

Forestlands N.Z. Limited (In Liquidation) ('the Company')

Company No. 892371

10 September 2018 | 10313

1 Introduction

We advise that Neale Jackson and Grant Robert Graham, Accredited Insolvency Practitioners, were appointed Joint and Several Liquidators of the abovenamed Company by special resolution of those members entitled to vote and voting on the question, on 3 September 2018 pursuant to Section 241(2)(a) of the Companies Act 1993 ('the Act').

The Liquidators and KordaMentha are independent of the Company. The Liquidators' declaration of independence is attached to this report at Appendix A.

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 light of any information existing at the date of this report which becomes known to us after that date.

3 Background

Forestlands N.Z. Limited (in Liquidation) ('FNZ') was incorporated on 12 February 1998. FNZ was the manager of 18 companies which raised money from the public to acquire forestry and land investments in Hawkes Bay and Wairarapa ('the Forestlands Group'). The forest estates of the Forestlands Group were sold in October 2016 for \$23.5 million.

In early 2017 the Financial Markets Authority ('FMA') received a number of complaints from investors of the Group because the proceeds of the sale of forests had not been distributed. Since then, surplus funds from the sale have been held in a solicitor's trust account, on the basis they can only be disbursed with the FMA's consent or by Court Order.

On 6 September 2018, we were appointed by the High Court as Liquidators of each of the 18 Forestlands Group companies that raised money from the public. We will issue separate reports for each of these companies in due course as required by the Companies Act.



4 Statement of financial position as at the date of liquidation

We have been provided with draft financial statements as at 31 March 2018. We are working with the Company's accountant to verify the financial position as at our appointment date.

The draft financial position of the Company is summarised as follows;

| | |
|-----------------------------|------------------|
| Assets | \$ |
| ANZ bank accounts | 5 |
| Tax refund | 126 |
| Accounts receivable | 46,903 |
| Related party advances | 2,278,890 |
| Shareholder current account | 80,755 |
| Fixed assets | 62,637 |
| Total assets | 2,469,316 |
| Liabilities | \$ |
| Inter-company advances | 1,749,103 |
| GST payable | 87,448 |
| Accounts payable | 376,337 |
| Total liabilities | 2,212,888 |
| Net assets | 256,428 |

We have requested information from the Director to assist in the liquidation.

4.1 Assets

We are in the process of securing all fixed assets (consisting of vehicles and office equipment). The asset values are book values and do not necessarily relate to realisable values.

The key asset is advances of \$2.3 million provided to related parties, which we will now start taking steps to recover. We do not yet have sufficient information to assess the terms of these advances or the amount that might be recoverable.

4.2 Liabilities

4.2.1 Secured Creditors

As at our appointment, there were two security interests registered on the PPSR relating to FNZ's assets.

| Secured Party | Collateral Type | Status |
|--------------------|--|------------|
| ANZ | All present and after acquired personal property | Registered |
| Fuji Xerox Finance | Goods – Other | Registered |

We understand there is nothing owing to ANZ under its security.

4.2.2 Preferential and Unsecured Creditors

Company records indicate the IRD is the only preferential creditor, for \$87k relating to GST. We have written to the IRD to verify its claim.

We are advised FNZ does not employ any staff.

Unsecured creditors are estimated to be owed approximately \$376,337. It is possible there are other unsecured creditors and this figure could increase.



We understand that the Intercompany advances represent amounts owing to the various Forestlands Group companies. We believe the amounts owing may not be accurately reflected in the accounts of FNZ. We will address these further in the Forestlands Group companies' liquidators' reports, and subsequent FNZ reports.

Attached at Appendix B is a list of known creditors.

5 Proposed conduct of the liquidation

The proposed conduct of the liquidation of FNZ will involve:

- Verify the financial position as at the date of our appointment.
- Realise all remaining assets
- Determine claims against any proceeds in FNZ, in the context of the statutory priorities. Unsecured creditors need to file their claims by 1 October 2018. Enclosed is a creditor's claim form for completion and return.
- Consider the prospects of recoveries for creditors from voidable transactions (if any) and breaches of duty (if any), to the extent that funding is available for the necessary investigations.
- Pay any proceeds to creditors in the statutory order.

Should any creditors have any information or any matter that they feel warrants an investigation, please advise the Liquidators in writing.

6 Creditors' meeting

The Liquidator proposes pursuant to Section 245 of the Companies Act 1993 to dispense with the meeting of creditors. This decision has been made on the basis that it would add unnecessary costs to the liquidation.

However if creditors wish to have a meeting then written notice should be sent to the Liquidators' offices within 10 working days of receiving this notice.

Please note that, pursuant to Section 314 of the Act, creditors are advised that at any time in the course of the liquidation, the Liquidators will, at the request in writing of any creditor or shareholder, call a meeting of creditors for the purpose of appointing a Liquidation Committee.

7 Unsecured creditor's claim form

An unsecured creditor's claim form is enclosed for your convenience. We request that this be completed and returned to our office together with supporting documentation to register your claim in this liquidation. As advised above, creditors need to file their claim by 1 October 2018.

If you believe that you hold a security for your claim, please contact us for the appropriate form.



8 Liquidators Remuneration

The Liquidators will be paid for their work by charging fees on an hourly basis, according to the number of hours they and their staff actually spend working on the assignment.

KordaMentha's standard hourly rates, which will apply to this assignment, are as follows:

| | General description of experience | Hourly rate |
|--------------------------------|---|-------------|
| Partner | Extensive specialised experience and expertise across relevant engagement. Acts as the senior responsible person on client engagements. CA/Tertiary qualified. | \$625 |
| Executive Director | Substantial professional experience in their specialised field. Tertiary qualified with appropriate professional accreditation. | \$575 |
| Director | Substantial professional experience in their specialised field. Tertiary qualified with appropriate professional accreditation. | \$530 |
| Associate Director | Established commercial and professional skills, and thorough technical knowledge. Tertiary qualified with appropriate professional accreditation. | \$450 |
| Manager | Strong commercial and professional skills, and technical knowledge. Tertiary qualified with appropriate professional accreditation. | \$365 |
| Executive Analyst | Day to day experience, relevant commercial and professional skills, some experience with similar engagements and certain technical knowledge. Tertiary qualified, likely with appropriate professional accreditation. | \$300 |
| Senior Business Analyst | Day to day experience of commercial and professional skills, and technical knowledge. Tertiary qualified, likely with appropriate professional accreditation. | \$225 |
| Business Analyst | Graduate level personnel. Tertiary qualified. | \$150 |

The Liquidators will provide creditors with a detailed account of their fees in subsequent reports.

9 Estimated date of completion of liquidation

It is too early to assess the date by which the liquidation will be finish.

Should you have any queries regarding the liquidation of the Company, please do not hesitate to contact Larissa Logan of this office.

Yours faithfully



Neale Jackson
Joint and Several Liquidator



Appendix A

Forestlands N.Z. Limited (Liquidators Appointed) (‘the Company’ or ‘FNZ’)

Declaration of Independence

In accordance with the Code of Professional Conduct of the Restructuring, Insolvency and Turnaround Association of New Zealand

Declaration of Independence

- Neale Jackson and Grant Graham, Joint Liquidators and Accredited Insolvency Practitioners, confirm they have undertaken a proper assessment of the risks to Independence associated with their appointment over the Company in accordance with the law, the Code of Professional Conduct (‘the Code’) and the applicable professional standards;
- The Liquidators have evaluated the significance of any real or potential risk to Independence and taken such action as is necessary to preserve their Independence; and
- In all cases, the Liquidators are not otherwise aware of any impediments to taking the appointment.

Declaration of Relationships

1. Circumstances of Appointment

- The Liquidators were introduced to Forestland’s sole director (Mr Kearns) by law firm, Anthony Harper. KordaMentha undertook two engagements (as detailed below) under Anthony Harper’s instructions, prior to being appointed liquidators of FNZ (as detailed in point 3 below).
- No matters were discussed prior that presented a conflict that would prevent the Liquidators from undertaking the appointment.
- On 31 August 2018, the Court issued orders (as attached) for Neale Jackson and Grant Graham to be granted leave to act as liquidators over FNZ and related parties (pursuant to s280 and s286 of the Companies Act 1993).

2. Relevant Relationships (excluding professional services to the Company)

- The Liquidators have had a business relationship in the preceding two years with one of FNZ’s secured parties, ANZ (as listed below). ANZ has a charge on the whole of or substantially the whole of, the Company’s property, but is not owed anything by the Company.
- The Liquidators set out professional services provided to Mr Kearns by KordaMentha in the preceding two years;
 - Mr Kearns engaged KordaMentha on or about 19 April 2017 to undertake an independent review of the position of related Forestlands entities relating to the historical sale of land and forests. Our report was issued on 15 December 2017.
 - On or about 8 February 2018, Mr Kearns engaged KordaMentha a second time. This engagement was to undertake independent verification work around the disbursement of the sales proceeds from the land and forests that was held on trust by Anthony Harper. Our report was issued on 26 June 2018.

3. Prior Professional Services to the Insolvent

None

4. No Other Relevant Relationships to Disclose

- There are no other relevant relationships that the Liquidators should disclose.

Declaration of Indemnities and Upfront Payments

5. The Liquidators disclose:

The Liquidators did not receive an indemnity or upfront payment from any party in relation to the Liquidation of FNZ.

Dated: 10 September 2018

Signed:



Neale Jackson
Joint Liquidator



Grant Graham
Joint Liquidator

Appendix B – List of creditors

| Creditor | Address |
|---------------------------------|---|
| Affordable Computers Tasman Ltd | 98 High Street, Motueka 7120 |
| Dutch Risk | PO Box 2203, Stoke, Nelson 7011 |
| Eziweb Web Hosting | PO Box 1260, Christchurch 8140 |
| Forestlands (No. 2) Limited | PO Box 982, Shortland Street, Auckland 1140 |
| Forestlands (No. 3) Limited | PO Box 982, Shortland Street, Auckland 1140 |
| Forestlands (No. 4) Limited | PO Box 982, Shortland Street, Auckland 1140 |
| Forestlands (No. 5) Limited | PO Box 982, Shortland Street, Auckland 1140 |
| Forestlands (No. 6) Limited | PO Box 982, Shortland Street, Auckland 1140 |
| Forestlands (No. 7) Limited | PO Box 982, Shortland Street, Auckland 1140 |
| Forestlands (No. 8) Limited | PO Box 982, Shortland Street, Auckland 1140 |
| Forestlands (No. 9) Limited | PO Box 982, Shortland Street, Auckland 1140 |
| Forestlands (No. 10) Limited | PO Box 982, Shortland Street, Auckland 1140 |
| Forestlands (No. 11) Limited | PO Box 982, Shortland Street, Auckland 1140 |
| Forestlands (No. 12) Limited | PO Box 982, Shortland Street, Auckland 1140 |
| Forestlands (No. 14) Limited | PO Box 982, Shortland Street, Auckland 1140 |
| Forestlands (No. 15) Limited | PO Box 982, Shortland Street, Auckland 1140 |
| Forestlands (No. 16) Limited | PO Box 982, Shortland Street, Auckland 1140 |
| Forestlands (No. 17) Limited | PO Box 982, Shortland Street, Auckland 1140 |
| Forestlands (No. 18) Limited | PO Box 982, Shortland Street, Auckland 1140 |
| Forestlands (No. 19) Limited | PO Box 982, Shortland Street, Auckland 1140 |
| Forestlands (No. 20) Limited | PO Box 982, Shortland Street, Auckland 1140 |
| Inland Revenue Department | PO Box 39010, Wellington Mail Centre, Lower Hutt 5045 |
| Leaders Real Estate | 77 Thorndon Quay, Pipitea, Wellington 6011 |
| Paper Plus | Paper Plus Motueka, 151 High Street, Motueka 7120 |
| Site Productions | PO Box 55, Mapua Mail Centre, Nelson |
| Thompson Daly | PO Box 102, Nelson 7010 |

UNSECURED CREDITOR'S CLAIM

Section 304(1) Companies Act 1993

| | |
|--|---|
| Name and postal address of creditor in full: Email: Telephone Number: (.....)..... My Reference is (if applicable): | * Any personal information collected is for the purpose of administering the liquidation in accordance with the Companies Act 1993. The information will be used and retained by KordaMentha, PO Box 982, Auckland and will be released to other parties only with your authorisation or in compliance with the Privacy Act 1993. Under Section 304(1) of the Companies Act 1993 any claim by an unsecured creditor against a company in liquidation must be made in this prescribed form and must (a) Contain full particulars of the claim; and (b) Identify any documents that evidence or substantiate the claim. You may have access to and request correction of any personal information. (* Not applicable, if creditor is not an individual within the meaning of the Privacy Act 1993.) |
|--|---|

Name of Company in liquidation:
 Forestlands N.Z. Limited (In Liquidation)

I,
 [If claim is made on behalf of creditor, specify relationship to creditor and authority] claim that the Company was at the date it was put into liquidation indebted to the abovenamed creditor for the sum of [Amount in words and figures]:
 \$.....

[Omit whichever does not apply] I hold no security interest in any of the assets of the Company; or
 I am surrendering my security and I am claiming as an unsecured creditor; or
 I am claiming as a preferential creditor.

Full particulars of the claim are set out, and any supporting documents that substantiate the claim are identified, on the reverse of this form.
 (The liquidator may require the production of a document under section 304(1)(b) of the Companies Act 1993. You are not required to attach any supporting documents at this stage, but you may attach them now, if you think it would expedite the processing of the claim.)

Signed Date:
 I have / have not also lodged a secured creditor's claim pursuant to the Personal Property Securities Register or other register.

WARNING— It is an offence under Section 304(6) of the Companies Act 1993 to—
Make, or authorise the making of, a claim that is false or misleading in a material particular knowing it to be false or misleading; or
Omit, or authorise the omission, from a claim of any matter knowing that the omission makes the claim false or misleading in a material particular.

| | | | | | | | | | | | | | | | | | | |
|---|---|---|--|---|-------------------------------------|--|---|-----------------------------|--|---|-------------------------|---------------------|---------------------|---|---|---|---|---|
| Received (Date Stamp) | <p>Reserved for Office Use:</p> <table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:50%;">Claim admitted for voting purposes:</td> <td style="width:25%;">Signed: <input style="width:100%;" type="text"/></td> <td style="width:25%;">Dated: / / <input style="width:100%;" type="text"/></td> </tr> <tr> <td>Claim rejected for voting purposes:</td> <td>Signed: <input style="width:100%;" type="text"/></td> <td>Dated: / / <input style="width:100%;" type="text"/></td> </tr> <tr> <td>Claim rejected for payment:</td> <td>Signed: <input style="width:100%;" type="text"/></td> <td>Dated: / / <input style="width:100%;" type="text"/></td> </tr> </table> <p>Claim admitted for payment:</p> <table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:33%;">Preferential Claim for:</td> <td style="width:33%;">Ordinary Claim for:</td> <td style="width:33%;">Deferred Claim for:</td> </tr> <tr> <td style="text-align: center;">\$ <input style="width:100%;" type="text"/></td> <td style="text-align: center;">\$ <input style="width:100%;" type="text"/></td> <td style="text-align: center;">\$ <input style="width:100%;" type="text"/></td> </tr> </table> <table style="width:100%; border-collapse: collapse; margin-top: 10px;"> <tr> <td style="width:70%;">Signed Liquidator: <input style="width:100%;" type="text"/></td> <td style="width:30%;">Dated: / / <input style="width:100%;" type="text"/></td> </tr> </table> <p>Note: If the decision to admit or reject a claim is amended, regulation 8 of the Companies Act 1993 Liquidation Regulations 1994 requires that it be recorded in writing.</p> | Claim admitted for voting purposes: | Signed: <input style="width:100%;" type="text"/> | Dated: / / <input style="width:100%;" type="text"/> | Claim rejected for voting purposes: | Signed: <input style="width:100%;" type="text"/> | Dated: / / <input style="width:100%;" type="text"/> | Claim rejected for payment: | Signed: <input style="width:100%;" type="text"/> | Dated: / / <input style="width:100%;" type="text"/> | Preferential Claim for: | Ordinary Claim for: | Deferred Claim for: | \$ <input style="width:100%;" type="text"/> | \$ <input style="width:100%;" type="text"/> | \$ <input style="width:100%;" type="text"/> | Signed Liquidator: <input style="width:100%;" type="text"/> | Dated: / / <input style="width:100%;" type="text"/> |
| Claim admitted for voting purposes: | Signed: <input style="width:100%;" type="text"/> | Dated: / / <input style="width:100%;" type="text"/> | | | | | | | | | | | | | | | | |
| Claim rejected for voting purposes: | Signed: <input style="width:100%;" type="text"/> | Dated: / / <input style="width:100%;" type="text"/> | | | | | | | | | | | | | | | | |
| Claim rejected for payment: | Signed: <input style="width:100%;" type="text"/> | Dated: / / <input style="width:100%;" type="text"/> | | | | | | | | | | | | | | | | |
| Preferential Claim for: | Ordinary Claim for: | Deferred Claim for: | | | | | | | | | | | | | | | | |
| \$ <input style="width:100%;" type="text"/> | \$ <input style="width:100%;" type="text"/> | \$ <input style="width:100%;" type="text"/> | | | | | | | | | | | | | | | | |
| Signed Liquidator: <input style="width:100%;" type="text"/> | Dated: / / <input style="width:100%;" type="text"/> | | | | | | | | | | | | | | | | | |

