

# Liquidators' Second Report on the State of Affairs of

Taratahi Agricultural Training Centre (Wairarapa) Trust Board  
(in Liquidation)

02 September 2019



# Contents

Introduction	2
Conduct of the Liquidation in the preceding six months	3
Proposals for completing the Liquidation	5
Remaining Matters	5
Appendix A – Statement of Receipts & Payments	6
Appendix B – Remuneration Report	7
Section 1: Description of Work	7
Section 2: Calculation of Remuneration	9
Appendix 1: Initial Advice to Creditors	10

# Introduction

David Ian Ruscoe and Malcolm Russell Moore, of Grant Thornton New Zealand Limited (Grant Thornton), were appointed joint and several Interim Liquidators of the Taratahi Agricultural Training Centre (Wairarapa) Trust Board (in Liquidation) (the “Trust” or “Taratahi”) by the High Court in Wellington on 19 December 2018. Mr Ruscoe and Mr Moore were then appointed Liquidators of the Trust on 5<sup>th</sup> February 2019 at 10.50am by Order of the High Court.

We set out below our second report on the state of the affairs of the Company as required by section 255(2)(c)(ii)(A) of the Companies Act 1993.

## Restrictions

This report has been prepared by us in accordance with and for the purpose of section 255 of the Act. It is prepared for the sole purpose of reporting on the state of affairs with respect to the Company in liquidation and the conduct of the liquidation.

This report is not intended for general circulation, nor is it to be reproduced or used for any purpose without the liquidators’ written permission in each specific instance. The liquidators, their employees and agents do not assume any responsibility or liability for any losses occasioned to any party for any reason including as a result of the circulation, publication, reproduction or use of this report contrary to the provisions of this paragraph.

The liquidators reserve the right (but will be under no obligation) to review this report and, if considered necessary, to revise the report in light on any information existing at the date of this report which becomes known to them after that date.

# Conduct of the Liquidation in the preceding six months

As discussed in our first report, throughout the period of Interim Liquidation & Liquidation we operated Taratahi's farms on a business as usual basis to maintain the value of the farming operations and ensure that appropriate animal welfare and health and safety standards were adhered to.

While in Interim Liquidation, we did not receive a viable proposal to maintain education operations at the Wairarapa or regional Campuses and as such on our appointment as Liquidators the decision was made to close the academic part of the Trust. However, we did commence negotiations with the Southern Institute of Technology (SIT) in relation to operating an education business from the Telford Campus. In mid-February SIT moved into the Telford Campus under a sublease arrangement and we worked with SIT to make the Telford Farm available to assist in the education of the students.

We have recently signed an agreement with The Telford Farm Board and SIT to surrender our lease of the Telford Campus (but maintain the Telford Farm Lease) to give SIT the ability to lease the campus long term to provide education services.

The Wairarapa Campus and Home Dairy farm land are subject to the Taratahi Agricultural Training Centre (Wairarapa) Act 1969. Any sale of this property requires the approval of the Minister of Agriculture. We have been and continue to liaise with the Ministry of Primary industries regarding this.

As discussed above initially we continued to maintain the farming operations as they were prior to our appointment and we engaged farming advisers to review the operations and to work with us to determine the appropriate strategies to maximise returns to all stakeholders.

We determined that we would sell the Mangarata Farm and certain leasehold interests where possible (including stock and plant and equipment) and continue to operate the Home Dairy farm and the Telford and Ballantrae leased properties.

The Home Dairy Farm, Telford Dairy, Beef and Sheep Farms and the Ballentrae Farm all have agreed plans in place to operate throughout the 2019 / 20 farming years and we anticipate an increased production from the Dairy Farms as they now have a more commercial focus to them.

Mangarata Farm was prepared for sale and a marketing campaign was held through NZR Real Estate which resulted in 3 Tenders being received. Following a period of negotiation we accepted an offer and the property sale settled on 12 April 2019.

We worked with the land owners and potential purchasers of the Tautane Station and Glenside leased properties and entered into transactions where we were able to assign the leases to the purchasers and remove long term future lease liabilities on these properties. The Taratahi owned livestock and assets were independently valued and sold at the agreed market value with minimal transaction costs

In regards to other assets, we obtained independent valuation of all remaining plant and equipment and have commenced a sale program for the various plant and equipment located in centres away from and at the Wairarapa campus.

Debtors are being collected and shares will be sold subject to requirements to hold certain shares to continue to operate (such as Fonterra).

## Asset Realisations

During the period we had the following major asset realisation:

### Farm Sale

We sold the Mangarata farm a sheep and beef breeding and semi finishing units in Masterton.

### Sale of Leasehold interests

In June 2019 we assigned the leases and sold livestock on Glenside Farm and Tautane Station, this resulted in the large realisation of Capital and Trading livestock. As stated previously, this also reduced potential unsecured claims in respect of unexpired leases.

### Fixed asset and livestock

To date we have realised excess plant and equipment from sales throughout the country this has generated \$390,292 from the sale of the Company's excess fixed assets.

### Debtors

Since our appointment we have recovered debts owed to the Trust totalling \$259,739.

## Receipts and payments

See Appendix A for the Statement of Receipts and Payments for the six month period ending 5 August 2019.

## Creditors

### Secured Creditors

The property sale of Mangarata meant we were able to repay a mortgage of \$5,867,124. There is still a significant amount outstanding to the secured creditor.

On Liquidation there were 286 specific security financing statements (Purchase Money Security Interests (PMSIs)) registered. The Liquidators have contacted all registered PMSI holders and are still liaising with them to determine the amounts due.

### Preferential Creditors

Employees' preferential claims of \$1,711,727 representing outstanding wages, holiday pay and suspension pay was paid out during this period. A further \$408,774 was paid on 23<sup>rd</sup> August 2019, this means that employee preferential entitlements have been paid in full.

The Inland Revenue Department has advised a preferential claim of pre liquidation GST payable of \$548,977 this was paid out during the period.

### Unsecured Creditors

We have received 254 Unsecured creditors' claims received to date total \$16,578,125.

## Remuneration Report

The Liquidators' remuneration received for the period to 5 February 2019 to 5 August 2019 charged at the hourly rates approved by the Court totalled to \$682,255, exclusive of GST. All time and expenses incurred and billed in the liquidation are reasonable and necessary.

A detailed breakdown of the Liquidators' remuneration and disbursements for the six month period is attached as Appendix B. including a schedule of the qualifications and experience generally of staff at each level, a schedule of the work undertaken during the six month reporting period is also summarised in Appendix B.

Our remuneration is charged on an hourly basis and is to be approved by the High Court. The Court approval is subject to the power of the Court to review the overall remuneration under section 284(1)(e) of the Companies Act.

# Proposals for completing the Liquidation

Given the extent of the Company's secured and preferential claims and expected asset realisations the funds available for distribution to the unsecured creditors are all dependant on the ability of the Liquidators to realise value at the Wairarapa campus and home dairy farm this is discussed below.

## Further Asset Realisations

We continue to pursue avenues to realise the Wairarapa Campus and Home Dairy farm land and are in the process of running a request for proposal process in the coming month and intend to present these proposals to the relevant government agencies.

As discussed earlier, plans are in pace for the operations of 3 remaining farms for the 2019/20 season. Our intention is to continue to operate these for as long they generate commercial returns that allow for the best return for creditors.

# Remaining Matters

## Investigations

We continue to investigate the affairs of the Board and its officers in the period prior to our appointment to determine if there are any further avenues of recovery available to the Trust Board

At this stage it is not practicable to estimate a completion date for the Liquidation

Should you have any queries in relation to any matter raised in this report then please do not hesitate to contact Tom Aspin at [taratahi@nz.gt.com](mailto:taratahi@nz.gt.com).

Dated: 02 September 2019



David Ruscoe  
Liquidator  
Taratahi Agricultural Training Centre (Wairarapa) Trust Board (in Liquidation)

# Appendix A – Statement of Receipts & Payments

Taratahi Agricultural Training Centre (Wairarapa) Trust Board (in liquidation) 5 February 2019 to 5 August 2019  
(\$)

<b>Opening funds on hand</b>	-
<b>Receipts (excluding GST where applicable)</b>	
Cash on hand at date of liquidation	1,065,900
Interest received	5,889
Collection of debtors	259,739
Farm management fees	48,750
Milk sales	1,098,528
Capital Livestock Sales	6,987,393
Trading Livestock Sales	2,674,233
Property Sale	6,020,000
Sale of assets	390,292
Sundry receipts	35,776
Net GST	81,039
GST refunds/(payments) received	929,153
<b>Total receipts</b>	<b>19,596,692</b>
<b>Payments (excluding GST where applicable)</b>	
<b>Farm operating costs:</b>	
Animal Health	204,446
Electricity - Farms	93,595
Farm Consulting	75,378
Feed	73,528
Fertiliser	146,903
Insurance - Farms	90,216
Farm Leases	452,010
Freight	32,242
Plant & Equipment Hire	237,332
Purchase of Stock	96,500
Rates	61,909
Repairs & Maintenance	150,724
Salaries & Wages	1,004,928
Seed/Crop Expenses	122,389
Shearing Expenses	158,822
Vehicle Costs	67,654
Weed and Pest Control	32,021
Other Farm Operating Costs	44,380
<b>Total Farm operating costs:</b>	<b>3,144,978</b>
<b>Other payments incurred:</b>	
Distribution to secured creditor	5,867,124
Distribution to preferential creditors	2,260,704
IT Costs	93,202
Lease Properties - Premises	21,693
Legal fees	375,674
Interim Liquidators Fees	371,449
Interim Liquidators disbursements	8,014
Liquidators Fees	682,255
Liquidators disbursements	32,474
Property Sale Expenses	172,716
Telephone, Tolls & Internet	38,886
Sundry Expenses	80,890
<b>Total Other Payments</b>	<b>10,005,081</b>
<b>Total Payments</b>	<b>13,150,059</b>
<b>Net receipts/payments for the period</b>	<b>6,446,633</b>
<b>Closing funds on hand</b>	<b>6,446,633</b>
Represented by	
General security funds account	5,105,022
General liquidation Account	1,341,610
<b>Closing Balance</b>	<b>6,446,633</b>

# Appendix B – Remuneration Report

## Section 1: Description of Work

Summary of work performed in relation the Liquidators' remuneration for the period 5 February to 5 August

Task Area	General Description	Includes
<b>Assets Realisations</b>	Assets subject to specific charges	<ul style="list-style-type: none"> <li>All tasks associated with realising a charged asset</li> <li>Investigation into unregistered securities</li> </ul>
	Debtors	<ul style="list-style-type: none"> <li>Correspondence with debtors</li> <li>Reviewing and assessing debtors ledgers</li> <li>Liaising with debt collectors and solicitors</li> </ul>
	Sale of Business Unit	<ul style="list-style-type: none"> <li>Preparing an information memorandum</li> <li>Liaising with potential purchasers</li> <li>Internal meetings to discuss/review potential purchasers</li> <li>Negotiations with Vendors around terms of transfer of Farm Leases</li> </ul>
	Plant and Equipment	<ul style="list-style-type: none"> <li>Liaising with valuers, auctioneers and interested parties</li> <li>Reviewing asset listings</li> <li>Review of Sales</li> </ul>
	Sale of Real Property	<ul style="list-style-type: none"> <li>Liaising with valuers, agents</li> <li>Assistance with Sales process</li> </ul>
	Debtors	<ul style="list-style-type: none"> <li>Correspondence with debtors</li> <li>Reviewing and assessing debtors ledgers</li> <li>Liaising with debt collectors and solicitors</li> </ul>
	Livestock	<ul style="list-style-type: none"> <li>Review of stock takes</li> <li>Reviewing stock values from stock agents</li> <li>Liaising with livestock purchasers</li> <li>Consideration animal wellbeing as part of the asset realisation process</li> </ul>
	Other Assets	<ul style="list-style-type: none"> <li>Tasks associated with realising other assets</li> </ul>
	Leasing	<ul style="list-style-type: none"> <li>Reviewing leasing documents</li> <li>Liaising with owners/lessors</li> <li>Tasks associated with disclaiming leases</li> </ul>
<b>Creditors</b>	Creditor Enquiries	<ul style="list-style-type: none"> <li>Receive and follow up creditor enquiries via telephone and email</li> <li>Maintaining creditor enquiry register</li> <li>Review and prepare correspondence to creditors and their representatives via facsimile, email and post</li> </ul>
	Secured creditor reporting	<ul style="list-style-type: none"> <li>Notifying PPSR registered creditors of appointment</li> <li>Preparing reports to secured creditor</li> <li>Responding to secured creditor's queries</li> </ul>
	Creditor reports	<ul style="list-style-type: none"> <li>Preparing statutory report, investigation, meeting and general reports to creditors</li> </ul>
	Dealing with proofs of debt	<ul style="list-style-type: none"> <li>Receipting and filing Proofs of Debt</li> <li>Corresponding with Proofs of Debt</li> </ul>
<b>Employee</b>	Employees enquiry	<ul style="list-style-type: none"> <li>Receive and follow up employee enquiries via telephone and email</li> <li>Maintain employee enquiry register</li> <li>Review and prepare correspondence to creditors and their representatives via facsimile, email and post</li> <li>Preparation of letters to employees advising of their entitlements and options available</li> </ul>



		<ul style="list-style-type: none"> <li>Receive and prepare correspondence in response to employees objections to leave entitlements</li> </ul>
	Calculation of entitlements	<ul style="list-style-type: none"> <li>Calculating employee entitlements</li> <li>Reviewing employee files and company's books and records</li> </ul>
	Employee dividend	<ul style="list-style-type: none"> <li>Correspondence with employees regarding dividend</li> <li>Correspondence with IRD regarding proof of debt</li> <li>Receipting Proofs of Debt</li> <li>Adjudicating Proofs of Debt</li> <li>Ensuring PAYE is remitted to IRD</li> </ul>
<b>Operations</b>	Correspondence	<ul style="list-style-type: none"> <li>Communications with government agencies around statutory obligations</li> <li>Various other stakeholder communications</li> </ul>
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>First month, then 6 monthly liquidation review</li> <li>Filing of documents</li> <li>File reviews</li> <li>Updating checklists</li> </ul>
	Ongoing Trading	<ul style="list-style-type: none"> <li>Issuing new Liquidators employment contracts to 37 staff retained for the period.</li> <li>Management of premises including campuses and farms</li> <li>Review of Education obligations and statutory obligations under governing act.</li> <li>Ongoing review and monitoring of IT and record retention, Education requests from Students transferring to new education providers.</li> <li>Preparation of Feed and stock budgets for 2019/2020 season</li> <li>Review of Trust board cashflow and its ability to operate the business and meet its commitments in the immediate future.</li> <li>On site visits for all operational farms</li> <li>Running 7 different farms with over 60,000 livestock units for the period</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>Preparing correspondence opening and closing accounts</li> <li>Requesting bank statements</li> <li>Bank account reconciliations</li> <li>Correspondence with bank regarding specific transfers</li> </ul>
	Planning/Review	<ul style="list-style-type: none"> <li>Discussions regarding status of Liquidation</li> </ul>
	Books and records/storage	<ul style="list-style-type: none"> <li>Dealing with records in storage</li> <li>Sending job files to storage</li> <li>Filing education returns with relevant agencies</li> </ul>
<b>Administration</b>	Company office obligations	<ul style="list-style-type: none"> <li>Filing with Companies Office</li> </ul>
	Documents of appointment	<ul style="list-style-type: none"> <li>Preparation of Court memorandum</li> <li>Review</li> <li>Execution</li> <li>Filing with Companies Office</li> </ul>
	Insurance	<ul style="list-style-type: none"> <li>Identification of potential issues requiring attention of insurance specialists</li> <li>Correspondence with insurers regarding initial and ongoing insurance requirements</li> <li>Reviewing insurance policies</li> <li>Correspondence with previous brokers</li> </ul>
	Report as to Affairs	<ul style="list-style-type: none"> <li>Directors Questionnaire</li> <li>Completion deadlines and extensions</li> </ul>

## Section 2: Calculation of Remuneration

### Calculation of Remuneration – Time based charges

Charged on an hourly basis and per the hourly rates set out by time and cost charged by key category:

	Hourly Rate (\$ph)	Operations		Asset Realisation		Creditors		Employees		Administration		Total	
		Hours	Cost (\$)	Hours	Cost (\$)	Hours	Cost (\$)	Hours	Cost (\$)	Hours	Cost (\$)	Hours	Cost (\$)
Partner	585	173	100,664	287	168,458	12	6,940	32	18,113	32	18,763	534	312,937
Associate	395	25	10,110	23	8,858	1	200					49	19,168
Manager	275-295	0.2	57									0.2	57
Assistant Manager	265	332	87,463	104	27,338	93	24,025	2	3,038	6	1,400	546	143,263
Anaylst	145	93	13,303	13	1,865	2	255	36	5,418	1	163	146	21,003
Farm Advisors	270-300	415	119,139	57	16,485							472	135,624
Support Staff	155	8	1,393	1	160	186	28,786	80	12,204	50	7,662	325	50,205
<b>Total</b>		<b>1,046</b>	<b>\$332,128</b>	<b>484</b>	<b>\$223,163</b>	<b>294</b>	<b>\$60,206</b>	<b>159</b>	<b>\$38,772</b>	<b>88</b>	<b>\$27,987</b>	<b>2,071</b>	<b>\$682,255</b>

### Basis of Disbursement Claim

Disbursements	Total (\$ exc. GST)
Advertising	1,511
Xero	490
Travel (flights, can rental, accommodation etc)	30,473
<b>Total</b>	<b>\$32,474</b>

# Appendix 1: Initial Advice to Creditors

## Explanation of Hourly Rates

The rates for our remuneration calculation are set out in the following table together with a general guide showing the qualifications and experience of staff engaged in the Liquidation and the role they take. The hourly rates charged encompass the total cost of providing professional services and should not be compared to an hourly wage.

Title	Description of title	Hourly rate (Exc. GST) (State)
Partner	Accredited Insolvency Practitioner. Partner bringing specialist skills to Liquidations and Insolvency matters. Controlling all matters relating to the assignment.	\$575
Associate	Qualified accountant and may be an Registered Insolvency Practitioner. Minimum 7/8+ years' experience. Likely to be appointed as a director in due course. Highly advanced technical and commercial skills. Planning and control of all Liquidation and Insolvency tasks. Controlling substantial matters relating to the assignment and reporting to the appointee.	\$450
Manager	Typically Qualified. 5-8 years' experience. Well developed technical and commercial skills. Planning and control of Liquidation and Insolvency tasks with the assistance of the appointee.	\$275-\$295
Assistant Manager	Typically Qualified. 4+ years' experience. Co-ordinates planning and control of small to medium Liquidations and Insolvency tasks. Conducts certain aspects of larger Liquidations.	\$265
Analyst	Typically undertaking Qualifications. Up to 3 years' experience. Required to conduct the fieldwork on smaller Liquidations and Insolvency tasks and assist with fieldwork on medium to large Liquidations and Insolvency tasks.	\$145
Farm Advisors	Specialist farm advisors well experienced in the New Zealand agriculture Industries. Required to assist Liquidators with the day to day running operation of the Farming operations and provided detail reporting around the commercial viability of these operations.	\$270-\$300
Support Staff	Conducts all aspects relating to administering the accounts function and other functions as required..	\$155



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