

ARROW INTERNATIONAL (NZ) LIMITED (IN LIQUIDATION)

Company number: 3383573

Liquidators' Third Report to Creditors and Shareholders

Reporting Period: 6 December 2019 to 5 June 2020

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 Gower 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. The rates have not changed since that report.

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

3.2 Asset Realisations

Plant & Equipment

As noted in our previous report, fixed asset realisations commenced during the Administration of the Company and were completed during Liquidation. No further realisations were made during the reporting period.

Contract receivables

The majority of the recoverable contract receivable balances has been collected. Certain retentions due to the Company have been subject to defect claims which have impacted the amounts recoverable. \$272k has been collected by the Liquidators in the reporting period. The liquidators are pursuing others as appropriate. Other than the few being pursued, we do not anticipate there to be further material recoveries from this source.

Other

The Company's subsidiaries, K P Custodians Limited and Arcus Property Investments Limited were involved in the joint venture development of an Industrial Park in Christchurch. During the reporting period, sale proceeds totalling \$3.2m have been received by the Company in discharge of the subsidiaries' indebtedness to the Company.

As previously advised, the Liquidators sought High Court directions in relation to certain funds received on several projects. The High Court held that a proportion of the funds (approximately \$1.5m) were held on trust for the project principals. The Liquidators distributed \$1.2m plus GST of those funds during the reporting period and are in the process of disbursing the balance in accordance with the Court Order.

3.4 Creditors Claims

Secured Creditors

As noted in our previous report, the Company's bank provided funding jointly and severally to the Company, the ultimate parent company Arrow International Group Limited ("AIGL"), a subsidiary Construction Labour & Resources Limited ("CLRL") and other Group companies. The banks' security was jointly and severally secured over the assets of the Company, AIGL and CLRL.

Performance bonds provided on behalf of the Company were secured by way of general security instruments over AINZL and AIGL. All secured bonds bar one have either been released or called and paid. One bond in the amount of \$326k remains outstanding. Given that this bond is subject to a general security interest, the Liquidators retained sufficient funds to discharge the security if the bond is called. The bond has recently been called and the Liquidators are in the process of assessing it.

Settlement of a claim by a secured trade creditor has been negotiated resulting in the release of over \$220k back into the liquidation for the benefit of unsecured creditors.

Preferential Creditors

We previously reported that 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.

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

Retentions Held

The Liquidators have continued to release retentions held in trust to subcontractors in accordance with the provisions of the Construction Contracts Act 2002 (as amended). The Liquidators will continue to progress the release of the remaining retention sums of \$1.2m. These will be released subject to projects achieving practical completion, receipt of final accounts and at the expiry of defect liability periods.

Attached at **Appendix 2** is a summary of the retentions released since our appointment as Administrators.

Unsecured Creditors

To date the Liquidators have received over 500 claims with a combined value in excess of \$45m. We have assessed c. 450 claims and expect the admitted claims to be at least \$10m lower. We expect assessment to be completed over the next few months.

4. Liquidators' Fees

Liquidators' fees and disbursements for the current reporting period total \$358k net of GST.

Attached at **Appendix 3** is a schedule of the Liquidators' fees and disbursements for the six-month period.

5. Further proposals for completing the liquidation

The Liquidators propose to take the following further actions:

- Administer the release of the remaining retentions held in trust;
- Finalise recovery of payment claims and retention balances due to the Company;
- Complete investigation into the Company's trading history;
- Distribute available funds to unsecured creditors; and
- Comply with our statutory obligations.

Once all matters are completed, 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 3rd day of July 2020



Andrew Bethell
Liquidator

APPENDICES

Appendix 1 - Summary of Receipts & Payments

Arrow International (NZ) Limited (In Liquidation)	
Summary of Receipts and Payments	
6 December 2019 to 5 June 2020	\$ (excl GST)

Opening Cash Balance	3,513,359
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Receipts

GST	143,596
Interest Received	35,019
Pre-Appointment Debtors	271,816
Inter-Company Receipt	3,169,431
Post-Appointment Debtors	158,487
Sundry Receipts	7,782
Total Receipts	3,786,131

Payments

Liquidators Fees and Disbursements	358,599
Legal Fees and Disbursements	107,961
Operating Expenses	131,313
Payment in Accordance with Court Order	1,203,504
Project Costs	27,676
Retentions	37,389
Secured Creditors	80,475
Consulting Fees	27,711
Insurance	6,109
Total Payments	1,980,736

Cash on Hand as at 5 June 2020	5,318,753
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Appendix 2- Summary of Retentions Held In Trust

Arrow International (NZ) Limited (in Liquidation) Summary of Retentions Held in Trust 28 February 2019 to 5 June 2020	Voluntary Administration \$ (excl GST)	Liquidation \$ (excl GST)	Total \$ (excl GST)
Opening Retentions Balance held in Trust			5,614,052
Receipts			
Interest Received	3,311	15,047	18,358
Total Receipts	3,311	15,047	18,358
Payments			
Retentions Released	1,087,230	3,335,496	4,422,726
Interest Paid		17,948	17,948
Total Payments	1,087,230	3,353,444	4,440,675
Closing Balance as at 5 June 2020			1,191,735

Appendix 3 - Summary of Liquidators' Fees

		Asset Realisation		Creditors		Administration		Reporting		Total	
	Rate	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost
Liquidator	530	25	13,693	37	19,284	8	3,955	2	1,160	72	38,092
Partner	473	0	99	36	16,705	26	12,884	0	0	63	29,688
Associate	395	11	4,288	101	39,754	7	2,812	2	790	121	47,643
Senior Manager	371	20	7,446	85	30,978	85	31,698	16	6,210	206	76,332
Manager	318	34	10,515	145	46,286	27	8,702	0	96	206	65,599
Senior Analyst	229	5	1,240	110	25,604	77	17,185	2	412	194	44,442
Analyst	184	5	857	25	4,430	31	5,905	0	43	61	11,235
Graduate	114	0	25	0	0	6	671	0	0	6	696
Administration	180	0	0	0	0	248	44,749	0	0	248	44,749
Total	305	100	38,163	538	183,040	515	128,560	23	8,711	1,176	358,474

Disbursements	Cost
Courier	27
Others	72
Travel	26
Total	124