



ARROW INTERNATIONAL (NZ) LIMITED (IN LIQUIDATION)

Company number: 3383573

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

Reporting Period: 6 June 2019 to 5 December 2019

1. Introduction

Andrew Bethell and Andrew McKay of BDO Auckland and Colin Gower of BDO Christchurch were appointed joint and several administrators of Arrow International (NZ) Limited (“the Company” or “AINZL”) on 28 February 2019 by a resolution of the Company’s directors, in accordance with section 239I of the Companies Act 1993 (“the Act”).

At the Watershed Meeting held on 6 June 2019, the Company’s creditors resolved to place the Company into liquidation. Andrew Bethell, Andrew McKay and Colin Cower were appointed joint and several liquidators (“Liquidators”) pursuant to section 241(2)(d) of the Act.

The Liquidators provided a Declaration of Independence, Relevant Relationships and Indemnities together with details of hourly rates in the Watershed report dated 29 May 2019 previously provided to creditors.

In accordance with section 255 of the Act we report on the Company’s affairs together with our proposals for conducting the liquidation.

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. Conduct of the liquidation within the reporting period

3.1 Schedule of Receipts and Payments

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

3.2 Asset Realisations

Plant & Equipment

Fixed asset realisations commenced during the Administration of the Company and have been completed during Liquidation. Realisations in the amount of \$498k, net of costs of realisation have been received by the Liquidators during the period.

Realisations from the sale of fixed assets are subject to a first ranking security and have been paid to the security holder.

Contract receivables

We continue to pursue payments and assess collectability of outstanding contract receivable balances. The amount of \$213k has been collected by the Liquidators during the period. We intend pursuing remaining receivables where appropriate.

Other

Certain of the Company's subsidiaries are involved in the development of an Industrial Park. AINZL has received the amount of \$677k representing inter-company receipts of surplus funds from the settlement property lots after repayment in full of the first secured creditor totalling \$4m. We expect further receipts from settlements of the remaining property lots in the first five months of 2020.

During the period the Liquidators sought direction of the High Court in relation to approximately \$1.9m of funds held. The High Court has recently released its decision and directed that certain funds (approximately \$1.5m) were held on trust and others were not. The Liquidators intend to follow the Court's direction.

3.3 Creditors Claims

Secured Creditors

The Company's bank provided funding jointly and severally to the Company, its parent Arrow International Group Limited (AIGL) and other Group Companies. The bank's security is joint and severally secured over the assets of the Company, AINZL, and AIGL. The amount owing under the instrument at the date of liquidation was \$382k. The instruments were not required to be paid and were released during the period of this report. The bank has therefore been repaid in full.

Performance bonds provided on behalf of the Company were secured by way of a general security instrument. Bonds in the amount of \$1.3m and costs in the amount of \$32k have either been released or called and paid. One remaining bond in the amount of \$326k has not been called or paid but remains a contingent liability of the Company.

A claim in the amount of \$315k has been lodged by a trading creditor with the Liquidators claiming security by way of a general security instrument. The Liquidators are disputing parts of the claim and have sought additional information from the creditor to validate the claim.

Preferential Creditors

Employee wages and holiday pay of \$730k that would otherwise have been preferential claims in the event of the liquidation of the Company after the Watershed meeting, were settled in full prior to the liquidation, during the period of administration.

Inland Revenue's preferential claim of \$553k has been paid in full.

Retentions Held

Retentions of \$4.5m were held in trust for subcontractors at the date of liquidation in accordance with the Construction Contracts Amendment Act 2015. \$1.5m of that has been paid out. The payment of the remaining retentions held are dependent on projects reaching practical completion, receipt of finals accounts for the projects and the expiry of defect liability periods.

Unsecured Creditors

To date we have received almost 500 claims totalling \$46m. We are in the process of assessing claims lodged. We expect to complete this in the next reporting period. However, initial indications are that accepted claims will be materially lower due to a number of factors including a number of principal and subcontractor claims submitted being out of date with reference to the outcome of projects they have been involved with.

4. Liquidators' Fees

Liquidators' fees and disbursements for the period to date total \$680k net of GST and disbursements.

Attached as **Appendix 2** is a schedule of liquidators and disbursements for the six month period.

5. Further proposals for completing the liquidation

The Liquidators propose to take the following further actions:

- Realise any residual assets of the Company and work with related parties to realise assets for surplus funds distributions to the Company
- Administer the release of retentions held in trust
- Continue to pursue debtor and retention balances due to the Company
- Continue investigation into the Company's trading history
- Review and determine whether there are any potential voidable transactions or other avenues of recovery
- Continue a review the actions of management, directors, officers and advisers of the Company and any potential claim against them
- Pursue the recovery of related party debts
- Distribute available funds to unsecured creditors (if any);
- Assess other areas of potential recovery; and
- Comply with our statutory obligations.

The liquidators will then seek to have the Company removed from the register.

6. 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.

7. Contact information

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

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Dated this 30th day of December 2019

A handwritten signature in black ink, appearing to read 'Andrew Bethell'.

Andrew Bethell
Liquidator

APPENDICES

Appendix 1 - Summary of Receipts & Payments

Arrow International (NZ) Limited (In Liquidation)	
Summary of Receipts and Payments	
6 June 2019 to 5 December 2019	\$ (excl GST)
Cash at Bank	5,188,009
Receipts	
Fixed asset sales	497,871
GST	9,810
Interest Received	18,168
Pre appointment contract receivables	212,899
Inter-company receipt (Portlink)	676,641
Project agreement receipts	78,261
Reimbursement of trading expenses	76,463
Secured creditor bond release	382,557
Sundry Receipts	31,384
Total Receipts	1,984,055
Payments	
Liquidators fees	671,095
Liquidators disbursements	9,243
Preferential creditors	553,085
Fringe benefit tax	12,411
Legal Fees and disbursements	242,961
Operating expenses	418,471
Project Costs	52,479
Retentions	166,374
Secured Creditors	1,324,248
Wages and Salaries	208,338
Total Payments	3,658,705
Cash at hand as at 5 December 2019	3,513,359
Comprising:	
Funds available to Liquidators	937,618.38
Funds held in Trust pending settlement after High Court directions	1,912,641
Funds held in Trust for secured Bondholder	347,367
Funds held in Trust for secured trade creditor claim	315,732
	3,513,359



Appendix 2 - Summary of Liquidators Fees

	Asset Realisation		Creditors		Administration		Investigation		Reporting		Total		
	Hourly Rate	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost
Liquidator	516.64	6.90	3,633.49	17.67	9,918.83	122.23	63,730.91	49.07	23,936.30	0.67	320.12	196.54	101,539.65
Partner	382.34	4.20	1,734.50	28.00	12,352.50	44.76	14,845.12	8.24	3,642.21	0.00	0.00	85.20	32,574.33
Associate	408.31	89.30	36,926.28	110.10	45,389.00	53.20	21,040.08	13.20	5,156.99	11.10	4,550.00	276.90	113,062.35
Senior Manager	396.86	32.50	13,009.50	35.00	13,705.55	193.25	77,042.19	5.00	1,926.12	22.00	8,512.01	287.75	114,195.37
Manager	345.03	64.35	20,897.90	9.40	3,588.06	199.25	74,182.79	113.45	34,667.04	0.00	0.00	386.45	133,335.79
Assistant Manager	278.33	1.25	368.75	0.00	0.00	1.00	257.50	0.00	0.00	0.00	0.00	2.25	626.25
Senior Analyst	251.94	20.40	5,067.94	112.00	29,906.65	172.30	41,987.91	18.30	4,464.92	4.30	1,033.15	327.30	82,460.57
Analyst	193.58	83.10	17,381.50	13.05	2,330.75	63.50	12,015.00	137.90	25,873.50	0.00	0.00	297.55	57,600.75
Graduate	118.58	0.60	78.00	0.40	52.00	16.30	1,918.00	0.30	39.00	0.00	0.00	17.60	2,087.00
Administration	179.98	0.00	0.00	0.00	0.00	184.25	33,219.05	0.00	0.00	2.50	393.07	186.75	33,612.12
Total	325.10	302.60	99,097.86	325.62	117,243.34	1,050.04	340,238.55	345.46	99,706.08	40.57	14,808.35	2,064.29	671,094.18

Disbursements	Cost
Advertising	3,255.56
Courier	2,497.67
Hire	380.00
Others	3,068.14
Travel	41.90
Total	9,243.27