

**ARROW INTERNATIONAL (NZ) LIMITED (ADMINISTRATORS APPOINTED)**

Company Number: 3383573

**ARROW INTERNATIONAL GROUP LIMITED (ADMINISTRATORS APPOINTED)**

Company Number: 3383875

**CONSTRUCTION LABOUR AND RESOURCES LIMITED (ADMINISTRATORS APPOINTED)**

Company Number: 2240072

(Together "the **Companies**" and each a "**Company**")

**MINUTES OF JOINT WATERSHED MEETING**

The Joint Watershed meeting for the above Companies were held at 10.30am on Thursday 6 June 2019 at the following locations.

Auckland	Hobson Room, Rydges Auckland Hotel, 59 Federal Street, Auckland CBD
Wellington	Wellington Boardroom, (audio visual connection) BDO Wellington, Level 1, 50 Customhouse Quay, Wellington
Christchurch	Christchurch Boardroom, BDO Christchurch, Level 4, 287/293 Durham Street North (audio visual connection)
Queenstown	Wyndham Garden, 32 Red Oaks Drive, Remarkables Park, Queenstown (audio visual connection)

Andrew Bethell, one of the Administrators confirmed all locations were connected and the meeting commenced at 10.30am.

**Chairperson:**

Andrew Bethell - Administrator - Partner BDO Auckland

**Media:**

No media were in attendance

**Attendance Register:**

All attendees were requested to ensure that they had signed the attendance register.

**Quorum:**

It was determined that the meetings for Arrow International (NZ) Limited (in administration) ("**AINZL**"), Arrow International Group Limited (in administration) ("**AIGL**") and Construction Labour and Resources Limited (in administration) ("**CLRL**") were quorate as there were at least 3 creditors present either in person or by proxy.

**Purpose of the Watershed Meeting:**

The Chairman outlined the purpose of the Watershed meeting was:

- To provide creditors with the opportunity to decide on the future of the Companies;
- For the Administrators to provide an overview of the actions and investigations taken during the administration and to provide an opinion and recommendations on creditors options;

- To consider the Directors' opinion as to the reasons for failure;
- Vote on the options available to creditors of whether to:
  - Receive and consider a DOCA, if proposed. No DOCA was proposed;
  - Return the Companies to the control of the Directors, or
  - Place the Companies in liquidation.

### Overview of the Administration

#### Events leading to Administration:

- Increasing competition causing pressure on margins;
- A large loss making project and the contraction of projects combined with many entering into negative cash flow phase;
- High overhead structure;
- The impact on working capital with the new retention regime effective 2017;
- Inability to attract an investor;
- An adverse adjudication ruling of \$4.5m; and
- Property investments with extended realisation timeframes.

#### Likely outcome for creditors:

- Sufficient funds to settle the debts of General Security Holders, and Employee and Inland Revenue preferential claims;
- Subcontractor retentions held in trust will be paid on due dates or on agreement with principals. The Chairman advised that a quarter of the retentions held in trust have been paid;
- There will likely be some funds available to unsecured creditors but the level of those funds will be impacted by:
  - Return on sale of investment property (111 Dixon to AIGL, Portlink to AINZL);
  - Resolution of the dispute on a project management contract where the Principal asset of \$1.5m cash is held in trust;
  - Construction contract close outs;
  - Level of retention receivable recoveries;
  - Level of creditor claims;
  - Recoveries on any actions which a liquidator may take.
- Summary of creditors' claims submitted is expected to reduce after assessment of creditors paid by principals on the transfer of contracts.

#### Projects overview:

Anzac Ave	Large loss making project. Principal terminated contract
Airedale Street	At negative cash flow stage with cost to complete exceeding recovery. Agreement reached with principal to novate the agreement with a partial return to secured creditors
Niue Chancery	Almost complete. Terminated by agreement
Elim School	Almost complete. Terminated by agreement
Northern Regional Correction Facility	Almost complete. Terminated by agreement
Plant and Food Research	Almost complete. Terminated by agreement
89 Courtney Place	Terminated by principal with no agreement
Hawkes Bay Airport	Returned to principal and bond released
Johnsonville	Returned to principal
111 Dixon Street	Returned to principal

WIAL	Returned to principal. No agreement but have co-operated with principal to limit losses and bond call
104 Dixon Street	Returned to principal
66 Carmen Road	Project management contract. Terminated and transferred to ex Arrow staff to complete to limit losses
Northlink	Project management contract. Terminated and transferred to ex Arrow staff to complete to limit losses
CIAL Bunnings	Project management contract. Terminated and transferred to ex Arrow staff to complete to limit losses
Millbrook	Terminated with no agreement but co-operating to limit liabilities
Wanaka Community House	Terminated with no agreement but co-operating to limit liabilities
Coronet Peak	Project management contract. Terminated and transferred to ex Arrow staff to complete to limit losses
Mt Aspiring	
Chapel Street Papanui	Terminated with no agreement but co-operating to limit liabilities
Southern Response	Terminated with a transition agreement. Was due to end at end of June 2019
Portlink	Industrial land on sale contracts but return will be some months away

Liquidators' may consider action in respect of:

- Insolvent trading;
- Voidable transactions;
- Breaches of directors' duties.

Administrators' Recommendations

- Companies are insolvent so no sale is possible;
- DOCA is not feasible;
- Liquidation of the Companies recommended.

### Overview of Pre Appointment Financial Information

The Chairman referred to the pre-appointment financial information set out in the Watershed report and noted:

- AINZL
  - The significant reduction in revenue after 2016, the loss made in 2017;
  - The dividends paid in 2016 and 2017 may be investigated by the liquidator;
  - The high level of Work in progress /income in advance is indicative of the status of the projects and lower expected recoveries.
- AIGL
  - Estimated recoveries of related company receivables only be from 111 Dixon;
  - Net assets of \$40.4m includes the \$26.1m shares in subsidiaries, principally in AINZL and Arrow International PTY Ltd which is in liquidation. There is expected to be little value in the investments.

### Directors Statement of Position

- AINZL
  - Difficult market conditions over last 3 years;
  - Weakened profitability lead to scaling back business;
  - Attempted to sell investment properties to raise working capital;
  - Arbitration outcome was unexpected and the liability was unable to be satisfied.
- AIGL
  - Guaranteed performance bond facilities;
  - Placed into administration to protect against guarantee calls.
- CLRL
  - Engaged exclusively on Arrow projects;
  - Placed into liquidation to protect against guarantee calls.

### Questions + Answers

	QUESTION	ANSWER
1	Can amount and details of retentions held be made public?	No but those with a claim to retention funds can engage with the liquidator regarding what retention amounts are held on their account and when it is due to be paid.
2	What is the process for payment of retentions?	Generally cannot release before due date. On due date of retention payments, confirmation sought from principals that there are no defects. Then subcontractor agreement sought for agreement of amount before payment. Each project will have different circumstances. Where projects have been terminated or returned to principals, the principals are engaged with to determine whether retentions can be released before due date.
3	Who will hold retention funds on appointment of liquidators?	Retentions are held in a separate AINZL bank account to be administered by the liquidator upon appointment (in substitution for the administrator who has been administering the retentions during the VA period).
4	Who holds retentions on project management contracts?	Held by principals.
5	What is the status of 89 Courtney Place retentions?	Principal took possession with no agreement with Administrators and made full call on Bond. Currently in legal proceeding. Likely washup between the liquidator and principals after settlement.
6	What is the difference between the \$9m cash & cash equivalents in the financial information and the \$7m in the Administrators Receipts and Payments?	\$2m was held by ANZ as security for bonds held and not available to the Administrators. Most of the balance has been called on.
7	Are the shareholders putting any money into the Companies?	No. Not been offered.
8	IRD queried whether Administrator GST refunds can be used to pay the Preferential claim by IRD	The amount owed to IRD is not preferential until liquidation. On liquidation the IRD preferential debt should be paid quickly.
9	What is the timeline for the liquidation?	Payment of secured and preferential creditors are likely to be resolved quickly. Estimate of three months or more to adjudicate creditors' claims. Recoveries are likely to be within 12 months but will depend of due date of retentions.

		Recoveries from property investments are estimated to be towards the end of the year. Liquidator's investigations estimated to be completed by early next year. On Liquidation, updated claims will be required.
10	Employee queries: <ul style="list-style-type: none"> <li>• Why have some employees have not received payslips for holiday pay payment?</li> <li>• What is the status of payment in lieu of notice?</li> </ul>	<p>This issue of non-receipt of payslips is currently being investigated.</p> <p>Payment in lieu of notice to be determined but generally unsecured.</p>
11	Where does the award in a Building Disputes Tribunal adjudication in favour of Marsh Construction sit as a claim in the administration/liquidation??	Marsh Construction would be an unsecured creditor for the amount of the award. Liquidator will assess whether to appeal the award (cost/benefit analysis).

**Resolutions to be voted on for each Company:**

- A. It is resolved that the Company be placed in liquidation.
- B. It is resolved that the Administration end and control of the Company be returned to the directors.

No DOCA was proposed so there was no resolution to consider any DOCA. There were no nominations for alternative liquidators. The administrators would be the default liquidators of each of the Companies if the resolution to liquidate was approved by each of the Companies.

**Meeting Adjourned for tabulation of all votes.**

## Voting Results

### Resolution A.

AINZL			
VOTING RESULTS	#	%age	Value \$
For	46	97.51%	12,958,059.17
Against	3	0.73%	97,320.61
Abstain	1	1.76%	234,179.44
		100.00%	<u>13,289,559.22</u>

AIGL			
VOTING RESULTS	#	%age	Value \$
For	5	100.00%	1,941,518.69
Against	0	0.00%	0.00
Abstain	0	0.00%	0.00
		100.00%	<u>1,941,518.69</u>

CLRL			
VOTING RESULTS	#	%age	Value \$
For	5	100%	1,838,227.43
Against	0	0	0
Abstain	0	0	0
		100%	<u>1,838,227.43</u>

Resolution A for each Company was passed by a majority in number and over 75% in value of creditors present either in person or by proxy. The above results were announced to the joint watershed by the Chairman at 11.48am accordingly the date and time of appointment of liquidators to each of the Companies by resolution of creditors was 11.48am on 6 June 2019.

## Closure

The meeting closed at 11.50am.



Signed as true and correct

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Andrew Bethell - Chairman