



Forestlands (No.11) Limited (In Liquidation)

Liquidators' third report

Company No. 1875955

4 October 2019

Section	Page
1. Introduction and Restrictions	3
2. Overview of progress in the liquidation	4
3. Shareholder confirmation process and first interim distribution	5
4. Other matters: Unsecured creditor claims and asset realisations	6
Appendices	
1. Statement of receipts and payments	7
2. Liquidators' remuneration report	8

Glossary

Term	Definition
Associated parties	Forestlands N.Z. Limited and other entities associated with Mr Kearns
B shareholders	Investors who subscribed to the forestry shares with rights and restrictions attached to each share pursuant to the terms of the prospectuses issued by each of the Forestlands companies 2-20 below.
Company	Forestlands (No.11) Limited (In Liquidation)
F11	Forestlands (No.11) Limited (In Liquidation)
F2-20	Forestlands (No.2) Limited, Forestlands (No.3) Limited, Forestlands (No.4) Limited, Forestlands (No.5) Limited, Forestlands (No.6) Limited, Forestlands (No.7) Limited, Forestlands (No.8) Limited, Forestlands (No.9) Limited, Forestlands (No.10) Limited, Forestlands (No.11) Limited, Forestlands (No.12) Limited, Forestlands (No.14) Limited, Forestlands (No.15) Limited, Forestlands (No.16) Limited, Forestlands (No.17) Limited, Forestlands (No.18) Limited, Forestlands (No.19) Limited, Forestlands (No.20) Limited.
Forestlands Group companies or Forestlands Group	Forestlands companies F2-20 above
FNZ	Forestlands N.Z. Limited



1.1 Introduction

Neale Jackson and Grant Robert Graham ('Liquidators'), Accredited Insolvency Practitioners, were appointed Joint and Several Liquidators of the Company by order of the High Court, Nelson on 6 September 2018 pursuant to Section 241(2)(c) of the Companies Act 1993 ('the Act') on the application of the Financial Markets Authority ('FMA'). The Liquidators are also the liquidators of other related companies in the Forestlands group.

We understand that prior to Liquidation a solvency certificate was signed by the Company's director. We have not seen this but on the face of the draft financial statements the Company appears to be solvent.

This is the Liquidators' third report. It covers the period 6 March 2019 to 5 September 2019 ('the Period').

The Liquidators' other reports, and other information relevant to the liquidations of the Forestlands Group companies, can be found on the KordaMentha website:

<https://www.kordamentha.com/creditors/forestlands-2-20>

1.2 Restrictions

This report has been prepared by us in accordance with and solely for the purposes of Section 255(2) of the Companies Act 1993.

In compiling this report we have relied on the accuracy of all relevant information provided by the Company. We have not independently audited or verified that information and express no opinion on its accuracy, completeness or reliability.

We do not accept any liability whatsoever from this report.

All information contained in this report is for the confidential use of the parties to which it is provided in accordance with Section 255(2) of the Companies Act 1993 and is not to be disseminated or passed to any other person without prior written authority or in accordance with law.

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.

All references to \$ are in NZD.



01

Shareholder confirmation process (section 3)

- There are approximately 4,500 individual shareholders of the Forestlands Group companies, holding approximately 9,000 parcels of shares.
- The accuracy of share registers required confirmation before payments could be made to shareholders. This process commenced in October 2018 and continues.

02

Payment of a first interim distribution (section 3)

- On 3 April 2019 a first interim distribution of \$525 per share was paid to shareholders in F11 who completed the confirmation process by the cut-off date.
- To date we have paid \$396,797 to 396 shareholders. Funds are held on trust for those shareholders yet to complete the confirmation process.

03

Payment of further interim distributions (section 3)

- We expect there will be further distributions. The timing and quantum of future distributions to shareholders is not able to be confirmed at this time.
- The ability to pay further distributions is dependent on realising the remaining assets, the outcome of shareholders yet to confirm their shares and future costs associated with the above.

04

Unsecured creditor claims (section 4)

- We have now admitted and paid all creditor claims filed against the Company.

05

Reporting to shareholders

- Our reports dated 11 October 2018 provided a comprehensive explanation of the events leading up to the forests being sold.
- Our reports dated 3 April 2019 provided an update to shareholders and creditors on progress since our appointment as liquidators.
- These reports can be found on the KordaMentha website.

06

Recovery of funds for shareholders (section 4)

- As advised previously, a settlement of the claims we identified has been agreed.
- The settlement is in the best interests of shareholders. It provides certainty on the outcome and will deliver a quicker return than Court proceedings.
- We continue to monitor the position.

Shareholder confirmation process

- There are approximately 4,500 individual shareholders of the Forestlands Group companies, holding approximately 9,000 parcels of shares. The share registers provided to the Liquidators on our appointment were largely out of date and did not contain sufficient information for us to be able to pay a distribution to shareholders.
- In order to distribute funds to shareholders, we were required to establish an accurate register of the shares held and other details relevant to claims against the Company.
- A summary of the actions undertaken to establish an accurate register is detailed in our reports dated 11 October 2018 and 3 April 2019.
- At the date of this report, the status of the confirmation process for this Company is as follows:

	% of shareholders	% of shares
Confirmation process completed	88	89
Missing information	12	11

- The confirmation process has been time consuming. We appreciate the patience shown by shareholders as we work toward paying all eligible shareholders their share of the funds available in the liquidation.

Shareholders: Missing information

- As noted above, there are still shareholders who have not completed the process. These shareholders have either not provided us with the correct documentation or we do not hold current contact information for them.
- In order to reduce the number of incomplete shareholders we intend to take a number of actions over the coming months, which will include:
 - Following up directly with those shareholders where we have part completed forms;
 - Writing to those shareholders where we have contact information but they have not yet responded;
 - Carrying out public searches for those shareholders where we do not hold current contact information; and
 - Advertising in local newspapers inviting those shareholders to contact us who have not already done so.

First interim distribution payment to shareholders

- In the first interim distribution for F11, eligible shareholders have been paid \$525 per share.
- The steps taken in order to facilitate this distribution to eligible shareholders are summarised in the Liquidators' report dated 3 April 2019.
- At the date of this report, the status of interim distribution payments to the Company's shareholders are:

Total number of shareholders	449
Total shareholders paid 1 st distribution	396
Total % Paid	88
Total \$ distributed	396,797

- We continue to make monthly catch-up distributions to shareholders as they complete the confirmation process.
- Residual funds are held on trust pending the outcome of the shareholder confirmation process.

Further distribution payments to shareholders

- We expect there will be future distributions to shareholders.
- At this time we are unable to confirm the quantum and timing of a second and/or final distribution to shareholders.
- As we advised previously, the first interim distribution was paid from the available assets on hand at the date of liquidation, which was the residual cash remaining from the sale of the forests. Further distributions are dependent upon the outcome of the shareholder confirmation process in relation to claims against the Company, realising the remaining assets, which we discuss overleaf, and future costs associated with the above.



Unsecured creditor claims

- Five unsecured creditor claims have been filed against the Forestlands Group companies.
- As advised in the Liquidators' report, dated 3 April 2019, the Liquidators have admitted and paid four unsecured creditor claims.
- By paying the claims promptly, we reduced the amount of interest that accrues on these claims.
- During the Period, the Liquidators settled the sole remaining unsecured creditor claim as set out below. The figure varies from our previous report as the creditor reviewed its claim during the Period.
- The table below shows:
 - the total value of each creditor's claim against F2-20;
 - the total amount the creditor has been paid; and
 - the amount this Company paid the creditor.

Creditor	Total claimed \$	Total paid \$	Amount paid by F11 \$
Creditor 1	43,615	44,580	3,188
Total	43,615	44,580	3,188

The 'Total paid' includes interest

Pre-liquidation tax returns

- As advised in the Liquidators' report dated 11 October 2018, the Court ordered circa \$1.6 million to be paid to the IRD, from the balance of the proceeds from the sales of the forests, for Income Tax due by certain Forestlands Group companies.
- These monies were paid to Tax Management New Zealand ('TMNZ') to hold pending the submission of the pre-liquidation tax returns.
- We have compiled and submitted the outstanding tax returns for FY16, FY17 and FY18.
- We await the IRD processing these returns, at which point we will instruct TMNZ to release the monies to the IRD in settlement of the Forestland Group companies' tax liabilities.
- Any surplus funds will be returned to the Forestland Group companies.

Asset realisations

- We have completed a detailed investigation into the affairs of the Forestlands Group companies and Forestlands N.Z. Limited (for which we are also the liquidators).
- A summary of the investigation work undertaken is included in our report dated 3 April 2019.
- As advised previously, we have negotiated a settlement with Rowan Kearns and Associated Parties. The terms of the settlement are confidential, subject to certain specified exclusions.
- The settlement amount will be disclosed in the statement of receipts and payments issued to shareholders in our future statutory reports that cover the period in which the funds are received (in accordance with the requirements of the Companies Act).
- We agreed the settlement because it is in the best interests of F2-20 and their shareholders. It provides certainty on the outcome. It avoids the inherent uncertainty and cost that would be associated with pursuing claims through the Courts. It will also deliver a quicker return to shareholders than would be achieved if the claims were pursued in Court.
- In the event the settlement terms are not complied with, we will need to reconsider our options to recover funds for shareholders.



Forestlands (No. 11) Limited (In Liquidation)

Statement of Liquidators' receipts and payments from 6 March 2019 to 5 September 2019

	\$
Opening balance	764,957
Receipts	
Interest received	2,082
Total receipts	2,082
Payments	
Accountancy fees	900
Funding for investigation costs	1,327
Interest paid to unsecured creditors	74
Legal costs	7,426
Liquidators' remuneration	25,581
Other costs	370
RWT	686
Software/IT-related costs	683
Investor distributions	396,797
Distribution to unsecured creditors	3,114
Total payments	436,958
Net cashflow	(434,876)
Closing balance	330,081



	Hourly rate	General Admin		Shareholders		Creditors		Investigations		Reports		Regulatory Bodies		Tax/IRD related		Total	
		Hours	Charge	Hours	Charge	Hours	Charge	Hours	Charge	Hours	Charge	Hours	Charge	Hours	Charge	Hours	Charge
Partner	\$ 550	1.2	652	1.6	872	0.01	5	1.1	613	0.6	351	0.1	72	0.02	11	4.7	2,576
Executive Director, Director, Associate Director	\$ 485	1.5	714	19.7	9,556	0.4	207	0.4	180	0.7	324	1.1	554	1.3	645	25.1	12,182
Manager	\$ 385	2.3	868	1.2	450	-	-	-	-	-	-	-	-	0.3	106	3.7	1,425
Executive Analyst	\$ 315	1.2	368	0.5	152	0.1	21	-	-	-	-	-	-	-	-	1.7	541
Business Analyst	\$ 190	5.8	1,097	6.1	1,168	0.1	21	-	-	1.6	301	-	-	3.6	684	17.2	3,271
Support Staff	\$ 90	4.1	367	57.8	5,203	-	-	-	-	-	-	-	-	0.2	18	62.1	5,588
Total		15.9	4,066	86.9	17,400	0.6	254	1.5	793	2.9	977	1.3	626	5.4	1,464	114.5	25,581

Disbursements: Disclosed in the Statement of receipts and payments account	Cost
Administration charge	-
Legal costs	7,426
Postage/Printing	140
Record storage	57
Software/IT costs	683
Total	8,306

Detail of work completed	
General Administration	General case administration including strategy meetings, attending to shareholder queries, distributions to shareholders and processing of day to day receipts and payments.
Shareholders	Matters related to the shareholder confirmation process.
Creditors	Dealings with unsecured creditors including adjudication and settlement of unsecured claims.
Investigation	Investigation into the conduct of Mr Kearns and Associated Parties and finalising the settlement agreement.
Reports	Compiling statutory reports to creditors and any other reporting requirements.
Regulatory Bodies	Liaison with regulatory bodies including the FMA.
Tax/IRD related	Income Tax and GST related matters including liaison with advisors and the IRD.

