

**CONNECT CONSTRUCTION AND PROPERTY LIMITED
WIDE SPAN SHEDS WELLINGTON LIMITED
WIDE SPAN SHEDS MANAWATU LIMITED
(All in Liquidation)**

Company numbers: 5955627, 6468646, 7397376

New Zealand Business Numbers: 9429042291435,
9429046381064, 9429047391376

**Liquidators' Six-Monthly Report to Creditors and
Shareholders**

1. Introduction

Iain Bruce Shephard and Jessica Jane Kellow, Licensed Insolvency Practitioners of BDO Wellington, (Registration Numbers: IP71 and IP75 respectively) were appointed joint and several liquidators (“Liquidators”) of Connect Construction And Property Limited (“CCP”), Wide Span Sheds Wellington Limited (“WSW”) and Wide Span Sheds Manawatu Limited (“WSM”) (“Companies”) on 7 December 2020 at 2:20pm by special resolution of the shareholders in accordance with section 241(2)(a) of the Companies Act 1993 (“the Act”).

In addition to our statutory obligations, we are also bound by the RITANZ Code of Professional Conduct (“Code”) when carrying out all professional work relating to our appointment as Liquidators.

In accordance with section 255 of the Act we are obliged to report to all creditors and shareholders on the conduct of the liquidation during the preceding six-month period. This report should be read in conjunction with our previous report(s) pursuant to section 255(2)(d) of the Act.

2. Restrictions

This report is not intended for general circulation, nor is it to be reproduced or used for any purpose other than that outlined above without our written permission in each specific instance.

We do not assume any responsibility or liability for any losses occasioned to any party as a result of the circulation, publication, reproduction or use of this report contrary to the provisions of this paragraph.

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.

3. Background

The group forms a “Wide Span Sheds” franchise, with the franchisor being Wide Span Sheds Limited, ultimately owned in Australia.

CCP and WSW both traded for four years, with WSM being a recent addition to the group and being based in Manawatu. WSM did not receive any income due to its short trading history.

The group operated a prefabricated shed construction operation, where the Wide Span companies would provide tailored sheds after considering several factors including location, budget, and weather. The shed specifications would be reviewed and approved by engineers from the franchisor and then supplied as required. The construction contracts and work would be completed through CCP.

Issues began to arise in late 2019 in which the director alleges that some sheds supplied were not to specification. A number of debtors refused payment until builds were completed which put a strain on the Companies’ cash flow, resulting in the termination of employees and using contractors instead. Complications relating to the Covid-19 lockdown further compounded the cash flow issues.

With significant debts outstanding, and disputes with both the supplier of the product and their customers bringing current projects to a halt, the shareholder resolved to place all the Companies into liquidation.

4. Conduct of the Liquidation in the Reporting Period

4.1. Liquidation of the Companies

The Liquidators advertised their appointment in the relevant publications and made a call for creditor claims. The Liquidators also directly contacted all known creditors and answered any queries they may have had. The Liquidators subsequently reviewed all completed creditor claim forms received.

The Liquidators have liaised with many parties including Inland Revenue, the Companies Office, the New Zealand Gazette and the Accident Compensation Corporation, and completed a review of all information received.

The Liquidators met with the director to discuss the circumstances that led to the Companies' liquidation. The Companies had poorly kept records, and a significant amount of information was not able to be pieced together until the Liquidators were given access to the email archive. Following access to the archive, the Liquidators were able reconstruct the debtors ledger.

There were numerous jobs in progress upon the Liquidators appointment. The Liquidators engaged in discussions with the franchisor regarding the status of these jobs seeking a resolution for unfinished projects. Ultimately, a majority of these contracts were disclaimed with the franchisor either assuming responsibility or assigning to another Wide Span franchise.

4.2. Schedule of Receipts and Payments

Attached as **Appendix 1** is a schedule of receipts and payments for CCP for the six-month period. No funds have been remitted in the liquidations of WSW or WSM.

Attached as **Appendix 2** is a remuneration schedule covering the duration of the liquidation.

4.3. Asset Realisations

Plant & Equipment

Both WSW and WSM had no assets at liquidation. These Companies were intended as vehicles for purchasing inventory from the franchisor and would therefore primarily only have assets in between purchasing and then selling to CCP for construction.

The only equipment was owned by CCP which consisted of two scissor lifts. One had been abandoned on a site following a trespass notice that was presented to the director. The scissor lift had been left in the unfinished shed while the client had engaged a separate contractor to complete the works. The client claims the scissor lift was unable to be moved due to a missing battery, and had a mezzanine floor build around the scissor lift which meant it was unable to be transported without being dismantled so it could fit through the door. It was also overdue on its certification. The scissor lift was eventually sold to the client for \$2,000 + GST.

The second scissor lift was also abandoned on a client site in the Wairarapa, however the Liquidators were able to retrieve this after a few attempts. This lift was also overdue on its certifications and was eventually sold for \$7,000 + GST.

Debtors & Retentions

At the date of liquidation, there were approximately 15 contracts still in progress or were finished but had client disputes. The Company records were extremely disorganised and significant time was spent reconciling Construction Contracts Act invoices against bank statement records to reconstruct the debtors ledger.

Following this reconciliation there appeared to be approximately \$157,338 in outstanding invoices, however contact with these clients revealed various disputes with each build over defects, significantly delayed builds (some being years past the agreed finish date), poor communication, and lack of compliance. Every debtor has argued the outstanding invoices fall far short of the various remedy costs they will inevitably incur following the liquidation of the Companies. Discussions with these parties remain ongoing.

A settlement was reached with one of the debtors who had \$39,749 in outstanding invoices. The Liquidators entered into discussions with the franchisor, who had received ongoing complaints over the span of the build from the debtor, as they were taking on liability of the contract that still had over \$100,000 left to invoice. Some windows had been ordered prior to liquidation for the build that were also sold as part of the settlement. Ultimately, the liquidators accepted a settlement offer of \$12,000 including GST.

Inventory

CCP had a small amount of inventory at liquidation that consisted of some windows that had been ordered for one of the jobs in progress and some iron cladding that had been ordered in the wrong colour and required replacement.

The majority of the windows were sold as part of the settlement discussed above, however two incorrectly sized windows were sold back to the manufacturer for 50% of their value less storage costs. The Liquidators received a net amount of \$326.65 for the windows.

The cladding is in storage at the transporter's yard since it needed returning in mid-late 2020. The transporter is claiming a lien over the cladding and despite numerous emails with an offer of settlement (including at more than the lien value), the transporter has not yet responded to our offer. The Liquidators are considering their next steps regarding this.

Vehicles

CCP owned three vehicles which consisted of two Mitsubishi Tritons and a Jeep Renegade. The two Tritons were reviewed for any equity, however due to significantly overdue road-user charges and a right of offset between the two vehicle loans there was no equity and as such the vehicles were disclaimed. Following the sale of these vehicles, there remained a shortfall of \$1,185.90 which is now considered an unsecured claim in the liquidation.

The Jeep Renegade was sold through a Turners auction for \$19,000 + GST. A distribution was made to the secured creditor of \$11,597.71 to settle the debt in full.

4.4. Creditor Claims

Creditor claims will not be admitted or rejected until a distribution to any class of creditor is made. We understand that many creditors were under the impression they were contracting with either WSW or WSM and as such have filed claims under various entities that may or may not be correct. We understand the majority of claims will likely be under the CCP entity. For reporting purposes, all creditor claims have been consolidated below.

Secured Creditors

The Liquidators received seven claims from secured creditors totalling \$214,758.04. As mentioned above, one distribution has been made of \$11,597.71 in respect of a vehicle that was sold and one creditor was returned two vehicles pursuant to their security that were subsequently sold for a shortfall of \$1,185.90. No further distributions have been made at the date of this report.

PMSI securities in respect of inventory or residual balance claims following the return of secured property are now all considered unsecured.

Preferential Creditors

The Liquidators have received two preferential claims in the liquidations valued at 242,638.27, both from Inland Revenue.

We understand there are no ex-employees with preferential claims.

Unsecured Creditors

The Liquidators have received 40 unsecured claims in the liquidations valued at \$693,953.02. We expect the true quantum of claims to be much greater than this due to potential claims for liquidated damages and unremedied faults.

4.5. Other Matters

Inland Revenue - GST Refund

The director had not filed a GST return since July 2020 and as such the Liquidators completed a full GST review of unclaimed GST expenses. CCP was registered for GST on an invoice basis but had been filing GST incorrectly leaving significant unclaimed GST invoices. A full reconciliation of this produced a GST refund in the March 2021 period of \$56,139.10 of which the majority has been released to the Liquidators. Enquiry has been made with Inland Revenue regarding the remaining balance.

5. Statement of Affairs and Interests Statement

Attached as **Appendix 3** is the Statement of Affairs of the Companies. This statement has been prepared based upon financial statements of the Companies as at 31 March 2019 and as such may be subject to change. Please note that this is a consolidated statement of position due to the interconnectedness of the three entities.

The revised statement of affairs considers asset realisations, creditor distributions and other liquidation costs to date. The information provided demonstrates our best understanding of the Companies' position at this time given the information provided to the Liquidators and investigations that have taken place.

Attached as **Appendix 4** is an interests statement in accordance with section 255A and 255(2)(d)(ii) of the Act.

6. Further Proposals for Completing the Liquidation

The Liquidators propose to take the following further actions:

- continue our review of potential voidable transactions;
- continue a review the actions of management, directors, officers and advisers of the Company and any potential claim against them;
- continue to pursue debtor and retention balances due to the Company;

- pursue the recovery of related party debts;
- distribute available funds (if any) to preferential and unsecured creditors;
- assessing other areas of potential recovery; and
- complying with our statutory obligations.

The Liquidators will consider further actions subsequent to additional information regarding the Companies' affairs that comes to the Liquidators' attention. Further actions will be subject to the availability of funding and an assessment of the benefits of pursuing recoveries.

7. Estimated Date of Completion

It is not practical to estimate the date of the completion of the liquidation at this stage. Our subsequent reports to creditors will, when appropriate, advise of an estimated completion date.

8. Contact Information

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

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Level 1, Chartered Accountants Building
50 Customhouse Quay
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Dated this 11th day of June 2021



IAIN SHEPHARD
Liquidator

Appendices

- Appendix 1 - Statement of Receipts and Payments
- Appendix 2 - Remuneration Schedule
- Appendix 3 - Statement of Affairs
- Appendix 4 - Interests Statement

APPENDICES

Appendix 1 - Statement of Receipts & Payments

Connect Construction and Property Limited (In Liquidation)	
Summary of Receipts & Payments	
7 December 2020 - 11 June 2021	
	\$
RECEIPTS	
Inland Revenue - GST Refund	49,186
Interest	1
Sale of Assets	29,677
Settlement of Debt Dispute	12,000
Total Receipts	90,864
PAYMENTS	
Liquidators' Costs and Disbursements	27,025
Resident Withholding Tax	0
Sales Commission	1,215
Secured Creditor Distribution	11,598
Transport	1,150
Total Payments	40,988
Cash on hand	49,876



Appendix 2 - Remuneration Schedule

Connect Construction & Property Limited (In Liquidation)

Remuneration Report - Period: 7 December 2020 - 8 June 2021

	Hourly Rate (\$)	Assets		Company Records		Creditors		Day One/Initial Tasks		Debtors		Employees		Financial	
		Cost	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost	Hours
Partners	395 - 495	6,620.00	13.50	-	-	235.00	0.50	5,367.50	11.50	1,695.00	3.50	-	-	1,814.00	3.87
Managers	195 - 325	317.50	1.00	-	-	221.25	0.75	590.00	2.00	221.25	0.75	-	-	325.00	1.00
Analysts	110 - 295	3,426.25	17.50	877.50	4.50	3,165.00	16.00	731.25	3.75	6,590.00	34.25	-	-	5,793.75	26.25
Finance / Administration	195	48.75	0.25	-	-	1,365.00	7.00	-	-	48.75	0.25	-	-	1,950.00	10.00
Support Staff	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		10,412.50	32.25	877.50	4.50	4,986.25	24.25	6,688.75	17.25	8,555.00	38.75	-	-	9,882.75	41.12

	Hourly Rate (\$)	Admin/General		Litigation		On-Going Trading		Planning/Review		Secured Creditors		Reporting		Total	
		Cost	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost	Hours
Partners	395 - 495	6,817.50	14.00	1,533.75	3.25	-	-	1,743.75	3.75	-	-	470.00	1.00	26,296.50	54.87
Managers	195 - 325	228.75	0.75	406.25	1.25	-	-	221.25	0.75	295.00	1.00	-	-	2,826.25	9.25
Analysts	110 - 295	3,945.00	20.00	125.00	0.75	-	-	48.75	0.25	1,665.00	8.50	1,852.50	9.50	28,220.00	141.25
Finance / Administration	195	3,363.75	17.25	-	-	-	-	-	-	146.25	0.75	97.50	0.50	7,020.00	36.00
Support Staff	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		14,355.00	52.00	2,065.00	5.25	-	-	2,013.75	4.75	2,106.25	10.25	2,420.00	11.00	64,362.75	241.37

Disbursements	Costs
Advertising	469.10
Miscellaneous	23.12
Overheads	53.70
Travel Costs	34.44
Total	580.36

Note: The hours and costs shown in the table above are the actual WIP totals to date. **All totals are exclusive of GST.** Payment of \$23,500.00 (excl. GST) has been received on account for both fees and disbursements.

Appendix 3 - Statement of Affairs

Connect Construction and Property Limited (In Liquidation)
Wide Span Sheds Wellington Limited (In Liquidation)
Wide Span Sheds Manawatu Limited (In Liquidation)
Consolidated Statement of Affairs

	Notes	Initial Report Book value*	Est. Recovery	As at 10 June 2021 Book value
Assets subject to specific charges				
Inventory		unknown	unknown	-
Less amounts due to PMSI holder		unknown	unknown	-
Surplus/(shortfall) for pref creditors		unknown	unknown	-
Motor Vehicles				
Motor Vehicles		75,274	unknown	-
Less amounts due to PMSI holder		(50,515)	(50,515)	-
Surplus/(shortfall) for GSA		24,759	unknown	-
Assets subject to GSA				
Furniture & Fittings	1	3,383	Nil	-
Plant & Equipment	2	33,959	unknown	-
Surplus from assets subject to specific charges		unknown	unknown	-
		unknown	unknown	-
Less amounts due to GSA		unknown	unknown	(178,101)
Surplus/(shortfall)		unknown	unknown	(178,101)
Assets available for preferential creditors				
Accounts Receivable		121,000	unknown	unknown
Inventory		unknown	unknown	14,440
Bank Accounts				49,876
Retentions		41,000	unknown	unknown
Shareholder Current Account (CCP)		19,388	unknown	19,388
Surplus from assets subject to specific charges		unknown	unknown	-
Work in Progress		130,000	unknown	-
		unknown	unknown	unknown
Less Preferential Creditors:				
Inland Revenue		(242,638)	unknown	(242,638)
		(242,638)	unknown	(242,638)
Surplus/(shortfall)		unknown	unknown	unknown
Less Unsecured creditors:				
Advance from Relative		(200,000)	unknown	(200,000)
Bank Loan		(44,028)	unknown	(44,028)
Shareholder Current Account (WSW)		(27,955)	unknown	(27,955)
Trade Creditors	3	(198,771)	unknown	(529,763)
Inland Revenue		(164,190)	unknown	(164,190)
		(634,943)	unknown	(965,936)
Overall surplus/(shortfall) for Creditors prior to costs of liq.		unknown	unknown	unknown

*Based on 2019 financial statements and information from the director
The above amounts are subject to the costs of liquidation

Notes:

- 1 The furniture and fittings is miscellaneous tables, office equipment etc of little to no value.
- 2 The plant and equipment consists of two scissor lifts.
- 3 This is an initial estimate provided from the director and is likely to vary due to ongoing disputes from both sides.
- 4 Inter-company balances have been ignored and inferred for the purposes of this consolidated statement.

Appendix 4 - Interests Statement

(Pursuant to section 255A of the Companies Act 1993)

This Interests Statement is to be read in conjunction with the Liquidators' previous Interests Statement in their previous report.

We, Iain Bruce Shephard and Jessica Jane Kellow, Licensed Insolvency Practitioners of BDO Wellington, (Registration Numbers: IP71 and IP75 respectively), declare that:

- We have made the appropriate inquiries that are required for ensuring that this Interests Statement is complete; and
- Since the date of our previous Interests Statement, we confirm that we have not become aware of any additional circumstance, relationship, or other fact that creates, or could reasonably be perceived as creating, a conflict of interest in relation to the independence of our role as Liquidators.

DATED this 11th day of June 2021



IAIN BRUCE SHEPHARD
Liquidator
Licensed Insolvency Practitioner
Registration Number: IP71



JESSICA JANE KELLOW
Liquidator
Licensed Insolvency Practitioner
Registration Number: IP75