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Liquidators' Fourth Report on the State of Affairs of

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

3 September 2020



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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 5th February 2019 at 10.50am by Order of the High Court.

We set out below our fourth 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 third report, throughout the period of Interim Liquidation & Liquidation we have operated Taratahi's farms to maintain the value of the farming operations and ensure that appropriate animal welfare and health and safety standards are 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, during the period of this report we reached an agreement with the Universal College of Learning Limited (UCOL) for a short-term lease of the Home Campus, which was given Ministerial consent on 8 July 2020. This short-term lease is intended to allow for the delivery of short courses that will equip workers impacted by COVID-19 to transition into primary industries jobs. This initiative proves the campus is fit for purpose and ready to be fully utilised by an education provider.

We continue to work with the Government to find an acceptable landowner for the purposes of the Taratahi Act and who can provide commercial value for the benefit of all Creditors.

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 continue to liaise with the Ministry of Primary Industries regarding this.

With home Wairarapa Campus and Home Dairy farm ownership unresolved, we continue to operate the Telford Dairy, Beef and Sheep Farms and the Taratahi Home Dairy with plans in place for the 2020 / 21 farming season. The combination of increased production and dairy prices has provided favourable returns on the now commercially focused Farms.

Debtors are still 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 excess property plant and equipment of \$32,817 was sold.

Receipts and payments

See Appendix A for the Statement of Receipts and Payments for the six month period ending 5 August 2020.

Creditors

Secured Creditors

No distributions to the secured creditors have been made in the period. There is still a significant amount outstanding to the secured creditor.

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

Preferential Creditors

As mentioned in our previous report, all employee preferential entitlements have been paid in full. The Inland Revenue Department is still owed pre-liquidation payroll taxes which have a preferential status.

Unsecured Creditors

We have received 254 Unsecured creditors' claims to date totalling \$15,247,828.

Remuneration Report

The Liquidators' remuneration received for the period from 6 February 2020 to 5 August 2020 paid at the hourly rates approved by the Court totalled \$295,057 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.

As at 5 August 2020 there was an additional \$421,934 of liquidators fees were outstanding.

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.

Further Asset Realisations

We continue to pursue avenues to realise the Wairarapa Campus and Home Dairy farm land.

We continue to negotiate with education providers and navigate legal implications of any land sale under the Taratahi Act. The short-term lease of the Campus shows interested education providers the premises are fit for longer term occupation.

At the date of this report, we are continuing to operate the 3 remaining farms for the 2020/21 season. Our intention is to continue to operate these farms while they generate commercial returns that improve creditor returns.

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.

Dated: 3 September 2020



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)	6 February 2020 to 5 August 2020 (\$)	For the Combined Period from 5 February 2019 to 5 August 2020
Opening funds on hand	5,665,004	-
Receipts (excluding GST where applicable)		
Cash on hand at date of liquidation	-	1,065,900
Interest received	812	16,212
Collection of debtors	4,814	292,160
Farm management fees	-	48,750
Milk sales	1,324,528	3,996,468
Capital Livestock Sales	-	6,987,393
Trading Livestock Sales	636,542	3,744,225
Property Sale	-	6,020,000
Sale of assets	32,817	858,969
Sundry receipts	21,792	91,485
Net GST	55,975	151,664
GST refunds/(payments) received	(31,156)	912,947
Total receipts	2,046,124	24,186,174
Payments (excluding GST where applicable)		
Farm operating costs:		
Animal Health	77,728	437,405
Electricity - Farms	67,293	217,365
Farm Consulting	17,797	106,374
Feed	117,425	279,531
Fertiliser	76,865	760,547
Insurance - Farms	45,097	259,575
Farm Leases	102,643	680,171
Freight	8,672	59,607
Plant & Equipment Hire	78,422	395,488
Purchase of Stock	50,700	177,935
Rates	47,491	150,044
Repairs & Maintenance	73,022	439,180
Salaries & Wages	408,801	1,929,177
Seed/Crop Expenses	109,554	392,292
Shearing Expenses	30,247	195,585
Vehicle Costs	38,027	167,138
Weed and Pest Control	8,172	44,619
Other Farm Operating Costs	60,737	143,708
Total Farm operating costs:	1,418,694	6,835,742
Other payments incurred:		
Distribution to secured creditor	-	5,867,124
Distribution to preferential creditors	-	2,670,776
IT Costs	72,356	235,450
Lease Properties - Premises	-	21,693
Legal fees	253,254	763,434
Interim Liquidators Fees	-	371,449
Interim Liquidators disbursements	-	8,014
Liquidators Fees	271,841	1,283,683
Liquidators disbursements	23,216	68,000
Property Sale Expenses	1,440	174,156
Telephone, Tolls & Internet	20,067	78,572
Sundry Expenses	17,099	174,919
Total Other Payments	659,273	11,717,270
Total Payments	2,077,967	18,553,012
Net receipts/payments for the period	(31,844)	5,633,161
Closing funds on hand	5,633,160	5,633,161
Represented by		
General security funds account	5,524,117	5,523,307
General liquidation Account	109,043	141,697
Closing Balance	5,633,160	5,665,004

Appendix B – Remuneration Report

Section 1: Description of Work

Summary of work performed in relation the Liquidators' remuneration for the period 5 February 2020 to 5 August 2020.

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

	Calculation of entitlements	<ul style="list-style-type: none"> Calculating employee entitlements Reviewing employee files and company's books and records
Operations	Correspondence	<ul style="list-style-type: none"> Communications with government agencies around statutory obligations Various other stakeholder communications
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> 6 monthly liquidation review Filing of documents File reviews Updating checklists
	Ongoing Trading	<ul style="list-style-type: none"> Issuing new employment contracts to new farm staff hired. Management of premises including campuses and farms Review of Education obligations and statutory obligations under governing act. Ongoing review and monitoring of IT and record retention Preparation of Feed and stock budgets for 2019/2020 season Review of Trust board cashflow and its ability to operate the business and meet its commitments in the immediate future. On site visits for all operational farms Running the 3 current farms for the period.
	Bank account administration	<ul style="list-style-type: none"> Bank account reconciliations Correspondence with bank regarding specific transfers
	Planning/Review	<ul style="list-style-type: none"> Discussions regarding status of Liquidation
	Books and records/storage	<ul style="list-style-type: none"> Dealing with records in storage Sending job files to storage
Administration	Company office obligations	<ul style="list-style-type: none"> Filing with Companies Office
	Insurance	<ul style="list-style-type: none"> Identification of potential issues requiring attention of insurance specialists Correspondence with insurers regarding ongoing insurance requirements Reviewing insurance policies Correspondence with brokers
	Report as to Affairs	<ul style="list-style-type: none"> Directors Questionnaire Completion deadlines and extensions

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	575-600	107.8	61,151	70.4	38,748	17.5	9,738	-	-	-	-	195.7	109,638
Senior Manager	450	-	-	-	-	0.4	148	-	-	-	-	0.4	148
Manager	350	185.5	61,777	33.0	10,846	5.0	1,676	-	-	9.0	2,483	232.5	76,783
Analyst	165-175	107.2	14,918	6.0	710	5.0	750	3.2	480	-	-	121.4	16,858
Farm Advisors	270-300	175.0	48,273	-	-	-	-	-	-	-	-	175.0	48,273
Support Staff	155	102.6	15,580	-	-	8.3	1,294	0.8	128	21.0	3,140	132.7	20,142
Total		678.1	201,699	109.4	50,304	36.2	13,606	4.0	608	30.0	5,623	857.7	271,841

Basis of Disbursement Claim

Disbursements	Total (\$ exc. GST)
Advertising	-
Xero	372
Travel (flights, can rental, accommodation etc)	16,367
Sundry	6,477
Total	23,216

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-\$600
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.	\$350
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.	\$275
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.	\$150
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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