



MAINZEAL GROUP LIQUIDATION

Liquidators' Six Monthly Report to Creditors and Shareholders

Pursuant to Section 255 of the Companies Act 1993

Reporting Period: 28 February 2020 - 28 August 2020

1. Introduction

Brian Mayo-Smith and Andrew James Bethell, of BDO Auckland and Stephen John Tubbs, of BDO Christchurch, all Chartered Accountants (“the Liquidators”), were appointed joint and several liquidators of the below Companies on 28 February 2013 by special resolution of the shareholders in accordance with Section 241(2)(a) of the Companies Act 1993 (“the Act”) with approval of the High Court.

- Mainzeal Property and Construction Limited (“MPCL”)
 - Mainzeal Living Limited (“MLL”)
 - 200 Vic Limited
 - Mainzeal Group Limited
 - Building Futures Group Holdings Limited
 - Building Futures Group Limited
 - Mainzeal Residential Limited
 - Mainzeal Construction Limited
 - Mainzeal Limited
 - Mainzeal Construction SI Limited
 - MPC NZ Limited
 - RGRE Limited
- (together “the Companies”)

Stephen Tubbs retired as liquidator on 8 December 2016 prior to his retirement from BDO Christchurch. Andrew Bethell and Brian Mayo-Smith remain in office.

The Liquidators were earlier appointed liquidators of King Facade Limited (“KFL”) on 12 February 2013 also by special resolution of the shareholders in accordance with Section 241(2)(a) of the Act.

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. On 25 June 2013, Keane J granted an order, among others, that the liquidations of the Companies and KFL be conducted as if those Companies and KFL were one company. Accordingly, we report on all the Companies and KFL together using 28 February 2013 as the liquidation commencement date.

This report should be read in conjunction with our previous reports for the Companies and KFL pursuant to Section 255(2)(c) 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. Conduct of the liquidation within the reporting period

Litigation against MPCL's directors and KFL

We have previously advised that MPCL's directors Richard Yan, Dame Jennifer Shipley and Messrs Gomm and Tilby (collectively, **the Directors**) were held jointly liable by the High Court for reckless trading and were ordered to pay \$36m - with Mr Yan being liable for \$18m alone and Dame Jennifer Shipley and Messrs Tilby and Gomm liable for \$6m each jointly with Mr Yan. Sir Paul Collins was found not liable.

Mr Yan and the other Directors appealed separately the High Court decision and MPCL and the liquidators cross-appealed. The appeals and cross-appeals were heard in the last week of July with the Court of Appeal reserving its decision.

The insurers for Dame Jennifer Shipley and Messrs Tilby and Gomm have confirmed that \$18m has been paid into a trust account to secure the liability of the Directors under the judgment pending the determination of the appeals. The insurers also paid the costs awarded by the High Court.

Mr Yan has failed to pay the remaining \$18m or secure that part of the judgment. MPCL filed an application for orders adjudicating Mr Yan bankrupt but Mr Yan applied for a halt of the application. The matter was heard in the High Court in July and the Court granted an order halting the bankruptcy proceedings against Mr Yan pending the determination of his appeal.

As noted in our last report, the High Court also entered judgment in the sum of \$2,164,474.09 plus interest of \$711,896 against Isola Vineyards Limited (In Liquidation). The Isola liquidators have admitted the KFL liquidators' claim and during the reporting period we have received a further distribution of \$2,406,302.

Contract receivables and retentions

All contract receivables and retentions recovery actions have been finalised. No further debtor recoveries are expected.

Receipts and payments

Attached as **Appendix 1** is a Statement of Receipts and Payments for the reporting period.

Creditor claims

Preferential creditors

Preferential creditors have been paid in full.

Unsecured Creditors

Of the approximately 1,400 claims totaling \$158.3m received from creditors of the Companies and KFL, a total of 1,390 claims have been admitted either in full or in part totaling \$111m.

Liquidation Committee

A liquidation committee ("Committee") was appointed by creditors at the creditors' meeting on 3 April 2013. When required there have been meetings with the Committee to discuss the conduct and strategy of the liquidation. The Liquidators will continue to meet with the Committee when appropriate.

4. Further proposals for completing the liquidation

The Liquidators propose at this stage to take the following further actions:

- Collect any GST recoveries;
- Await outcome of Court of Appeal decision and determine further action as required;
- Subject to Mr Yan's appeal being dismissed, pursue enforcement of the High Court judgment against Mr Yan;
- Respond to creditor queries;
- Comply with statutory obligations; and
- Distribute available funds (if any) to unsecured creditors.

The Liquidators will take further action as appropriate should additional information regarding the Companies' affairs come to the Liquidators' attention. Further actions will be subject to the availability of funding and an assessment of the benefits of pursuing recoveries.

Likely distribution to unsecured creditors

We expect that there will be some funds available for distribution to unsecured creditors. The quantum of any ultimate distribution to unsecured creditors will depend on the outcome of the appeals and cross-appeals.

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 and shareholders will, when appropriate, advise of an estimated completion date.

5. Contact Information

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

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Dated this 16th day of September 2020



Andrew Bethell
Liquidator

APPENDICES

Appendix 1 - Receipts and Payments

Receipts and Payments	
28 February 2020 to 28 August 2020	
	\$'000
Opening Balance	5,555
Receipts	
Isola Interim Distribution	2,406
Litigation Funding	652
Net Interest	26
Other Income	7
Funds Held by PwC	33
Net GST	9
Total Receipts	3,133
Payments	
Payment to Litigation Funder	2,406
Legal Fees	477
Liquidators' Remuneration	108
Contractors & Consultants	29
Records Storage	29
Administrative Expenses	2
IT Hosting	3
Total Payments	3,053
Net Receipts/ (Payments)	80
Funds on Hand	5,635