

## **MAINZEAL GROUP LIQUIDATION**

### **Liquidators' Six Monthly Report to Creditors and Shareholders**

Pursuant to Section 255 of the Companies Act 1993

Reporting Period: 28 August 2018 - 28 February 2019

## 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

#### Investigations into the affairs of the Companies and KFL

The litigation undertaken by the Liquidators against the current or former directors Richard Ciliang Yan, Peter Gomm, Rt Hon Dame Jennifer Mary Shipley, Clive William Charles Tilby, Sir Paul David Collins, Siew May Kwan was heard in the High Court at Mainzeal during September and October 2018.

In the course of the hearing the Liquidators reached a confidential settlement with Ms Kwan and the proceeding against Ms Kwan was discontinued.

As most will be aware, the Court delivered its judgment at the end of February 2019 finding in the Liquidators' favour against Mr Yan, Dame Jenny Shipley and Messrs Tilby and Gomm. The Court found the directors liable for \$36M in total. Mr Yan was ordered to pay \$18M separately while the other 3 defendants were ordered to pay \$6M each jointly with Mr Yan. There was no award made against Sir Paul Collins.

The Court upheld the Liquidators' claim against Isola Vineyards Limited (In Liquidation) and ordered that Isola was liable to KFL in the sum of \$2.164M.

Issues relating to interest on the judgment sums and costs remain outstanding and will be determined by the High Court in due course.

On 21 March 2019, Mr Yan filed a notice of appeal. Other defendant directors (Dame Jenny Shipley and Messrs Tilby and Gomm) also filed a notice of appeal on 26 March 2019.

The Liquidators are in the process of preparing their notices of cross-appeals.

#### Contract receivables and retentions

The Liquidators are pursuing residual debtor claims but the outcome of these is unlikely to have a material impact on the outcome to creditors.

#### 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:

- Pursue any residual contract receivables where appropriate;
- Collect any GST recoveries;
- Oppose appeals being pursued by certain Defendants;
- Cross-appeal where appropriate;
- Pursue recovery of the amounts awarded under the High Court judgment; and
- Distribute available funds (if any) to unsecured creditors.

The Liquidators will take further action as appropriate should additional information regarding the Companies’ and KFL’s 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 Liquidators being able to recover the amounts awarded against the directors and Isola including the outcome of any appeals or 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 28<sup>th</sup> day of March 2019

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

**Andrew Bethell**  
Liquidator

## APPENDICES

### Appendix 1 - Receipts and Payments

Receipts and Payments	
28 August 2018 to 28 February 2019	
	\$'000
<b>Opening Balance</b>	<b>4,647</b>
<b>Receipts</b>	
Litigation Funding	2,692
Net Interest	32
Other Income	7
Funds Held by PwC	4
GST Receivable	54
<b>Total Receipts</b>	<b>2,790</b>
<b>Payments</b>	
Legal Fees	2,694
Liquidators' Remuneration	393
Contractors & Consultants	167
Records Storage	25
Administrative Expenses	10
IT Hosting	6
<b>Total Payments</b>	<b>3,294</b>
<b>Funds on Hand</b>	<b>4,142</b>