



McDonald
Vague

business recovery partners

Real Fires (NZ) Limited (In Liquidation)

Liquidators' Second Report to Creditors and Shareholders For the period from 5 August 2019 to 4 March 2020

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1 INTRODUCTION AND APPOINTMENT

Peri Micaela Finnigan and Iain McLennan, RITANZ Accredited Insolvency Practitioners, of Auckland, were appointed jointly and severally as liquidators of Real Fires NZ Limited (“the company”) on 5 August 2019.

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.

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

2 RESTRICTIONS

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

Actions taken

- Secured company assets and company electronic and physical records.
- Conducted interviews with current and former staff and director.
- Valuation of business assets and stock.
- Dealing with PMSI claims to stocks and display fireplaces.
- Dealing with motor vehicles, van and forklift under security (no equity).
- Attendances relating to return of consignment stocks.
- Dealt with and paid staff preferential claims for wages and holiday pay.

- Attendances on and interviews with affected customers and suppliers.
- Investigated state of work in progress and viability of completion whilst seeking a purchaser of the business assets.
- Trading on and costing analysis to complete outstanding orders for the sake of customers, and for assessment by prospective purchasers.
- Negotiations with prospective purchasers, landlord and suppliers to achieve a result that would most benefit creditors. This included a solution to complete prepaid orders at reduced cost to mitigate losses to prepaid customers (creditors).
- Sale of business assets and post-sale attendances on handover to purchaser, including assistance with prepaid customers(creditors).
- Ongoing assistance of customers and retrieval of records where required.
- Attendances on affected customers and liaison with the purchaser and suppliers who assisted them to complete orders post sale by the liquidators.
- Debt collection. Noted that most debts were irrecoverable as they related to future deliveries or orders still to be completed.
- Holding of a Creditors meeting and dealing with creditor and customer queries in relation to this.
- Consideration of performance of director's duties and issues such as reckless trading.
- Analysis of the shareholder current account and coding of expenses.
- Calling of director and related party, for interview under oath in terms of Section 261 of the Act.
- Commenced recovery actions against the director and a related party.
- Pursuit of other related and unrelated parties, to obtain repayment of insolvent transactions (ongoing).
- Investigation into other supplier insolvent transactions (and consideration of the running account).

4 INVESTIGATIONS

Investigations into the affairs of the company, including insolvent transactions and breaches of director's duties are ongoing. We have commenced actions which are expected to yield further recoveries in the liquidation within the coming months.

Various customers who had prepaid for fires but not received them, especially those who had done so immediately prior to the liquidation, indicated they would lay criminal charges against the director. The liquidators issued demand against the director for recovery of insolvent transactions. The liquidators also consider the director to have traded recklessly and breached director's duties. Recoveries however are not anticipated from her as she was adjudicated bankrupt on 21 October 2019. The director's conduct preceding liquidation will however be reported by the liquidators to the relevant authorities.

The nature of the company's records has made it difficult to identify all customers who had prepaid invoices for fires but not received them, especially since some customers prepaid for fires up to three years in advance. Whilst we have contacted as many affected customers as we could identify, some have only recently come to light, and more may be discovered. The purchaser of the company's assets agreed to complete outstanding prepaid orders at a reduced cost as part of their agreement with the liquidators. Another major supplier offered similar assistance to customers who prepaid for their fires.

5 CREDITORS' CLAIMS

5.1 *Secured Creditors*

No secured claims have been received at the date of this report.

5.2 *Preferential Creditors*

Employee preferential claims amounting to \$7,371 for wages, holiday pay and redundancy have been paid in full.

The Inland Revenue Department submitted a preferential claim for \$196,870. No distribution has yet been paid in respect of this claim.

5.3 *Unsecured Creditors*

At the date of this report, 80 unsecured creditor claims totalling \$1,171,556 have been lodged. To minimise liquidators' fees, we will not attend to the formality of accepting or rejecting creditors' claims until in a position to make a distribution.

6 FUNDS / LIKELY OUTCOME

It is impracticable at this stage to estimate the amount or timing of further distributions to creditors.

7 MATTERS DELAYING THE COMPLETION OF THE LIQUIDATION

The following matters are outstanding:

- Further investigations.
- Reporting of findings on conclusion of investigations, to relevant authorities.
- Conclusion of recovery actions against related and unrelated parties.

8 ESTIMATED DATE OF COMPLETION

It is impracticable at this stage to estimate a date for completion of the liquidation.

9 CONTACT DETAILS

Enquiries should be directed to Dalwyn Whisken on DDI (09) 969 5336 or by email to dwhisken@mvp.co.nz.

The Liquidators can be contacted at:

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PERI M FINNIGAN
LIQUIDATOR

DATED this 5 day of March 2020

PMF/DW/210
Real Fires NZ/Reports/4101 Second Report

Realisations and Distributions

Real Fires (NZ) Limited (In Liquidation) 5 August 2019 to 4 March 2020

Realisations	Amount (Excl GST) \$
Debtors	2,460
Property Plant and Equipment	56,261
Vodafone Refund	1,691
Total Realisations	\$60,412
Payments	
Liquidators Fees	
General/Appointment/Reports/Management/Tax	7,459
Asset Realisations	11,747
Creditors general	10,055
Creditors Meeting and Interim Report	8,045
Investigations and legal	11,307
Disbursements	1,731
Total Liquidators Fees	\$50,344
Other Costs of Liquidation	
Rent	1,622
Security Costs	215
Wages and PAYE	543
Salvage Payment	386
Total Costs of Liquidation	\$2,766
Distributions	
Wages and Holiday Pay (Preferential Creditors) (100 cents in the dollar)	7,259
Total Distributions to Unsecured Creditors	\$7,259
Total Payments	\$60,369
BALANCE HELD	\$43

Note: the above figures are GST exclusive