


Pacific Pine Industries Limited (In Receivership)  
("the Company")

Company number: 460603

**Receivers' First Report on the State of Affairs**

Pursuant to Section 23 of the Receiverships Act 1993

25 February 2020



## 1. Introduction

Kenneth Peter Brown and Paul Thomas Manning were appointed Jointly and Severally as Receivers and Managers of the above company on 9 January 2020 by LG Family Nominees Limited, under the powers contained in a general security agreement dated 24 June 2011 which created a security interest in, and charged and mortgaged all the assets referred to in the Security Document.

## 2. Restrictions

This report has been prepared by us in accordance with and for the purposes of Section 23 of the Receiverships Act 1993. It is prepared for the sole purpose of reporting on the state of affairs with respect to the property in receivership and the conduct of the Receivership.

All information contained in this report is provided in accordance with Sections 26 and 27 of the Receiverships Act 1993. In compiling this report, we have relied upon and not independently verified or audited information or explanations provided to us.

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

Certain information can be withheld by the Receivers if inclusion would materially prejudice the exercise of the Receivers' functions.

## 3. Events leading to our appointment

In the weeks leading up to the appointment, the Receivers were approached by a group of shareholders who hold a security interest. Discussions were held regarding the financial position of the company and the options available. Following these discussions and due to the company's financial position, plus an outstanding legal dispute, a decision was made to appoint Receivers.

## 4. Steps taken since our appointment

The Receivers have undertaken the following since their appointment:

- Following assessment of financial performance, and contracts in progress for log supplies, determined that trading of the Company was not viable;
- Due to the holiday period attempted to contact all staff to advise of Receivership, and subsequently held a staff meeting;
- Terminated all staff contracts and re-engaged a small number on casual contracts;
- Arranged for an inventory and valuation of the Company's fixed assets;
- Arranged for a valuation of the Company owned land and buildings;
- Engaged Bayleys to undertake a tender process for the land and buildings;
- Assessed the Personal Property Securities Register ("PPSR") claims from suppliers;
- Reported to the appointing creditor;

- Liaised with employees and other stakeholders both in New Zealand and offshore including unsecured creditors and Inland Revenue;
- Appointed legal advisors and took legal advice on a range of issues;
- Dealt with finance and leasing matters;
- Proceed with the sale of stock on hand;
- Undertaken a collection process for accounts receivable balances; and
- Fulfilled our statutory obligations set out in the Receiverships Act 1993.

## 5. Particulars of assets

A statement of affairs is attached as *Appendix 1*.

## 6. Property disposed of and any proposals for the disposal of property

The assets, land and buildings have been listed for Tender with Bayleys which closes on 5 March 2020. The land and buildings can be sold separately from the plant and equipment; in which case other arrangements will be made for the sale of the plant.

We have omitted certain details concerning our proposal for the disposal of receivership property as we believe that their inclusion would materially prejudice the exercise of our functions and in particular our duty to obtain the best price reasonably obtainable for the sale of receivership property.

Accounts receivable have continued to be collected and stock on hand is gradually being sold.

## 7. Particulars of debts and liabilities currently outstanding and requiring to be satisfied from the property in receivership

### Secured creditors

At the commencement of the receivership the amount owed to the appointing creditor, being LG Family Nominees Limited was \$ 3,000,766. However, this figure may increase significantly (see paragraph 9).

Full particulars of securities registered against the Company's assets are attached at *Appendix 2*.

### Preferential creditors

#### Employees

Preferential wages of \$220.11 (being a per cube rate adjustment), holiday pay claims of \$103,647.25, time in lieu claims of \$1,083.11, redundancy claims of \$351,209.39 and long service leave claims of \$27,751.01 are owed to staff. The total preferential staff claim is \$483,910.87.

## Inland Revenue

Inland Revenue have yet to file claim with the Receivers, however we understand only PAYE for December 2019 is outstanding being \$47,569.00.

## Unsecured creditors

The process of realising the Company's assets is not yet complete and therefore it is too early to determine whether there are likely to be any funds available for unsecured creditors. The total amount of unsecured creditors' claims received to date is \$1,665,499.40.

## 8. Receipts and Payments

We attach as Appendix 3 a copy of the receipts and payments to 25 February 2020.

## 9. Legal Proceedings

In 2018, proceedings were commenced against the company by a shareholder, Johannes La Grouw Family Trust regarding a deed of assignment of debt entered into by the company. The other shareholders supported the company to defend the case, since it began, because they do not agree with the Johannes La Grouw Family Trust's interpretation of the family loan document, which is linked to the security.

The matter was heard at a Summary Judgement hearing in July 2018 but the decision was the matter was to be dealt with at trial.

Accordingly, a trial has been set down for 8-12 June 2020, if not resolved beforehand.

If the claimant is successful in Court, or there is a settlement with the Receivers prior to the hearing, then the other family lenders/shareholders have notified the Receiver that they expect to benefit likewise in a pro rata manner. The individual entitlements to the \$3,000,766 loan is pro rata to shareholdings percentages.

Therefore a successful claim will seriously affect the secured creditor debt due to the shareholders (including the Receivers appointers) resulting in reduced funds available for other creditors.

Because of this, the Receivers have agreed to assist defending the action and the remaining shareholders are assisting the company and the Receivers to defend it.

## 10. Contact Information

If you require any further information, please direct enquiries to:

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Email: denise.cooper@bdo.co.nz

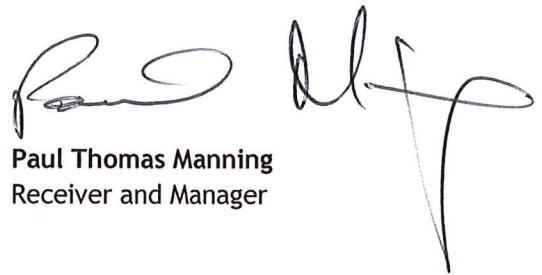
BDO Tauranga Limited  
PO Box 15660  
TAURANGA 3144

Level 1  
525 Cameron Road  
TAURANGA 3110

Dated this 25 February 2020



**Kenneth Peter Brown**  
Receiver and Manager



**Paul Thomas Manning**  
Receiver and Manager

*Partners and staff acting as Receivers or Administrators do so as agents of the company without personal liability.*

## APPENDICES

### Appendix 1 - Statement of Affairs as at the date of appointment

Assets	Notes	\$
Funds on Hand		728,752
ANZ bank - funds withheld		50,000
ANZ bank - Foreign accounts		175,349
Petty Cash		1,320
Accounts receivable		1,512,469
Stock		2,652,533
Land and Buildings	1	Not Disclosed
Plant & Equipment	1	Not Disclosed
		Unknown
<b>Less Secured Creditors:</b>		
ANZ		350,000
Kiwi Lumber Holdings Ltd		6,072
Steel and Tube Holdings Ltd		Unknown
Fletcher Steel Limited		Unknown
KT1 Co Ltd		149,963
PF Olsen Ltd		88,474
Gough Gough & Hamer Ltd		Discharged
Winstone Pulp International Ltd		Discharged
Wesfarmers Industrial & Safety Ltd		Unknown
Oji Fibre Solutions (NZ) Ltd		Discharged
Bayteck Systems Ltd		Discharged
Arch Wood Protection (NZ) Ltd		2,974
Connect Capital Ltd		11,315
Farmlands Fuel Ltd		2,088
Port Blakely Ltd		Unknown
RHT Sawmill Holdings Ltd		Unknown
Papakura Timber Processors 2017 Ltd		18,563
LG Family Nominees Ltd		3,000,766
Orix New Zealand Ltd		Unknown
NZ Forestry Ltd		Discharged
Arch Wood Protection (NZ) Ltd		Unknown
Permapine Ltd		2,451
Taumata Plantations Ltd		279,941
North Island Forklifts Ltd		11,385
Hurford Wholesale Ltd		Unknown
Wood Marketing Services Ltd		646,242
		4,570,234
<b>Less Preferential Creditors</b>		
Staff Holiday Pay, Time in Lieu & Redundancy (Gross)		483,911
Inland Revenue - PAYE, KSR, SL, KSE		47,569
		531,480
<b>Surplus before unsecured creditors</b>		Unknown
<b>Unsecured creditors</b>		
Unsecured employee claims		262,932
C La Gouw loan		550,000
Trade Creditors		1,543,432
Inland Revenue - Penalties & Interest		47,492
		2,403,856
<b>Estimated surplus (subject to costs of Receivership)</b>		Unknown
<b>Contingent liability</b>		
Legal action by Johannes La Grouw Family Trust		2,000,000
<b>Paid Up Capital</b>		1,200,000
<b>Retained earnings</b>		47,988
<b>Capital reserve</b>		68,426
<i>Note 1 - These assets are currently for tender and as such values have not been provided so as not to prejudice the sale process.</i>		
<b>Disclaimer</b>		
This statement should be read in conjunction with the disclaimer on page one of the above Receivers report and BDO Tauranga Limited have not audited the report and they, their directors or employees accept no liability to any other party in relying on the information presented. The purpose of the report is to give creditors of the company an indication of the financial position of the company as at the date of the appointment of the Receivers.		

## Appendix 2 - Securities registered on the PPSR

Date of Registration	Date of Renewal	Secured Party/Organisation Name	Collateral Description
15-Oct-2002	01-Dec-2017	ANZ BANK NEW ZEALAND LIMITED	All Present and After Acquired Personal Property ;
31-Oct-2002	06-Oct-2017	KIWI LUMBER HOLDINGS LIMITED	Goods - Other ;
03-May-2004	25-Feb-2019	STEEL AND TUBE HOLDINGS LIMITED	Goods - Other ; All Present and After Acquired Personal Property ;
13-Sep-2008	03-Jul-2017	FLETCHER STEEL LIMITED	All Present and After Acquired Personal Property ; Goods - Other ;
26-Jan-2010	22-Jan-2015	KT1 CO LIMITED	Goods - Other ;
14-Oct-2011	29-Sep-2016	PF OLSEN LIMITED	Goods - Other ; All Present and After Acquired Personal Property ;
28-Jun-2012	29-May-2017	GOUGH GOUGH & HAMER LTD	Goods - Other ;
14-Aug-2013	13-Aug-2018	WINSTONE PULP INTERNATIONAL LIMITED	Goods - Other ;
22-Dec-2014		WESFARMERS INDUSTRIAL & SAFETY NZ LTD	All Present and After Acquired Personal Property ; Goods - Other ;
18-Feb-2015		OJI FIBRE SOLUTIONS (NZ) LIMITED	Goods - Other ;
10-Apr-2015		BAYTECK SYSTEMS LIMITED	All Present and After Acquired Personal Property ;
23-Sep-2015		ARCH WOOD PROTECTION (NZ) LIMITED	Goods - Other ;
16-Nov-2015		CONNECT CAPITAL LIMITED	Goods - Other ;
14-Jan-2016		FARMLANDS FUEL LIMITED	Goods - Other ;
20-Jan-2016		PORT BLAKELY LIMITED	All Present and After Acquired Personal Property
12-Oct-2016		RHT SAWMILL HOLDINGS LIMITED	All Present and After Acquired Personal Property ; Goods - Other ;
14-Aug-2017		CONNECT CAPITAL LIMITED	Goods - Other ; Goods - Other ;
16-Mar-2018		PAPAKURA TIMBER PROCESSORS 2017 LIMITED	All Present and After Acquired Personal Property ; Goods - Other ;
02-May-2018		LG FAMILY NOMINEES LIMITED	All Present and After Acquired Personal Property ; Goods - Vehicles
12-Jun-2018		ORIX NEW ZEALAND LIMITED	Goods - Motor Vehicles ; Intangibles ;
25-Jun-2018		NZ FORESTRY LIMITED	Goods - Other ;
11-Sep-2018		ARCH WOOD PROTECTION (NZ) LIMITED	Goods - Other ;
31-Jan-2019		ORIX NEW ZEALAND LIMITED	Goods - Motor Vehicles ; Intangibles ;
22-Mar-2019		ORIX NEW ZEALAND LIMITED	Goods - Motor Vehicles ; Intangibles ;
03-Apr-2019		PERMAPINE LIMITED	Goods - Other ; All Present and After Acquired Personal Property ;
31-Jul-2019		ORIX NEW ZEALAND LIMITED	Goods - Motor Vehicles ; Intangibles ;
10-Sep-2019		ORIX NEW ZEALAND LIMITED	Goods - Motor Vehicles ; Intangibles ;
02-Oct-2019		TAUMATA PLANTATIONS LIMITED	All Present and After Acquired Personal Property ; Goods - Other ;
17-Dec-19		NORTH ISLAND FORKLIFTS LIMITED	Goods - Motor Vehicles
19-Dec-19		HURFORD WHOLESALE LIMITED	Goods - Other
4-Jan-20		WOOD MARKETING SERVICES LIMITED	Goods - Other

### Appendix 3 - Receipts and Payments to 25 February 2020

Receiver and Managers' Summary of Receipts and Payments	
9 January 2020 to 25 February 2020	
<b>RECEIPTS</b>	<b>Total (NZD)</b>
Funds on Hand Pre Receivership	340,000.00
GST on Income	197.93
Motor Vehicles	500.00
Office Equipment	819.57
Debtors & Stock Sales, ex bank transfer	700,000.00
	<b>1,041,517.50</b>
<b>PAYMENTS</b>	
Advertising	608.16
Cleaning / Waste Services	505.06
Computer Expenses	2,802.17
Contractor Payments	21,458.33
Electricity / Gas	9,409.41
General Expenses	1,072.91
GST on Expenses	40,984.29
GST Paid	21,165.33
Health and Safety Expenses	507.99
Insurance	13,860.83
International Freight	19,384.18
Lease Payments	4,202.00
Legal Fees	42,057.96
PAYE	3,919.75
Postage / Courier Fees	192.66
Preferential Employee Entitlements	364,884.42
Printing & Stationery	200.00
Rates	3,170.92
Receivers Fees	48,722.13
Rent Paid	5,435.08
Repairs & Maintenance	18,742.90
Sales & Marketing Expenses	11,561.53
Salvage Payments	6,645.55
Security Costs	306.70
Storage	300.00
Telephone	2,591.39
Trading Expenses - Receivership	91,250.05
Transport	3,758.44
Valuation Fees	5,600.00
Vehicle Expenses	797.39
Wages & Salaries	39,919.23
	<b>786,016.76</b>
Balances in Hand	255,500.74
	<b>1,041,517.50</b>