



McGrathNicol

McGrathNicol Limited

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Kumfs Group Limited (In Liquidation) (Company) (company number 2067398)

Liquidators' first report (pursuant to s255 of the Companies Act 1993) And notice to creditors (pursuant to s245 of the Companies Act 1993)

14 February 2020

1. Appointment

Conor John McElhinney and Andrew John Grenfell of McGrathNicol were appointed jointly and severally as Administrators of the Company on 24 September 2019 by a resolution of the Company's Directors, pursuant to Part 15A of the Companies Act 1993.

The Company is one of a group of four companies that were all placed into Administration on 24 September 2019 (the **Group**).

At the Watershed Meeting held on 7 February 2020 the creditors resolved that the Company be placed into liquidation. Conor John McElhinney and Andrew John Grenfell (**Liquidators**) were appointed joint and several liquidators in accordance with section 241(2)(d) of the Companies Act 1993.

As Accredited Insolvency Practitioners, the Liquidators are bound by the Restructuring Insolvency and Turnaround Association of New Zealand Inc's (**RITANZ**) Code of Professional Conduct, a copy of which can be located on RITANZ's website (www.ritanz.org.nz).

2. Disclaimer

The purpose of this report is to report to the creditors and shareholders in accordance with Section 255 of the Companies Act 1993 (**Companies Act**).

This report has been prepared based on the information known to the Liquidators as at the date of this report. 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 that becomes known to us after that date. We have not independently verified the accuracy of information provided to us, nor have we conducted an audit in respect of the Company. We express no opinion on the reliability, accuracy, or completeness of information provided to us and upon which we have relied.

The Liquidators do not accept responsibility or liability for any losses occasioned to any party as a result of the circulation, publication, reproduction, or use of this report.

In association
with



**ADVISORY
RESTRUCTURING**



3. Company information

Date of incorporation:	18 December 2007
Trading address:	59 Mahunga Drive, Mangere Bridge, Auckland
Type of business:	Women's Footwear
Shareholders:	David Scott Robertson, Brian David Edwards, John David Robertson, Andrew John Robertson, JJRFT Trustee Company Limited, Michael Edwards
Directors:	Robert Paul Edwards, Andrew John Robertson, John David Robertson

4. Events leading to appointment of liquidators

The circumstances leading to the Group being placed into administration were outlined in the watershed report to creditors. As no deed of company arrangement was put forward and the Group was insolvent, creditors had no realistic option but to vote to place the Group into liquidation.

5. Statement of affairs

Attached as Appendix 1 is a statement of the Company's affairs as at the date of our initial appointment as administrators.

This has been prepared from information provided by the directors of the Company. The asset values presented in the statement of affairs are those values attributed on a 'going concern' basis. With the liquidation of the Company and cessation of the business, assets have realised less than the book values presented in the statement of affairs. In addition, a number of contingent liabilities have crystallised. A statement of receipts and payments was included in the Administrators' watershed report provided to creditors and will be included in future liquidation reports.

6. List of creditors

A list of all known creditors has been compiled by the Liquidators based on the information available to us and is attached as Appendix 2.

7. Proposals for conducting the liquidation

The Liquidators will be attending to the following matters during the course of the liquidation:

- a) Determination and admittance of creditors' claims.
- b) Consideration of the prospects of recoveries for creditors from voidable transactions (if any) and breaches of Directors duties (if any).
- c) Consideration of other actions that may be available for the benefit of all unsecured creditors. Should any creditors have any information on any matter that they feel warrants investigation, please advise the Liquidators in writing.
- d) Payment of any proceeds to creditors in the statutory order.

8. Liquidators' Declaration of Independence, Relevant Relationships and Indemnities (Declaration)

Attached as Appendix 3 is a copy of the Liquidators' Declaration. The Liquidators have not identified any matters that would prevent them from accepting the appointment as Liquidators of the Company. This position has not changed since the administration.



9. Liquidators' remuneration

The Liquidators' remuneration is charged on an hourly basis at their standard hourly rates, which are set out in Appendix 4. A schedule of the qualifications and experience generally of staff at each level is also included in this schedule, together with the basis of recharging disbursements paid by the Liquidators.

10. Estimated date of completion of liquidation

The liquidators estimate that the liquidation will be completed by 30 September 2020.

11. Creditors meeting

The Liquidators were appointed at the Watershed Meeting pursuant to clause 241(2)(d) of the Companies Act 1993. Accordingly, a meeting of creditors is not required to be called in accordance with Section 243 of the Companies Act to confirm the appointment of the Liquidators.

12. Liquidation committee

In accordance with Section 314 of the Companies Act, a creditor or shareholder may request the Liquidators call a meeting of creditors or shareholders at any time in the course of the liquidation to vote on a proposal that a Liquidation Committee be appointed to act with the Liquidators. This request must be in writing.

The Liquidators may decline a request by a creditor or a shareholder to call a meeting on the grounds that:

- a) the request is frivolous or vexatious; or
- b) the request was not made in good faith; or
- c) the costs of calling the meeting would be out of proportion to the value of the Company's assets.

The decision to decline a request may be reviewed by the Court on the application of any creditor or shareholder.

The Liquidators do not consider a committee to be necessary in relation to this liquidation at this time. We will continue to report to creditors on the conduct of the liquidation as appropriate.

13. Creditors' claims

13.1. Personal Property Securities Act / Reservation of Title

Should any creditor believe that they have registered a Purchase Money Security Interest (**PMSI**) on the Personal Property Securities Register (**PPSR**) over any goods, or proceeds from realisation for goods, they should contact the Liquidators immediately.

If any creditor believes that they have a Retention of Title over goods and they have not registered their interest on the PPSR, they should also contact the Liquidators, as should suppliers of consignment or sale or return stock.



13.2. Claim forms

Attached as Appendix 5 is a notice to creditors stating that 28 February 2020 is the final day for filing a claim with the Liquidators. Also enclosed is a claim form for completion by unsecured creditors. If you have already completed and submitted a claim form and the amount of your claim has not changed you do not need to complete a new form.

Should you consider you are a secured creditor of the Company, please contact the Liquidators and they will supply to you a secured creditor's valuation and claim form.

Completion of your claim should be given your urgent attention. If creditors do not lodge a claim with the Liquidators, they are not entitled to share in any distribution to creditors that may be made by the Liquidators.

14. Further information

Should you have any information that you believe would lead to realisations for the benefit of creditors, please set it out in writing, attaching copies of all documentary evidence, and send it to the Liquidators. Please note that the Liquidators can only act on written information as telephone, or other, conversations will be regarded as hearsay by the Court.

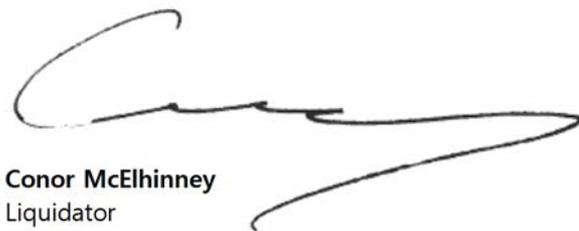
15. Prospect of a dividend

Kumfs Group Limited has only one known third party creditor. We estimate the dividend payable to unsecured creditors to be within the range of 50 to 60 cents in the dollar. We stress that this estimate is a preliminary estimate only. The final dividend will depend on the Liquidators' actions and realisation of residual Company assets, as well as establishing final amounts owing to preferential, secured and unsecured creditors. Any distribution to unsecured creditors also depends on the success of any voidable transactions or legal actions commenced by the Liquidators (if any).

16. Contact details

The Liquidators can be contacted at McGrathNicol, Level 17 AIG Building, 41 Shortland Street, Auckland (PO Box 106-733, Auckland 1143). Telephone enquiries should be directed to Priscilla Cooper, direct dial (09) 926 5107.

Dated: 14 February 2020



Conor McElhinney
Liquidator



Appendix 1 – Statement of affairs

Statement of affairs of Kumfs Group Limited (In Liquidation)	
As at 24 September 2019	\$'000
Current assets	
Cash on hand	7
Total current assets	7
Non-current assets	
Intercompany advances	2,206
Total non-current assets	2,206
Total assets	2,213
Current liabilities	
Total current liabilities	-
Non-current liabilities	
Intercompany loans	2,179
Total non-current liabilities	2,179
Total liabilities	2,179
Net assets	34

Source: Company management

Disclaimer: *The Statement of Affairs has been prepared based on information supplied by the Directors and/or management. This information has not been verified. The Liquidators have not carried out an audit of the information supplied and therefore they do not accept any responsibility for the accuracy of the information from which the Statement of Affairs has been prepared. Further, the Statement of Affairs has been prepared for the purpose of the liquidation only, and the Liquidators do not accept any responsibility on any ground whatever, including liability in negligence, to any other person.*



Appendix 2 – List of creditors

Kumfs Group Limited (In Liquidation)

List of creditors as at 7 February 2020

Name	Address
Trade	
Baker Tilly Staples Rodway	PO Box 3899, AUCKLAND 1140
Kumfs Brand Limited (in Liquidation)	PO Box 106 733, AUCKLAND 1143
Ziera Retail NZ Limited (in Liquidation)	PO Box 106 733, AUCKLAND 1143



Appendix 3 – Liquidators' declaration

Declaration of Independence, Relevant Relationships and Indemnities (Declaration)

Kumfs Group Limited (Company)

The Restructuring Insolvency and Turnaround Association of New Zealand Inc. Code of Professional Conduct (**the Code**) requires the Licensed Insolvency Practitioner/s appointed to an insolvent entity to make a Declaration as to:

- A. their independence generally;
- B. relationships, including
 - a) the circumstances of the appointment;
 - b) any relationships with the company and others within the previous 2 years;
 - c) any prior professional services for the company within the previous 2 years;
 - d) that there are no other relationships to declare; and
- C. any indemnities given, or up-front payments made, to the Practitioner.

This Declaration is made in respect of ourselves, our partners and the firm McGrathNicol.

A. Independence

We, Conor McElhinney and Andrew Grenfell (**Liquidators**), of the firm McGrathNicol, have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as Liquidators of the Company in accordance with the law and applicable professional standards. This assessment identified no real or potential risks to our independence. We are not aware of any reasons that would prevent us from accepting this appointment.

B. Declaration of Relationships

(i) Circumstances of appointment

McGrathNicol was approached by the Group in late August 2019 to review the business and identify any viable restructuring options available to return it to a sustainable and profitable position. This involved obtaining an understanding of the business and developing a model for the Ziera group of companies to consider the potential outcome of available restructuring options.

In mid-September 2019, after the directors considered their restructuring options, the shareholders and the board concluded that the turnaround from any restructure of the business was uncertain, potentially insufficient to return the Company to profitability and would require additional capital to achieve.

As a consequence, the directors resolved to appoint Conor John McElhinney and Andrew John Grenfell of McGrathNicol as administrators of the Company at 11:00am on 24 September 2019. The creditors of the Company subsequently voted to place the Company into liquidation at the watershed meeting of creditors held on 7 February 2020, with effect from 11:35am on that day.

(ii) Our pre-appointment engagement with the Company

On 23 August 2019, we were engaged by Kumfs Group Limited to:

- in conjunction with Ziera's finance team, undertake a detailed store-by-store analysis of the Australian and New Zealand retail stores, including the impact of potential restructuring options; and
- consider the possible impact of the reduction in volume due to store restructuring on Ziera's wholesale business.



On 17 September 2019, we met with management to provide the restructuring model and include their input into the underlying assumption. On 17 September 2019 and 18 September 2019, management and the Board independently undertook their own analysis using the restructuring model.

We received remuneration of \$37,500 plus GST for our engagement. We have no unpaid accounts or accrued work in progress in relation to our engagement.

On 19 September 2019, the directors requested a meeting with McGrathNicol to advise that, based on their and management's assumptions and review, the shareholders and the Board had determined that there was no sustainable restructuring option available. As such, they were of the view that voluntary administrators should be appointed.

The Directors resolved to appoint Conor McElhinney and Andrew Grenfell of McGrathNicol as administrators of the Company at 11.00am on 24 September 2019.

(iii) Relevant Relationships (excluding professional services to the Insolvent)

We, or a member of our firm, have had within the preceding two years, a relationship with ANZ Bank New Zealand Limited (**ANZ**).

- ANZ is a secured lender to Ziera Shoes NZ Limited (In Liquidation) and Ziera Retail NZ Limited (In Liquidation).
- We and our firm undertake corporate advisory and recovery work from time to time on instructions from ANZ.
- Each professional engagement undertaken for ANZ in relation to a particular entity or group of entities is conducted on an entirely separate basis which has no bearing on this appointment.
- These engagements are only commenced after full regard is given to potential conflicts of interest in relation to all stakeholders.
- McGrathNicol has not been engaged by ANZ in respect of the Company.

While the above interest exists, it does not disqualify us from acting as Liquidators under the Act because we have obtained a High Court order under the Act consenting to our taking the appointment. At all times the Liquidators will act professionally and to the standards required by the Code and as members of Chartered Accountants Australia and New Zealand.

(iv) Prior professional services to the Insolvent

Prior to our engagement on 23 August 2019, neither we, nor our firm, have had, within the preceding two years or earlier, any relationship with the Company or its directors or shareholders.

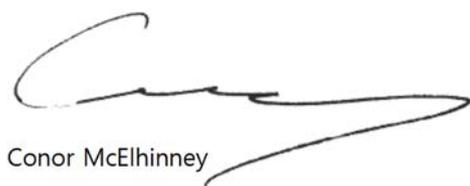
(v) No other relevant relationships to disclose

There are no other known relevant relationships, including personal, business and professional relationships, from the previous two years with the Company, or any person or entity that has security over the whole or substantially the whole of the Company's property that should be disclosed.

C. Indemnities and Up-front Payments

We have not been indemnified in relation to this liquidation, other than any indemnities that we may be entitled to under statute.

Dated: 14 February 2020



Conor McElhinney



Andrew Grenfell



Appendix 4 – Hourly rates and disbursements

Explanation of hourly rates		
Title	Guide to qualifications and roles	Hourly rate (excl GST)
Appointee/ Partner	Accredited Insolvency Practitioners, Chartered Accountant or equivalent and generally degree qualified with more than twelve years of experience. Leads assignments with full accountability for strategy and execution.	\$640
Director	Generally, Chartered Accountant or comparable relevant qualification and degree qualified with more than ten years of experience. Autonomously leads insolvency appointments reporting to Appointee/Partner.	\$545
Senior Manager	Generally, Chartered Accountant or comparable relevant qualification and degree qualified with more than seven years of experience. Self-sufficiently conducts small to medium insolvency appointments and leads major work streams in larger matters.	\$480
Manager	Generally, Chartered Accountant or comparable relevant qualification and degree qualified with more than five years of experience. Self-sufficiently conducts small insolvency appointments and takes a supervisory role on work streams in larger matters.	\$420
Assistant Manager	Generally, Chartered Accountant or comparable relevant qualification and degree qualified with more than three years of experience. Autonomously manages work stream activity within appointments.	\$370
Senior Analyst	Generally, degree qualified and undertaking Chartered Accountant's qualification or comparable relevant qualification with more than 16 months of experience. Completes tasks within work streams and appointments under supervision.	\$295
Analyst	Generally, degree qualified and undertaking or about to undertake Chartered Accountant's qualification or comparable relevant qualification with less than one year of experience. Assists with tasks within work streams and appointments under supervision.	\$280
Administrator	Appropriately experienced and undertakes senior level administrative support activities or Treasury activities. May be responsible for day to day management of projects or operations and may have supervisory responsibility for junior staff.	\$275
Secretaries	Appropriately experienced and undertakes support activities, such as meeting co-ordination and preparation of materials where it is efficient and appropriate to do so.	\$170



Explanation of disbursements	
Disbursements	Rate (excl GST)
Externally provided professional services	At cost
Externally provided non-professional services	At cost
Internal disbursements: office service charge	3.0% of hourly rate
Internal disbursements: staff vehicle use*	\$0.62-\$1.00 per KM, depending on the size of the vehicle's engine
Internal disbursements: conference calls	At cost



Appendix 5 – Notice to creditors

PUBLIC NOTICE OF APPOINTMENT OF LIQUIDATORS

The Companies Act 1993

KUMFS GROUP LIMITED (IN LIQUIDATION)
KUMFS BRAND LIMITED (IN LIQUIDATION)
ZIERA SHOES NZ LIMITED (IN LIQUIDATION)
ZIERA RETAIL NZ LIMITED (IN LIQUIDATION)
(collectively **the Companies**)

Notice is hereby given that at the watershed meeting held on 7 February 2020 creditors resolved that the Companies be placed into liquidation pursuant to section 241 (2)(d) of the Companies Act 1993 and that Conor McElhinney and Andrew Grenfell, chartered accountants and accredited insolvency practitioners of Auckland, be appointed jointly and severally as liquidators.

The liquidations commenced on 7 February 2020 at 11.35 am.

Notice to Creditors to Claim

Notice is hereby given that the liquidators fix 28 February 2020 as the day on or before which the creditors of the Companies are to make their claims and to establish any priority their claims may have, under section 312 of the Companies Act 1993, or to be excluded from the benefit of any distribution made before their claims are made or excluded from objecting to any distribution made before the priority of their claim is established.

Creditors and shareholders may direct enquiries to us during normal business hours at the address and contact numbers stated below.

Note: If any creditor claims a security interest over any assets of the above-named companies, please provide details to the liquidators.

Dated this 10th day of February 2020

Conor McElhinney

Joint and Several Liquidator

Liquidators Address: McGrathNicol
 Level 17, 41 Shortland Street, Auckland
 (PO Box 106-733, Auckland 1143)

Telephone: (09) 366 4655

Facsimile: (09) 366 4656

Enquiries to: Priscilla Cooper

UNSECURED CREDITOR'S CLAIM



Section 304(1) Companies Act 1993

<p>Name and postal address of creditor in full: Telephone Number () My Reference is (if applicable) Email</p>	<p>✳ Any personal information collected is for the purpose of administering the liquidation in accordance with the Companies Act 1993.</p> <p>The information will be used and retained by McGrathNicol and will be released to other parties only with your authorisation or in compliance with the Privacy Act 1993.</p> <p>Under section 304 (1) of the Companies Act 1993 any claim by an unsecured creditor against a company in liquidation must be made in this prescribed form and must –</p> <p>(a) Contain full particulars of the claim; and (b) Identify any documents that evidence or substantiate the claim.</p> <p>You may have access to and request correction of any personal information. (*Not applicable, if creditor is not an individual within the meaning of the Privacy Act 1993.)</p>
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Name of Company in Voluntary Administration: _____ **(In Voluntary Administration)**

I _____
[If claim is made on behalf of creditor, specify relationship to creditor and authority] claim that the company was at the date it was put into liquidation indebted to the abovenamed creditor for the sum of *[Amount in words and figures]*:
 _____ \$ _____

Either: I hold no security for the amount claimed; or
 I am surrendering my security and I am claiming as an unsecured creditor
[Omit whichever does not apply]

Full particulars of the claim are set out, and any supporting documents that substantiate the claim are identified, on the reverse of this form. (The liquidator may require the production of a document under section 304 (2) of the Companies Act 1993. You are not required to attach any supporting documents at this stage, but you may attach them now, if you think it would expedite the processing of the claim.)

Signed: _____ Date: / /

WARNING - It is an offence under section 304 (6) of the Companies Act 1993 to –
Make, or authorise the making of, a claim that is false or misleading in a material particular in knowing it to be false or misleading; or
Omit, or authorise the omission, from a claim of any matter knowing that the omission makes the claim false or misleading in a material particular.

Received (Date Stamp)	<p>Reserved for Office Use:</p> <table style="width:100%;"> <tr> <td style="width:50%;">Claim admitted for voting purposes:</td> <td style="width:25%;">Signed: _____</td> <td style="width:25%;">Date: / /</td> </tr> <tr> <td>Claim rejected for voting purposes:</td> <td>Signed: _____</td> <td>Date: / /</td> </tr> <tr> <td>Claim rejected for payment:</td> <td>Signed: _____</td> <td>Date: / /</td> </tr> </table> <p>Claim admitted for payment:</p> <table style="width:100%;"> <tr> <td style="width:33%;">Preferential Claim for:</td> <td style="width:33%;">Ordinary Claim for:</td> <td style="width:33%;">Deferred claim for:</td> </tr> <tr> <td>\$ _____</td> <td>\$ _____</td> <td>\$ _____</td> </tr> </table> <p>Signed Liquidator _____ Dated: _____</p> <p><small>Note: If the decision to admit or reject a claim is amended, regulation 8 of the Companies Act 1993 Liquidation Regulations 1994 requires that it be recorded in writing.</small></p>	Claim admitted for voting purposes:	Signed: _____	Date: / /	Claim rejected for voting purposes:	Signed: _____	Date: / /	Claim rejected for payment:	Signed: _____	Date: / /	Preferential Claim for:	Ordinary Claim for:	Deferred claim for:	\$ _____	\$ _____	\$ _____
Claim admitted for voting purposes:	Signed: _____	Date: / /														
Claim rejected for voting purposes:	Signed: _____	Date: / /														
Claim rejected for payment:	Signed: _____	Date: / /														
Preferential Claim for:	Ordinary Claim for:	Deferred claim for:														
\$ _____	\$ _____	\$ _____														

PARTICULARS OF CLAIM

Where the claim includes goods supplied by the creditor to the company under a Retention of the Title clause,
please give full details including a description of the goods and their value.

If the creditor owes money to the company, please give full details.

Date	Details of Claim and Identification of Documents that Evidence or Substantiate the Claim	Amount \$

If applicable, please record here your GST Registration number:
and total GST included in your claim

\$ _____