

Installers Group Limited (In Liquidation)

Liquidators' Second Report

For the period from 11 November 2013 to 10 May 2014

1 INTRODUCTION AND APPOINTMENT

Peri Micaela Finnigan and Boris van Delden, Insolvency Practitioners of Auckland, were appointed jointly and severally as liquidators of Installers Group Limited ("the company") on 11 November 2013.

Pursuant to Section 255(2)(d) of the Companies Act 1993 ("the Act"), the liquidators herewith report on the progress of the liquidation. This second report should be read in conjunction with the liquidators' previous report. This report is being sent to all shareholders and all creditors who have filed a claim in the liquidation.

A Statement of Realisations and Distributions is **attached**.

2 RESTRICTIONS

This report has been prepared in accordance with section 255(2)(d) of the Act. Whilst all care and attention has been taken in compiling this report, we do not accept any liability whatsoever to any party as a result of the circulation, publication, reproduction or use of this report.

We reserve the right (but are under no obligation) to review and, if we consider necessary, revise this report in respect of any information existing at the date of this report which becomes known to us after that date.

3 CONDUCT OF THE LIQUIDATION DURING THE PRECEDING SIX MONTHS

Asset Realisations

3.1 Surplus from Factored Debtors

(Statement of Affairs: \$113,171)

The debtor ledger provided to the liquidators at date of appointment totalled \$498,142. This included \$151,244 aged 30 days plus. This was an approved ledger. S H Lock (NZ) Limited ("S H Lock") held a full debtors ledger of \$638,996. The gross ledger now held after repayments, interest, and write offs is \$173,187.

To date no surplus has been made from debtor collections by S H Lock. At the date of this report, S H Lock have a balance of approximately \$6,750 owing. Once this is cleared the remaining ledger will be handed over to the liquidators to collect. The ledger now includes retentions and accounts in dispute. The value to collect is approximately \$170,000. The director of the company is assisting in the collections. There are about 30 debtors with outstanding balances which relate to many projects. S H Lock has recovered about \$435,503, plus interest charges from debtor collections.

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The liquidators have assisted S H Lock with recoveries and arguments involving set off of debtor balances against amounts owed. The liquidator has advised that set off is not admissible under Section 310 of the Companies Act 1993 unless the creditor proves that, at the time of the transaction, the creditor did not have reason to suspect that the company was unable to pay its debts as they became due.

In this case, the company was known to be insolvent by virtue of advice by the Compromise Managers on 16 August 2012, disclosing the insolvent financial position of the company in order to gain support of a company compromise. The liquidators continue with arguments but have obtained advice that recovery is imminent.

3.2 Accounts Receivable – Not Factored (Statement of Affairs: \$17,243)

The liquidators pursued four debtors that were not factored at the date of liquidation. One debtor is in receivership and the amount of \$12,954 has been written off as uncollectable. Two debtors have paid, and an amount of \$3,489 has been recovered. One further debtor of \$800 will be followed up by our debt collection agency.

3.3 Sale of Business and Assets (Statement of Affairs: \$30,845)

The liquidators sold 12 vehicles to Installers Limited. This included: 1 x Ford Econovan, 2 x Hyundai, 2 x Toyota Hiace, 1 x Mitsubishi Ute, 3 x Pinto trailers and 3 x Canter trucks.

On the same date, the liquidators disclaimed interest in three Toyota Hiace vehicles as the amounts owing on these vehicles exceeded the realisable values. The three vehicles disclaimed had a sum of \$50,995 owing and had a combined value of \$24,000. The finance companies only agreed to an assignment of the finance agreements and/or were paid in full.

The liquidators also sold stocks, plant and equipment, and goodwill. The total sale price was \$135,141. This purchase price was agreed to be paid in instalments. A sum of \$74,007 was over a repayment plan with final balance due October 2014. The liquidators have a general security agreement with first priority over all present and after acquired personal property of Installers Limited, the purchaser. A deed of subordination was entered into so that the liquidators' general security was ranked with first priority despite being second registered on the PPSR.

The sale comprised:

Goodwill	26,844
Stock	30,845
Plant and Equipment	29,519
Motor Vehicles	48,934
	\$135,142

An independent valuation was provided which confirmed goodwill of \$24,708, and plant value. The valuation for plant, unencumbered vehicles, stock, and goodwill was for \$75,310. The liquidators successfully negotiated a premium on the sale price and agreed a greater value for plant, vehicles, goodwill and stock.

A full stock take was completed for sale purposes. This value was adjusted for stocks subject to specific securities on the PPSR. Each specific security holder was dealt with and certain unpaid stocks were returned or purchased by the new company, and certain contracts assigned.

The good will was based on the customer contracts and factored in the work in progress, and percentage of work to complete. The sale agreement included the transfer of 11 contracts to complete. The customers in these cases have paid the failed company and purchaser.

The plant and equipment included:

Computer hardware	1,805
Computer Software	11,936
Tools and Equipment	6,139
Furniture and Fittings	8,639
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	\$28,519
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4 INVESTIGATIONS

The liquidators have commenced their investigations into the books, records and affairs of the company. There are no matters that have come to the knowledge of the liquidators that could eventuate in a benefit to creditors.

5 CREDITORS' CLAIMS

5.1 Secured Creditors

- i S H Lock were owed \$442,253 at the date of liquidation and have continued to collect the debtors ledger. There is now a sum of \$6,750 outstanding.
- ii Dorchester Finance negotiated with the purchaser and was paid in full for the sum owing. They were owed \$14,730 at liquidation which was secured over six contracts. There was \$Nil equity in the vehicles. A full analysis was undertaken on each vehicle value. There was no overall surplus.
- iii Alpera (BMW Finance) were owed \$6,830 at date of liquidation on a Toyota Hiace
- iv Marac were owed \$22,042 at liquidation on a Toyota Hiace
- v UDC Finance were owed \$22,123 at liquidation on a Toyota Hiace

Each secured party was contacted by the purchaser who arranged an assignment or payment to enable the sale to proceed. The liquidators recovered the equity in each vehicle. This was built into the sale price.

5.2 *Preferential Creditors*

The liquidators paid \$3,532 to Inland Revenue Department for applicant creditor Court awarded costs.

Staples Rodway submitted a preferential claim in the liquidation for unpaid fees due for the period that they acted as Compromise Managers for the company. The amount due is \$31,467. The liquidators have paid \$3,000 toward these fees.

Employees were paid in part wages and holiday pay. A proportion of the preferential entitlement due to the employees for holiday pay accrued was taken over by the purchaser of the business assets to honour under the sale agreement. At date of liquidation salaried employees were owed \$40,079 in holiday pay. Of this, \$30,016 was preferential. Employees were paid gross salaries in week 45 for the period ended 10 November 2013, \$16,389 gross. Holiday pay has since been paid over Christmas and as taken by the purchaser (in accordance with the sale agreement).

The Inland Revenue Department has also submitted a preferential claim for \$454,940. At date of this report, no distribution has been paid. Once debtors are recovered a distribution is likely.

5.3 *Unsecured Creditors*

As at the date of preparing this report 19 unsecured creditors claim forms have been received which total \$547,610. In the interests of minimising liquidators' fees, the liquidators will not attend to the formality of accepting or rejecting creditors' claims until such time as we are in a position to pay a distribution. The likelihood of a distribution is dependent on the success with recovering the remaining debtor ledger. Based on amounts owing to preferential creditors there will be \$Nil available.

6 FUNDS / LIKELY OUTCOME

There will be a short fall on the amount due to the preferential creditors. Therefore, at this stage the liquidator does not anticipate paying a distribution to unsecured creditors.

7 MATTERS DELAYING THE COMPLETION OF THE LIQUIDATION

The following matters are outstanding:

- Debtor collections (ledger \$173,187)
- Appointment of debt collection agent to collect debtors
- Purchase price instalments until October 2014
- Reporting to Creditors
- Payments to preferential creditors
- Completion of liquidation

8 ESTIMATED DATE OF COMPLETION

Based on the information contained in this report, the liquidators presently propose to complete all outstanding matters with a view to retiring as liquidators within the next year.

9 CONTACT DETAILS

Enquiries should be directed to the writer on DDI (09) 303 9519 or by email to pfinnigan@mvp.co.nz.

The Liquidators can be contacted at:

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PERI M FINNIGAN
LIQUIDATOR

DATED this 26 day of June 2014

Realisations and Distributions

Installers Group Limited (In Liquidation) 11 November 2013 to 10 May 2014

10 May 14

Realisations	
Bank Account Closure	10
Debtors Recovered	386
Sale of Business	98,343
Total Realisations	98,740
Payments	
Liquidators' Fees	
Disbursements	750
Liquidators' Fees	23,252
Total Liquidators' Fees	24,002
Costs of Liquidation	
Bank Fees	32
Interest	-
Total Costs of Liquidation	32
Distributions	
Distribution to Secured Creditor (480)	14,730
Preferential Applicant Creditor	6,532
Preferential Wages and Holiday Pay	49,902
Total Distributions	71,164
Total Payments	95,198
BALANCE HELD	3,542