guarantor to take the place of Steel as first ranking GSA holder.

Following the settlement of Steel’s debt, Westpac became the first ranking GSA holder (excluding the guarantor of Steel’s debt as mentioned above). Westpac had also registered a PMSI security against the smaller digger and trailer and were distributed \$34,500 following the sale. The remainder of Westpac’s debt was \$403,469.58 that was settled by the guarantor. The guarantor was also the guarantor of Steel’s debt mentioned above, and currently sit as the first ranking GSA holder following subrogation of this debt also.

The subrogated GSA holder has received distributions of \$50,000.

#### ***Preferential Creditors***

The Liquidators have received a preferential claim from Inland Revenue valued at \$1,308,182.82.

A full distribution has been made in respect of employee wages and holiday pay. 20 staff were paid a gross amount of \$17,653.54 for wages for the week leading up to liquidation and some minor other amounts that were owed to staff. 18 staff were paid a gross amount of \$46,096.43 in respect of holiday pay owed representing 100 cents in the dollar.

#### ***Unsecured Creditors***

The Liquidators have received 66 claims from unsecured creditors valued at \$263,120.86. This does not include the residual balances from secured creditors as mentioned above.

Inland Revenue has filed an unsecured claim valued at \$1,104,228.71.

### 4.4. Other Matters

#### ***Directors Course of Action***

The director has alleged that the profitability of the business had been misrepresented when pre-purchase negotiations had been taking place. The director has issued proceedings against a number of parties.

The Liquidators entered into a deed of assignment that transferred the rights to issue proceedings referred to above. In the event of success, the net proceeds (the award less reasonable legal costs)

will be split 50/50 between the Company and the secured creditor (as per the subrogation referred to earlier) until the first ranking secured debt is settled in full, with all proceeds after being distributed to the Company.

The first case management conference is set down for 9 June 2021. There has not yet been a date issued for the proceeding. Further Liquidators' reports will advise of the progress.

## 5. Statement of Affairs and Interests Statement

Attached as **Appendix 3** is the Statement of Affairs of the Company. The information provided at the date of liquidation was prepared based upon financial statements of the Company as at 12 October 2020.

The revised statement of affairs considers asset realisations, creditor distributions and other liquidation costs to date. The information provided demonstrates our best understanding of the Company's position at this time given the information provided to the Liquidators and investigations that have taken place.

Attached as **Appendix 4** is an interests statement in accordance with section 255A and 255(2)(d)(ii) of the Act.

## 6. Further Proposals for Completing the Liquidation

The Liquidators propose to take the following further actions:

- review potential voidable transactions;
- continue a review the actions of management, directors, officers and advisers of the Company and any potential claim against them;
- continue to pursue debtor balances due to the Company;
- await the result of the director's proceedings;
- distribute available funds (if any) to preferential and secured creditors;
- complying with our statutory obligations.

The Liquidators will consider further actions subsequent to additional information regarding the Company's affairs that comes to the Liquidators' attention. Further actions will be subject to the availability of funding and an assessment of the benefits of pursuing recoveries.

## 7. Estimated Date of Completion

It is not practical to estimate the date of the completion of the liquidation at this stage. Our subsequent reports to creditors will, when appropriate, advise of an estimated completion date.

## 8. Contact Information

If you require any further information, please direct enquiries to:

Ryan Kilkolly  
DDI: (+64 4) 472 5812  
Email: ryan.kilkolly@bdo.co.nz

BDO Wellington  
PO Box 10-340  
Level 1, Chartered Accountants Building  
50 Customhouse Quay  
Wellington

Dated this 20<sup>th</sup> day of May 2021

A handwritten signature in black ink, appearing to read 'Iain Shephard'.

**IAIN SHEPHARD**  
Liquidator

### *Appendices*

- Appendix 1 - Statement of Receipts and Payments
- Appendix 2 - Remuneration Schedule
- Appendix 3 - Statement of Affairs
- Appendix 4 - Interests Statement

## APPENDICES

### Appendix 1 - Statement of Receipts and Payments

Water Mart Wairarapa (2017) Limited (In Liquidation)	
Summary of Receipts & Payments	
12 October 2020 - 1 April 2021	
	\$
<b>OPENING BALANCE ON APPOINTMENT</b>	4,480
<b>RECEIPTS</b>	
Accounts Receivable	70,988
Interest Received	12
Petty Cash	117
Sale of Assets	453,642
Trading Income	31,412
Unreconciled Debtor Receipts	2,255
Utilities Refund	99
<b>Total Receipts</b>	<b>558,525</b>
<b>PAYMENTS</b>	
Accountancy	2,472
Auctioneer's Commission	48,358
Bank Fees	35
Collections Commission	388
Inland Revenue - GST	32,162
Inland Revenue - PAYE	23,609
Insurance	1,144
Legal Fees	3,204
Liquidators' Costs and Disbursements	155,250
Materials and Inventory	1,747
Preferential Creditor Distributions	33,183
Resident Withholding Tax	3
Secured Creditor Distributions	202,439
Security	629
Site Clearance	3,375
Utilities	3,963
Wages	21,799
<b>Total Payments</b>	<b>533,760</b>
<b>Cash on hand</b>	<b>29,245</b>

*\*all amounts are GST inclusive*



## Appendix 2 - Remuneration Schedule

### Water Mart Wairarapa (2017) Limited (In Liquidation)

Remuneration Report - Period: 12 October 2020 - 26 March 2021

	Hourly Rate (\$)	Assets		Company Records		Creditors		Day One/Initial Tasks		Debtors		Employees		Financial	
		Cost	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost	Hours		
Partners	395 - 445	20,730.25	43.12	333.75	0.75	1,038.75	2.25	7,956.25	16.00	4,365.00	9.50	3,870.00	8.50	8,398.75	17.75
Managers	195 - 295	3,068.75	11.25	1,113.75	3.75	2,447.50	10.50	2,507.50	8.50	4,102.50	19.50	3,905.00	14.00	7,616.25	36.25
Analysts	145 - 295	3,900.00	20.00	990.00	5.00	4,500.00	23.00	-	-	146.25	0.75	3,948.75	20.25	1,657.50	8.50
Support Staff	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	Hourly Rate (\$)	Admin/General		Litigation		On-Going Trading		Planning/Review		Secured Creditors		Reporting		Total	
		Cost	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost	Hours		
Partners	395 - 445	22,218.75	46.25	4,898.75	10.25	1,335.00	3.00	5,635.58	12.38	1,385.00	3.00	1,125.00	2.50	83,290.83	175.25
Managers	195 - 295	7,542.45	36.75	1,475.00	5.00	2,138.75	7.25	1,432.50	5.00	4,373.75	15.25	73.75	0.25	41,797.45	173.25
Analysts	145 - 295	1,470.00	7.50	-	-	3,168.75	16.25	1,038.75	5.25	2,437.50	12.50	2,681.25	13.25	25,938.75	132.25
Support Staff	100	-	-	-	-	-	-	27.50	0.25	-	-	-	-	27.50	0.25
														151,054.53	481.00

Disbursements	Costs
Advertising	159.36
Miscellaneous	112.25
Overheads	
Travel Costs	2,008.83
<b>Total</b>	<b>2,280.44</b>

**Note:** The hours and costs shown in the table above are the actual WIP totals to date. All totals are exclusive of GST. Payment of \$135,000 (excl. GST) has been received on account for both fees and disbursements.

### Appendix 3 - Statement of Affairs

Water Mart Wairarapa (2017) Limited (In Liquidation)			
Statement of Affairs		Initial Report Book value*	As at 1 April 2021 Book value
	Notes		
<b>Assets subject to specific charges</b>			
Motor Vehicles		358,901	-
Less amounts due to PMSI holder		unknown	1,728
<b>Surplus/(shortfall) for GSA holder(s)</b>		<b>unknown</b>	<b>(1,728)</b>
<b>Plant &amp; Equipment</b>			
Plant & Equipment		136,849	-
Less amounts due to PMSI holder		unknown	1,550
<b>Surplus/(shortfall) for GSA holder(s)</b>		<b>unknown</b>	<b>(1,550)</b>
<b>Assets subject to GSA holder(s)</b>			
Intangibles		unknown	-
Motor Vehicles		3,362	-
Plant & Equipment		126,092	-
Shares in Plumbing World		8,250	-
Surplus from assets subject to specific charges		unknown	-
		<b>unknown</b>	<b>-</b>
Less amounts due to GSA holder(s)	1	unknown	unknown
<b>Surplus/(shortfall)</b>		<b>unknown</b>	<b>unknown</b>
<b>Assets available for preferential creditors</b>			
Accounts Receivable		1,407,861	26,595
Bank Accounts		4,481	-
Inventory		100,027	-
Related Party Loans		135,117	-
Surplus from assets subject to specific charges		unknown	-
Work in Progress		unknown	-
		<b>unknown</b>	<b>26,595</b>
<b>Less Preferential Creditors:</b>			
Employees		(48,448)	-
IRD		(1,308,183)	(1,308,183)
		<b>unknown</b>	<b>(1,308,183)</b>
<b>Surplus/(shortfall)</b>		<b>unknown</b>	<b>(1,281,588)</b>
<b>Less Unsecured creditors:</b>			
Employee unsecured claims	2	unknown	unknown
IRD unsecured claims		(1,104,229)	(1,104,229)
Related Party Loan		(648,465)	(648,465)
Trade Creditors	3	(332,123)	(332,123)
		<b>unknown</b>	<b>unknown</b>
<b>Overall surplus/(shortfall) for Creditors prior to costs of liq.</b>		<b>unknown</b>	<b>unknown</b>

\*Based on balance sheet dated 9 October 2020

The above amounts are subject to the costs of liquidation

Notes:

- 1 This balance arises through the subrogation from settlement between the guarantor and the first and second ranking secured creditors. The Liquidators have not confirmed this amount, but it is discussed further in the report.
- 2 As there is no prospect for a distribution to unsecured creditors, the Liquidators have not calculated the amount available for employee unsecured claims.
- 3 This is more than the balance received from unsecured claims, however the Liquidators are aware there is a significant number of creditors who have not filed a claim. This number has been reported for consistency.

## Appendix 4 - Interests Statement

(Pursuant to section 255A of the Companies Act 1993)

This Interests Statement is to be read in conjunction with the Liquidators' previous Interests Statement in their previous report.

We, Iain Bruce Shephard and Jessica Jane Kellow, Licensed Insolvency Practitioners of BDO Wellington, (Registration Numbers: IP71 and IP75 respectively), declare that:

- We have made the appropriate inquiries that are required for ensuring that this Interests Statement is complete; and
- Since the date of our previous Interests Statement, we confirm that we have not become aware of any additional circumstance, relationship, or other fact that creates, or could reasonably be perceived as creating, a conflict of interest in relation to the independence of our role as Liquidators.

DATED this 1 April 2021



**IAIN BRUCE SHEPHARD**  
Liquidator  
Licensed Insolvency Practitioner  
Registration Number: IP71



**JESSICA JANE KELLOW**  
Liquidator  
Licensed Insolvency Practitioner  
Registration Number: IP75