



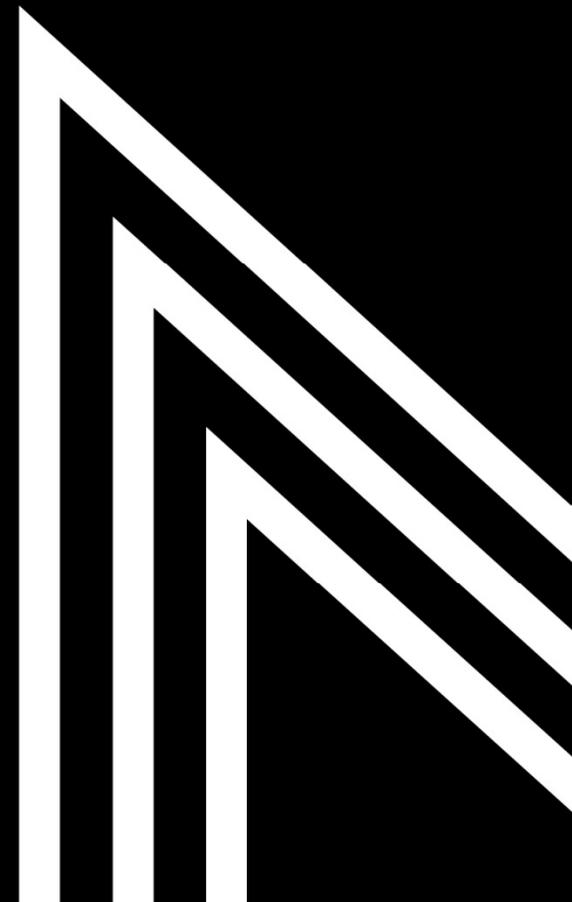
**Ziera Shoes NZ Limited
Ziera Retail NZ Limited
Kumfs Brand Limited
Kumfs Group Limited
(Administrators Appointed) (“the Companies”)**

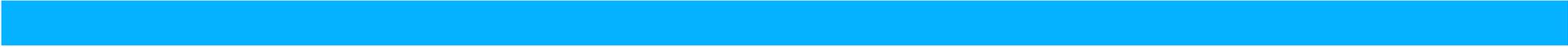
Voluntary Administrators’ report pursuant to section
239AU of the Companies Act 1993

29 January 2020



McGrathNicol





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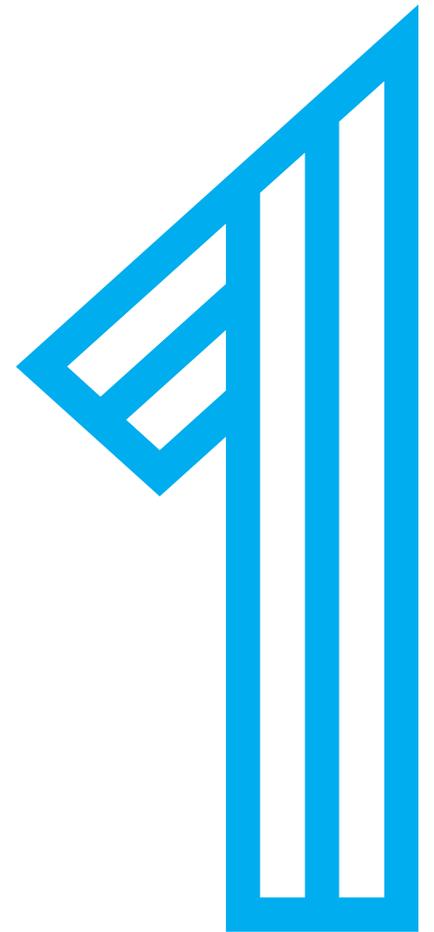
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Glossary

Act	New Zealand Companies Act 1993	NPAT	Net profit after tax
Administrators	Conor McElhinney and Andrew Grenfell of McGrathNicol NZ	NZ	New Zealand
Appointment Date	24 September 2019	NZCN	New Zealand Company Number
AU	Australia	PMSI	Purchase Money Security Interest
Australian Administrators	Shaun Fraser and Katherine Sozou of McGrathNicol AU	PPSR	Personal Property Securities Register
Board	the Directors	Retail AU	Ziera Retail Australia Pty Limited
Companies	Kumfs Group, Kumfs Brands, Shoes and Retail NZ	Retail NZ	Ziera Retail NZ Limited
Directors	Robert Paul Edwards, Andrew John Robertson, John David Robertson	Secured Creditor	ANZ Bank New Zealand Limited
DOCA	Deed of Company Arrangement	Shoes	Ziera Shoes NZ Limited
EBITDA	Earnings before interest, tax, depreciation and amortisation	US	United States
First Creditors Meeting	Creditors meeting held on 3 October 2019 pursuant to section 239AN of the Act	Watershed Meeting	The second creditors meeting pursuant to section 239AT of the Act to be held at the offices of Buddle Findlay on Friday, 7 February 2020 at 11:00am
FYXX	Financial year ended 31 January 20XX	Ziera/the Group	Kumfs Group, Kumfs Brands, Shoes, Retail NZ and Retail AU
FY20YTD	Seven months from 1 January to 31 July 2019 (note management accounts are on a calendar year basis, different from annual reports which run 1 February to 31 January)		
GST	Goods and Services Tax		
IRD	Inland Revenue		
Kumfs Brands	Kumfs Brands Limited		
Kumfs Group	Kumfs Group Limited		
LTM	Last twelve months		
m	Millions		
McN	McGrathNicol Limited		
MFG	Munro Footwear Group, the purchaser of the Ziera brands		

Executive summary



1. Executive summary

This section provides creditors with answers to key questions they may have in relation to the administration, the Administrators' findings and summarises other information in this report.

Questions	Answers
What is the purpose of this report?	<p>This report provides creditors with details of the business and financial circumstances of the Companies in preparation for the forthcoming Watershed Meeting.</p> <p>This report also informs creditors about the investigations undertaken by the Administrators and the Administrators' opinion and recommendation on each of the options available to creditors to vote on at the Watershed Meeting.</p>
What is the Watershed Meeting?	<p>The purpose of the Watershed Meeting is for creditors to decide on the future of the Companies.</p> <p>The options available for creditors to vote on are whether the Companies should be returned to the control of the Directors or enter into liquidation. The Administrators note that, as at the date of this report, no Deed of Company Arrangement (DOCA) has been proposed and, consequently, the option for any of the Companies to enter into a DOCA is not available.</p>
Where and when is the Watershed Meeting?	<p>The Watershed Meetings will be held concurrently at the offices of Buddle Findlay, Level 20, PWC Tower, 188 Quay Street, Auckland, on 7 February 2020 at 11:00am.</p> <p>Observers are able to attend the meeting, however will not be entitled to participate, either by voting or by asking questions.</p>
What is Ziera and what did Ziera do?	<p>Ziera, previously branded Kumfs, was founded in 1946 and sold footwear to independent shoe retailers around the world, including Australia, New Zealand, United States, and Singapore, as well as through its own retail store network in New Zealand and Australia.</p>
What is the status of Ziera?	<p>On 24 September 2019, Conor McElhinney and Andrew Grenfell of McGrathNicol were appointed administrators of the Companies. This means that each of the Companies are in voluntary administration, which is a type of formal insolvency appointment.</p>
Who controls Ziera now?	<p>From the date of the appointment, the Administrators have had responsibility for the day-to-day management of Ziera.</p>

Questions	Answers
What were the key events leading to the appointment of administrators?	<p>Despite a loyal customer base, in recent years Ziera was impacted by a changing retail landscape. Globally, independent footwear retailers have been closing as larger competitors and online sales take market share, limiting Ziera's wholesale market.</p> <p>Ziera was also impacted by the falling NZ dollar increasing the cost of manufacturing; the US-China trade dispute impacting the profitability of selling into the US; and issues with its supply chain (quality and timing). With Australia as the key market for Ziera, weakness in the AU dollar negatively affected sales margins.</p> <p>Ziera was slow to launch an online offering, with the website only going live in December 2016. Despite over 50% growth per annum in the online stores, rising retail rents and staff costs combined with falling sales at Ziera's bricks and mortar stores led to the business becoming uneconomical to continue trading.</p> <p>With new season orders having to be placed and lease agreements coming up for renewal, the Directors resolved to appoint administrators rather than risk further losses.</p>
What actions have the Administrators taken to date?	<p>Since the Appointment Date, the Administrators and their staff have attended to the following:</p> <ul style="list-style-type: none"> ▪ appraising the business to determine viability and saleability; ▪ managing of the ongoing trading and cash flow of the business while undertaking a sale of business process on a going concern basis; ▪ negotiating the sale of Ziera's brand and intellectual property and managing completion and transition processes; ▪ considering how to realise Ziera's assets and implementing retail sale strategies; ▪ liaising with employees and assessing employee entitlements; ▪ meeting statutory obligations, including preparing reports for, and convening, meetings of creditors; and ▪ conducting preliminary investigations into the affairs of Ziera.

1. Executive summary

Questions	Answers
What was the sale process that the Administrators undertook and what was the outcome?	<p>Shortly after appointment, the Administrators commenced an accelerated sale process for Ziera's businesses and assets, in the hope of securing a buyer for all or a large part of Ziera's business. We targeted trade buyers and specialist investors in Australia and New Zealand.</p> <p>The sale process eventually resulted in the Administrators entering into a sale and purchase agreement with MFG for the intellectual property of Ziera, including the designs, forward production, brands, website etc.</p> <p>The sale excluded stock, which was still to be realised by the Administrators through the retail network.</p>
Why do the Directors of Ziera believe it became insolvent?	<p>The Board advises that Ziera's performance suffered due to:</p> <ul style="list-style-type: none"> the NZD devaluing against the USD, causing costs to increase; the AUD devaluing against the NZD, causing sales in Australia to be less profitable; falling orders from wholesale customers, due to a general reduction in the number of independent footwear retailers; falling sales at the retail stores; changes to the supply chain causing delays to season deliveries and quality issues; and higher ex-factory costs and increasing minimum order sizes. <p>The Board investigated whether the Group could be restructured to reduce trading losses. However, the Board determined that the Group could not be sufficiently improved through a restructuring to justify the risk and cost associated. The Board believed that, if Ziera continued to trade, it would become insolvent due to the issues above and therefore appointed administrators.</p>
Why do the Administrators believe Ziera became insolvent?	<p>The Administrators agree with the Board's assessment of the cause of Ziera's financial performance, which led the Board to request the appointment of administrators.</p>

Questions	Answers
What was the date of insolvency?	<p>The Administrators' preliminary investigations indicate that Ziera may have become insolvent when the business was unable to be sold and contingent liabilities crystallised. The Group still reported net assets of \$15m at the date of appointment and were meeting payments as they fell due, up until the days prior to appointment of administrators.</p> <p>Additional investigations by an appointed liquidator will consider further the date that Ziera became insolvent.</p>
What claims have the Administrators identified that may be available to a Liquidator?	<p>Potential claims available to a liquidator include (among others) insolvent trading, voidable transactions and breach of director's duties.</p> <p>Whilst the Administrators have considered the underlying causes of Ziera's failure, their investigations into claims arising from those matters are at an early stage. Section 8 outlines the status of the Administrators' investigations to date.</p>
Has a DOCA been proposed?	<p>At the date of this report, no DOCA has been proposed and, based on information presently available to the Administrators, a DOCA proposal is unlikely to be received.</p>
Will employees and other preferential creditors be paid?	<p>Preferential creditors rank ahead of secured and unsecured creditors for distribution purposes against the net proceeds of realisations from pre-appointment inventory and accounts receivable.</p> <p>Employees have or will be paid their preferential entitlements in full, and many whose employment has already ended have already been paid.</p> <p>The Administrators are assessing preferential IRD claims, which are also expected to be paid in full.</p>
Will the Secured Creditor be repaid its debt?	<p>Secured creditors rank ahead of unsecured creditors. Subject to confirming which creditors have security and the ranking of priority of security, the Administrators expect to pay secured creditors in full.</p>

1. Executive summary

Questions	Answers
Will unsecured creditors be paid a dividend?	<p>Subject to calling for claims in the liquidation, there being no other secured creditors, and adjudicating creditor claims, the Administrators expect that there will be a dividend to unsecured creditors.</p> <p>At this stage, the Administrators estimate a dividend of 45 to 60 cents in the dollar for creditors of Shoes and 15 to 20 for creditors of Retail NZ. The Administrators note however that this is a preliminary estimate only and that claims must be finalised before an accurate dividend can be determined.</p>
What do the Administrators recommend creditors vote for at the Watershed Meeting and why?	<p>In the absence of a DOCA proposal, and with the businesses being insolvent, the Administrators recommend that creditors vote for each of the Companies to be placed into liquidation. There are no other viable options at this time.</p>
As a creditor, what do I need to do?	<p>You are not required to do anything. But you are entitled to vote at the Watershed Meeting, either by postal vote, attending in person, or appointing a proxy.</p> <p>A voting form is attached with the notice to creditors. We also recommend that you submit a creditors claim form, if you have not done so already.</p>

Introduction



2. Introduction

2.1 Overview

This section provides information on the entities to which the Administrators were appointed, the objectives of the administration, the purpose of this report, meetings of creditors and the Administrators' relevant relationships.

Appointment of Administrators

- Conor McElhinney and Andrew Grenfell of McGrathNicol New Zealand were appointed joint and several administrators of the following entities on 24 September 2019 by a resolution of the Companies' Directors, pursuant to Part 15A of the Act:
 - Kumfs Group Limited, NZCN 2067398;
 - Kumfs Brand Limited, NZCN 2166895;
 - Ziera Shoes NZ Limited, NZCN 60885; and
 - Ziera Retail NZ Limited, NZCN 108298.

Objective of voluntary administration

- In a voluntary administration, administrators are empowered by the Act to assume control of an insolvent company, superseding the powers of the directors and officers, to manage the company's affairs and deal with its assets in the interests of its creditors.
- The intention of a voluntary administration is to maximise the prospects of a company continuing in existence or, if that is not possible, to achieve better returns to creditors than would be achieved by its immediate liquidation. During a voluntary administration there is a moratorium over most pre-administration creditor claims.
- Administrators are also required to investigate the company's affairs and report to creditors on the administrators' opinion as to which outcome of the voluntary administration process is in the creditors' best interests, informing the creditors prior to their voting at the Watershed Meeting (refer section 9).

First creditors' meeting

- Section 239AN of the Act requires an administrator to convene a first creditors' meeting within eight business days of being appointed.
- The first creditors' meetings for the Companies were held on 3 October 2019, with no nominations to appoint an alternative administrator.
- Creditors resolved at the meeting to appoint a Creditors' Committee to Shoes.

Creditors' committee

- No Creditors' Committee meetings were held. This is because there were no matters that required consultation with the Committee during the administration, and because the Committee did not request any meetings.

Extension of convening period

- Section 239AT of the Act requires that the Administrators convene the Watershed Meeting within the convening period, being 20 business days of being appointed.
- The Watershed Meetings were due to be convened on or before 21 October 2019. However, at the First Creditors' Meeting we noted that we believed it was in the best interests of creditors and would preserve value to submit an application to the High Court to extend the convening period for the Watershed Meeting.
- The Administrators filed such an application in the Auckland High Court requesting an extension of the convening period to 31 January 2020. The Administrators did this because, in their view, an extension of the time for holding the Watershed Meeting would be beneficial as it would provide:
 - a stable environment for the Administrators to realise Ziera's assets (in particular stock) in an orderly fashion to maximise value;
 - if a going concern sale was achieved, a better outcome for creditors as employee claims would be minimised from the transfer of their employment to new employers, landlord claims would be minimised from the assignment of leases and supplier claims would be minimised as future orders would be followed through; and
 - the Administrators more time to investigate the affairs of Ziera, to report to creditors on potential future recoveries, and make a recommendation at the Watershed Meeting regarding the future of Ziera.
- On 4 October 2019, the High Court granted the orders extending the convening period for the Watershed Meeting to 31 January 2020.

2. Introduction

2.2 Watershed meeting and this report

The Watershed Meetings for the Companies are to be held at the offices of Buddle Findlay, Level 20, PWC Tower, 188 Quay Street, Auckland, on 7 February 2020 at 11:00am.

Watershed Meeting

- The Watershed Meetings for the Companies are to be held at the offices of Buddle Findlay, Level 20, PWC Tower, 188 Quay Street, Auckland, on 7 February 2020 at 11:00am. A copy of the notice of meeting is attached to this report.
- The purpose of the Watershed Meeting is for creditors to resolve what option to take in relation to the future of the entities under administration. The options available (under section 239AU of the Act) are whether each entity should:
 - be returned to its director(s); or
 - enter into a DOCA; or
 - enter into liquidation.
- In respect of these options, given Ziera is insolvent and no DOCA has been proposed, the Administrators' opinion is that the only option is for each of the Companies to be placed in liquidation.

Purpose of this report

- Section 239AU of the Act requires the Administrators to provide a report (**Report**) to all creditors ahead of the Watershed Meeting, containing:
 - details about the business, property, affairs and financial circumstances of the entities under administration;
 - the Administrators' opinion and recommendation on each of the options available to creditors; and
 - if a DOCA is proposed, the details of the DOCA.
- This Report has been prepared in respect of the Companies and informs creditors about the investigations undertaken by the Administrators to date.
- Please refer to the appendices for the following information:
 1. receipts and payments from Appointment Date to 24 January 2020;
 2. time costs from Appointment Date to 28 January 2020;
 3. description of work completed during the administration; and
 4. summary of work outstanding to be completed.

Context of this report

- In reviewing this Report, creditors should note the following:
 - References to Ziera in this report are to Kumfs Group, Kumfs Brands, Shoes and Retail NZ. References to Ziera or the Group includes Retail AU. Individual balance sheets for the entities are included at Appendix 5.
 - We have included information regarding Retail AU for the benefit of creditors, but note that the Australian Administrators will be reporting on this entity separately.
 - This Report and the statements herein are based upon our preliminary investigations to date. Any additional material issues identified subsequent to this Report may be the subject of a further written report and/or tabled at the forthcoming Watershed Meeting.
 - The investigations of Ziera's affairs have been prepared from books and records made available to the Administrators, as well as information provided by Ziera's officers, key personnel where applicable, and from our own enquiries. Whilst we have no reason to doubt any information contained in this Report, we reserve the right to alter our conclusions should the underlying data prove to be inaccurate or materially changes from the date of this Report.
 - The statements and opinions given in this Report are given in good faith and in the belief that such statements and opinions are not false or misleading. Except where otherwise stated, we reserve the right to alter any conclusions reached on the basis of any changed or additional information that may be provided to us between the date of this Report and the date of the Watershed Meeting.
 - In considering the options available to creditors and formulating our recommendation, the Administrators have necessarily made forecasts of asset realisations and total creditors. These forecasts and estimates may change as asset realisations progress and claims are received from creditors. Whilst the forecasts and estimates are the result of the Administrators' best assessment in the circumstances, creditors should note that the outcome for creditors may differ from the information provided in this Report.
 - Amounts in this report are in New Zealand dollars, unless otherwise stated and may not sum exactly due to rounding.

2. Introduction

2.3 Declaration of independence

As at the date of this Report, the Administrators' opinion as to our independence had not varied from the first declaration provided in our circular to creditors. The purpose of the declaration is to allow creditors to make an informed decision about our independence in relation to the administration.

Declaration of Independence, Relevant Relationships and Indemnities

The Restructuring Insolvency and Turnaround Association of New Zealand Inc. (**RITANZ**) Code of Professional Conduct (**Code**) requires the 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 McGrathNicol. The purpose of the declaration is to allow creditors to make an informed decision about our independence in relation to the administration.

A. Independence

We, Conor John McElhinney and Andrew John Grenfell (**Administrators**), RITANZ Accredited Insolvency Practitioners of the firm McGrathNicol, have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as administrators of the Companies 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.

Declaration of Relationships

(i) Circumstances of appointment

McGrathNicol was approached by the Companies 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 Companies to consider the potential outcome of available restructuring options.

In mid-September 2019, after the Companies 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 Companies 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 Companies at 11:00am on 24 September 2019.

(ii) Our pre-appointment engagement with the Companies

On 23 August 2019, we were engaged by Kumfs Group Limited (**KGL**) 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 and requested McGrathNicol undertake the necessary planning for an appointment.

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 Companies or their directors or shareholders.

2. Introduction

2.3 Declaration of independence (continued)

(iii) Our independence

In our opinion, our pre-appointment engagement with KGL does not affect our independence for the following reasons.

- Our dealings with the Companies consisted of a limited scope engagement, the nature of which would not be subject to review and challenge during the course of the voluntary administration.
- Our pre-appointment engagement did not involve the provision of any advice to the directors on their duties under the Companies Act 1993 (**Act**) or the management of the affairs of the Companies. Nor would the advice provided influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the voluntary administration of the Companies in an objective and impartial manner.
- All amounts received by McGrathNicol were prepaid before being applied to pay for our fees and expenses. As such, we have never been in the position of being a creditor of any of the Companies.
- It is recognised by the Courts and RITANZ Code that pre-appointment advice on a company's available options does not amount to an impediment to accepting an appointment.

We have provided no other advice to the Companies prior to our appointment beyond that outlined in this Declaration. We did not advise the directors of the Companies in their capacity as directors and remain independent of them.

(iv) 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 Shoes and Retail NZ.
- 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 Companies.

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

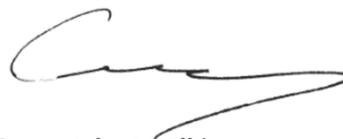
(v) No other relevant relationships to disclose

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

C. Indemnities and Up-front Payments

We have not been indemnified in relation to this voluntary administration, other than any indemnities that we may be entitled to under statute. We have not received any up-front payments to cover our remuneration and disbursement costs in relation to the voluntary administration.

Dated: 24 September 2019



Conor John McElhinney



Andrew John Grenfell



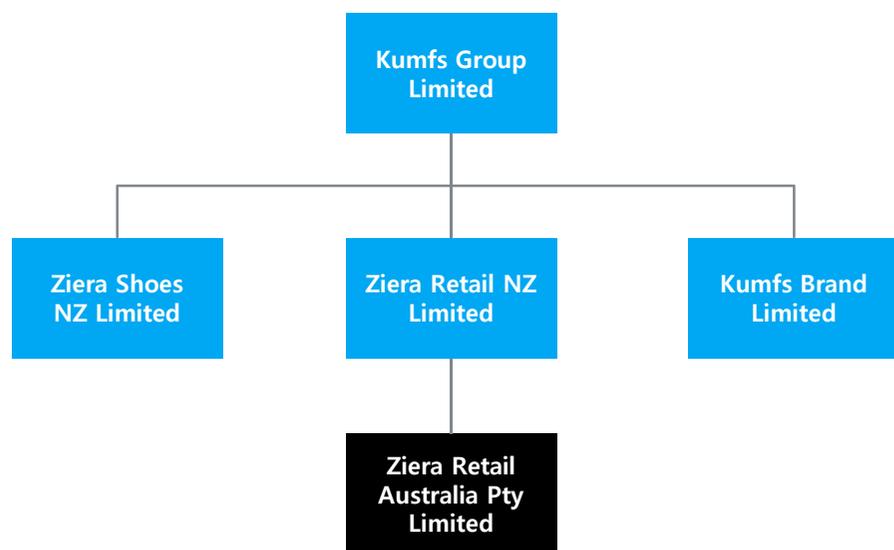
Background



3. Background information

3.1 Business overview

Ziera’s ownership structure and an overview of the business is set out below.



■ New Zealand (in Administration) ■ Australia (in Administration)

Overview of each company			
Company	Description	FY19 revenue	# of employees
Kumfs Group Limited	▪ Non-trading holding company.	-	-
Ziera Shoes NZ Limited	▪ Designed, imported and wholesaled women’s shoes	\$30.9m	45
Ziera Retail NZ Limited	▪ Operated 24 leased retail stores in New Zealand selling Ziera products.	\$11.6m	95
Ziera Retail Australia Pty Limited	▪ Operated 23 leased retail stores in Australia selling Ziera products.	A\$18.1m	113
Kumfs Brand Limited	▪ Owned the Ziera and Kumfs brands and trademarks associated with the Companies.	-	-
Consolidated Group	▪ Eliminating inter-company transactions.	\$46.1m	253

Source: FY19 statutory accounts and Sep-19 payroll records

Current directors and officers

Company	Robert Edwards	Andrew Robertson	John Robertson
Kumfs Group Limited	✓	✓	✓
Ziera Shoes Limited	✓	✓	✓
Ziera Retail NZ Limited	✓	✓	✓
Kumfs Brands Limited	✓	✓	✓

Note: Independent directors Nicole Buisson and Richard McLean resigned from the board of Kumfs Group in April 2019

3. Background information

3.2 Secured creditors and other charges

This section summarises the security held by the Secured Creditor and other suppliers. The Secured Creditor, which ranks ahead of unsecured creditors, was owed \$3.8m at the date of appointment. This is expected to be repaid in full, and therefore we expect funds to be available for unsecured creditors.

Secured lender

- The facilities outlined in the table opposite were provided to Shoes and Retail NZ by the Secured Creditor, with a cross guarantee between the entities.
- The Secured Creditor's final claim will depend on whether all of the rental bonds are called or not.

Security interests

- A search of the PPSR as at the Appointment Date revealed limited registered security interests held against Ziera, as summarised in the table adjacent.
- Since appointment, the Administrators have had two registrations discharged, and two creditors have registered new charges against Shoes.
- Should the Companies be placed into liquidation, it will be necessary for the liquidator to review creditor claims with regards to security, to determine the order of priority for distributions.

Secured Creditor debt

\$'000	Description	Exposure at appointment
Shoes	Overdraft	2,275
Shoes	Rental bonds	1,126
Retail NZ	Rental bonds	353
Total		3,754

Note: The Secured Creditor's claim may increase due to interest charges, and may decrease if contingent rental bonds are not called

Number of security interests registered

Creditor group	Collateral class	Kumfs Group	Shoes	Retail NZ	Kumfs Brand
Bank	All present and after-acquired property	-	1	1	-
Suppliers	Other goods, intangibles and specific items	-	3	-	1
Total		-	4	1	1

Source: PPSR searches undertaken on 14 November 2019

3. Background information

3.3 Trade and other creditors

This section summarises the unsecured creditor position at the Appointment Date and provides a summary of claims submitted in the administration up to 24 January 2020.

- The Companies' books and records at the Appointment Date show the Companies had approximately 126 trade, inter-company and other unsecured creditors, owed a total of approximately \$23.2m, as set out in the first table adjacent.
- The Administrators have received a number of proof of debt forms, including claims for contingent liabilities. The Administrators are in the process of assessing the proofs of debt received in relation to claims for the purposes of voting at the Watershed Meeting. A summary of the claims submitted at the date of this report is set out in the second table adjacent. This shows total claims submitted (including secured, trade and inter-company creditors) of \$30.7m.
- A formal adjudication process for dividend purposes will be performed by a liquidator for those entities where there are sufficient recoveries to enable a distribution to unsecured creditors.
- The adjudication process for creditors of Shoes and Retail NZ may take a number of weeks or months to resolve, as some claims include contingent liabilities that would need to crystallise or be agreed and others are disputed. The Administrators have commenced this process during the administration, in an attempt to accelerate the liquidation process and therefore be in a position to pay a dividend to creditors as soon as possible. The liquidators will also need to allow time to call for claims, to ensure all creditors have submitted claims.

Creditor summary at 24 September 2019

\$'000 or #	Third parties		Inter-company		Total	
	Count	Amount	Count	Amount	Count	Amount
Kumfs Group	-	-	2	2,179	2	2,179
Shoes	76	4,814	1	2,206	77	7,020
Retail NZ	45	132	1	13,278	46	13,409
Kumfs Brand	-	-	1	603	1	603
Total	121	4,946	5	18,265	126	23,211

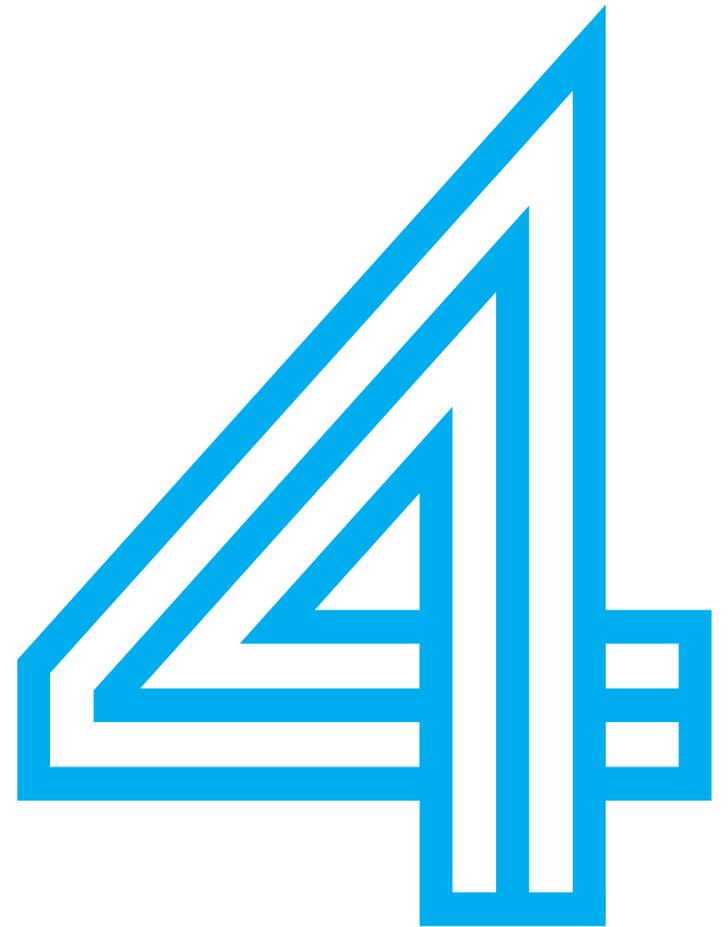
Source: Company books and records

Claims submitted post administration

\$'000	Third parties		Inter-company		Total		Total
	Secured	Unsecured	Secured	Unsecured	Secured	Unsecured	
Kumfs Group	-	5	-	2,179	-	2,184	2,184
Shoes	3,401	7,348	-	2,206	3,401	9,553	12,954
Retail NZ	353	557	-	14,020	353	14,576	14,929
Kumfs Brand	-	-	-	603	-	603	603
Total	3,754	7,909	-	19,007	3,754	26,917	30,670

Source: Claims received by the Administrators as at 24 January 2020, including inter-company claims

Recent financial information



4. Recent financial information

4.1 Group historical profit and loss and balance sheet

A summary of the Group's profit and loss and balance sheet for the financial years FY17 to FY19 and FY20YTD is set out below. As shown, the Group was loss making throughout this period, but still had significant net assets. Even when the deferred tax asset of \$7.4m is excluded, the Group still had \$17.3m of net assets at FY19. This fell to \$15.0m by 31 July 2019 due to YTD trading losses of \$4.4m. Summary financials for each group entity are presented at Appendix 5.

Group (consolidated) - financial position				
NZ\$'000	FY17	FY18	FY19	FY20YTD
Current assets				
Cash and equivalents	3,038	3,405	2,639	822
Receivables	1,450	2,587	2,425	1,657
Inventories	12,740	12,098	14,484	11,722
Current tax assets	1,173	985	13	211
Other assets	1,538	627	460	325
Total current assets	19,938	19,702	20,020	14,737
Non-current assets				
Receivables	24	-	-	6
Intangible assets	843	649	589	223
Deferred tax assets	176	143	7,371	162
Plant and equipment	5,831	5,741	6,278	6,352
Total non-current assets	6,874	6,533	14,239	6,743
Total assets	26,813	26,235	34,258	21,481
Liabilities				
Payables	4,948	4,890	5,839	2,225
Borrowings	-	-	2,885	2,699
Provisions	730	633	696	1,587
Other liabilities	205	80	145	-
Total liabilities	5,882	5,603	9,565	6,511
Net assets	20,931	20,632	24,693	14,970

Group (consolidated) - financial performance				
NZ\$'000	FY17	FY18	FY19	FY20YTD
Sales revenue	44,857	46,678	46,069	23,775
Other revenue	2,424	900	153	272
Total revenue	47,281	47,577	46,222	24,047
Expenses				
Cost of sales	(15,253)	(15,855)	(16,581)	(9,360)
Administration	(16,099)	(15,160)	(16,043)	(10,388)
Distribution	(2,852)	(2,845)	(2,923)	(1,627)
Marketing	(3,607)	(3,811)	(3,844)	(2,124)
Occupancy	(6,735)	(6,813)	(6,640)	(4,167)
Borrowing	(140)	(136)	(211)	(158)
Other	(6,227)	(2,689)	(2,770)	(736)
Total expenses	(50,912)	(47,310)	(49,011)	(28,559)
Profit/(loss) before tax	(3,631)	267	(2,789)	(4,512)
Income tax (expense)/benefit	719	(671)	1,280	-
Net profit/(loss) from continuing operations	(2,913)	(403)	(1,509)	(4,512)
FX on translation of foreign operations	(69)	104	(270)	157
Total comprehensive profit/(loss)	(2,982)	(299)	(1,779)	(4,355)

- Readers should note that many of these assets have no value in an insolvency, and that liabilities are considerably higher as contingent liabilities (such as staff redundancies, forward orders and landlord claims for rent to end of leases) crystallise.
- Intangible assets relating to software, deferred tax assets, prepayments and other assets are generally not recoverable. In addition, over 70% of plant and equipment related to retail store fitouts, which had no value in a liquidation scenario. The balance of plant and equipment relates to further software and fit out of the head office, which again has little to no value in a liquidation scenario.
- In addition, costs must be incurred to realise inventories, either through a bulk sale process at a discount to cost, or through the retail network at the cost of staff and rent etc.

Source: Annual financial statements and FY20YTD management accounts



Events leading to appointment



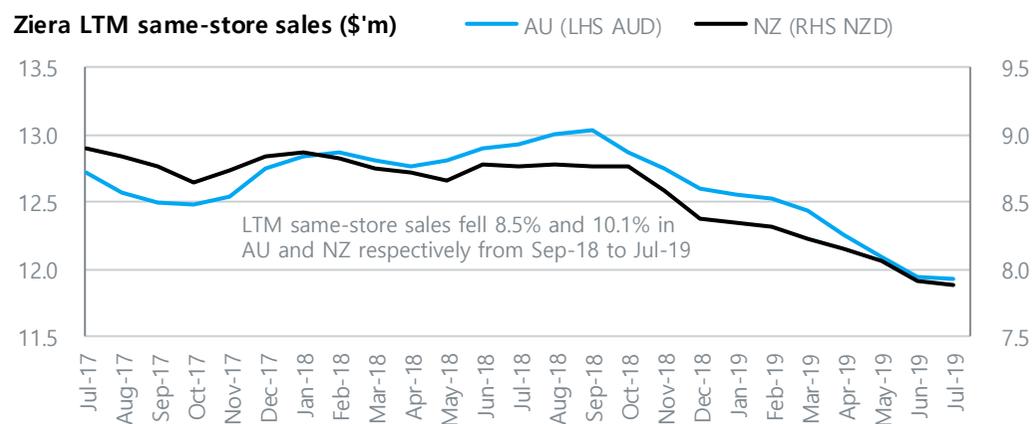
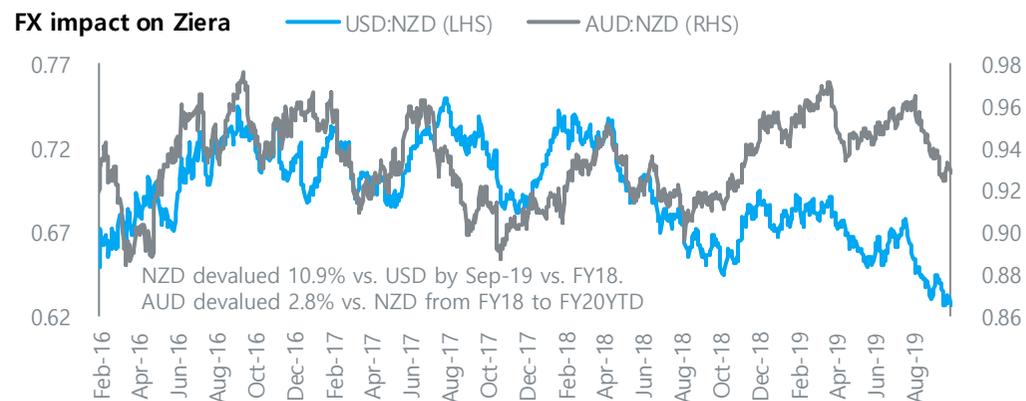
5. Events leading to appointment

5.1 Overview

This section of the Report provides an overview of the circumstances that led the Board to appoint administrators. Overall, falling performance and the inability to restructure the retail network sufficiently to offset declining performance led the Board to appoint administrators to avoid further losses.

- As shown in section 4, the Group had been loss-making for the last three years (almost break-even in FY18). As a result, Ziera had been implementing various strategic initiatives around omni-channel, marketing, supply chain and staffing to attempt to improve performance. Family members also took substantial reductions in remuneration.
- However, many of these initiatives would take some time to have an effect. In the interim, unfavourable currency movements (first chart opposite) and continuing falling sales (second chart opposite) negatively impacted performance, with the Board concerned these trends could continue. However, Ziera continued to meet all of its payment obligations as they fell due and continued to report significant net assets.
- As a result of the downturn in performance, Ziera's two independent directors at the time (Richard Mclean and Nicole Buisson) both resigned, noting they did not have the necessary experience to lead a restructuring or turnaround.
- In May 2019, Ziera engaged accountants to consider options, including whether to close the AU retail operations. The Board elected to pursue this option, and began formulating a revised store profile in Australia. More than half of Ziera's AU leases were due to expire by the end of 2020, and consequently Ziera planned to close stores as leases expired.
- On 20 August 2019, a Board meeting was held and noted that the financial results for the seven months to 31 July 2019 had deteriorated, showing a significant loss due to falling sales and margin, and increasing wages, advertising and interest costs.
- On 21 August 2019, Ziera met with McN to explore a review of the business and identify any viable restructuring options available to return Ziera to a sustainable and profitable position. On 23 August 2019, McN was engaged by Kumfs Group to:
 - in conjunction with Ziera's finance team, undertake a detailed store-by-store analysis of the AU and NZ retail stores, including the impact of potential restructuring options; and
 - consider the possible impact of a reduction in volume from store restructuring on Ziera's wholesale business.
- On 17 September 2019, McN met Ziera to provide the restructuring model and include their input into the underlying assumption. On 17 and 18 September 2019, management and the Board independently undertook their own analysis using the restructuring model.
- On 19 September 2019, the directors requested a meeting with McN 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.

- Although it was possible to significantly reduce Ziera's losses through restructuring the store network, this was insufficient to offset the challenges now being faced in the wholesale business. Coupled with the risk, cost, additional capital and time that a restructuring would take, the Board was of the view that administrators should be appointed and requested McN undertake the necessary planning. Partners of McN were therefore appointed administrators on the morning of 24 September 2019.



Source: Capital IQ and management accounts

5. Events leading to appointment

5.2 Opinion as to reasons for failure

The cause of Ziera's failure was its inability to respond to a changing retail landscape and consumer trends and the disruption caused by major changes in its supply chain. This same set of circumstances has caused the failure of many retailers including (in New Zealand) Pumpkin Patch, TopShop, Banks Shoes, Wild Pair/Lippy, Meccano and others.

Directors' opinion as to reasons for failure and statement of company position

- The Directors have collectively prepared a Statement of the Company's Position as at 24 September 2019, pursuant to section 239AF of the Act (**Directors' Statement**). The Directors' Statement summarises the financial position of the Companies and provides the Directors' views on the reasons leading to the appointment of administrators.
- The Companies' financial positions as set out by the Directors as at 24 September 2019 is summarised in the table opposite.
- The Directors advised that Ziera was impacted by the following key challenges.
 - Changing retail landscape, in particular over the last five years. Globally, the number of independent footwear retailers appeared to be reducing as larger competitors and online sales took more market share, limiting Ziera's wholesale market.
 - Customers moving to online shopping. Ziera was slow to launch an online offering, with the website only going live in December 2016. This grew to 21% of Australian and 11% of New Zealand sales by July 2019.
 - Rising rents and staff costs combined with falling same-store sales at Ziera's bricks and mortar stores made the retail network unprofitable, especially in Australia.
 - The falling NZ dollar increased the cost of manufacturing (as stock was purchased in US dollars) and the falling AU dollar devalued sales in Ziera's key Australian market.
 - The US-China trade dispute resulted in tariffs on shoes sold to the US increasing to 25%, impacting the profitability of this market.
 - Finally, rising prices and higher minimum order quantity requirements at Ziera's manufacturers led management to explore alternative sources for supply. This unfortunately resulted in significantly late deliveries and some quality issues, which significantly impacted sales and costs.
- As a consequence of the above, losses across the Group had increased to \$4.4m for the seven months to 31 July 2019. Although the Group had managed prior year losses, with new season orders having to be placed and lease agreements coming up for renewal, the Directors resolved to appoint administrators rather than risk further losses.

Administrators' opinion as to reasons of failure

- The Administrators agree that Ziera's slow reaction to a changing retail landscape and consumer trends and the disruption caused by major changes in their supply chain ultimately resulted in the appointment of the Administrators to the Group.
- These issues are not unique to Ziera, with many other retailers having suffered the same fate over the last five years, including (in New Zealand) Pumpkin Patch, TopShop, Banks Shoes, Wild Pair/Lippy, Meccano and many others.

Statement of company positions as at 24 September 2019

\$'000	Kumfs Group	Kumfs Brand	Shoes	Retail NZ
Assets				
Accounts receivable	2,206	12	45,305	3,377
<i>Third party</i>	-	-	3,734	61
<i>Intercompany</i>	2,206	12	41,571	3,316
Cash	7	-	(1,882)	146
Stock	-	-	7,553	3,726
Plant and equipment	-	-	1,607	2,149
<u>Other assets</u>	-	-	179	11
Total assets	2,212	12	52,762	9,408
Liabilities				
Employee entitlements	-	-	397	204
Other preferential claims	-	-	-	39
Creditors	2,179	599	9,974	14,300
<i>Third party</i>	-	-	7,768	125
<i>Intercompany</i>	2,179	599	2,206	14,175
Total liabilities	2,179	599	10,370	14,543
Net assets	33	(587)	42,392	(5,135)

Source: Directors' Statement

Administrators' actions to date



6. Administrators' actions to date

This section of the Report provides creditors with an overview of the key activities undertaken by the Administrators and their staff since the Appointment Date. The key activities were to ensure the ongoing trading of Ziera, whilst seeking a sale of the businesses, realising assets and meeting our statutory and general obligations.

Statutory and general obligations

- Notifying the bank of the appointment and establishing control of banking facilities.
- Attending to the Administrators' statutory duties including informing IRD, ACC and various other statutory authorities of the appointments.
- Holding meetings with the executive management team and key employees to understand the background, operating structure and financial performance of Ziera.
- Issuing requests to the Directors to complete a Statement of the Company's Position as at 24 September 2019 and deliver the books and records of Ziera to the Administrators.
- Securing Ziera's books and records including electronic accounting records.
- Liaising with the following key stakeholders, including issuing circulars and being available to answer queries:
 - employees;
 - wholesale customers;
 - secured creditors;
 - regulators;
 - landlords; and
 - unsecured trade creditors.
- Preparing and issuing media releases in relation to the progress of the administration and sale of business and asset process.
- Undertaking health & safety reviews to ensure the safety of Ziera and administration staff.
- Reviewing stock takes at relevant sites.
- Ensuring asset realisations and costs are fairly and reasonably allocated to each of the Companies, reflecting the assets at appointment and realisation strategies.
- Attending to other general matters and statutory requirements.

Trade-on management

- Liaising with management to stabilise the businesses, developing an initial trade-on strategy, and continued reassessment of the trade-on strategy and viability of the Companies.
- Communicating with customers and suppliers regarding continuity of service on contracts, securing payments and supply.
- Aligning communications between employees, the Administrators and their staff, and establishing escalation processes and procedures.
- Developing revised trading and control policies, together with a list of frequently asked questions with answers in conjunction with management.
- Reviewing key financial information required for monitoring ongoing trading, including cash flow forecasts and related information.
- Preparing financial analysis, including trading profit and loss statements, ongoing trading position statements and estimated outcome statements for the administration period.
- Establishing financial control processes for payroll, payments, purchase orders and document retention matters. Authorising the creation of purchase orders and payment of invoices.
- Liaising with suppliers to establish new accounts and securing ongoing supply of services.
- Liaising with the bank in relation to funds held, organising bank sweeps of funds held in the pre-appointment bank accounts to the post-appointment administration bank accounts.
- Reconciling cash and evaluating the ongoing trading position on a regular basis.
- Issuing correspondence and holding discussions with landlords, including advising them of the Administrators' appointment and intention to exercise property rights, initial strategy of the administration, their rights as landlord pursuant to the leases, and likely last days of occupation of stores.
- Liaising with legal advisers in relation to certain supplier correspondence.
- Negotiating with freight forwarders to obtain release of goods held under carrier's liens.
- Negotiating with stock suppliers to obtain release of inventory to be sold during the Administration or to any potential purchaser.

6. Administrators' actions to date

Sale process

- Shortly after the appointment, the Administrators commenced a sale process for Ziera's business and assets, seeking to effect a sale on a going concern basis.
- Refer section 7 for details of the sales process during the administration period.

Inventory realisation

- Assessing inventory holdings at each of the Companies on appointment and maintaining separate records of realisation for these entities.
- Considering the ageing and quality of inventory, to assess realisation options such as bulk sales, wholesale sales, or selling through the retail networks and preparing trading models to show possible realisations after costs of these options.
- Developing discounting and advertising strategies to maximise recoveries from inventory.
- Monitoring sell through rates and replenishing stores in AU and NZ where necessary.
- Considering offers from third parties for bulk lots compared with realising stock through the Ziera retail networks.

Employees

- Ensuring all employees were made aware of their rights and obligations following the appointment of the Administrators, the manner in which the administration process affects their entitlements, and responding to employee enquiries, via direct contact, email, staff meetings and Q&A documents.
- Reviewing employee files and Ziera's books and records to understand employment details, and liaising with Ziera's payroll staff on an ongoing basis.
- Preparing and filing an application to Court to seek an extension to the 14 day notice period for staff under s239Y(3) of the Act.
- Preparing employee retention and termination letters for both casual and permanent employees.
- Liaising with legal advisors regarding employee entitlements and drafting and issuing correspondence to employees where necessary.
- Paying accrued employee entitlements for the post-administration period as well as certain pre-administration preferential entitlements.

Creditors

- Reviewing books and records and issuing notices of appointment and a first circular to creditors convening the First Meetings of Creditors.
- Convening and chairing the First Meetings of Creditors.
- Preparing and filing an application to Court to seek an extension of the convening period for the Watershed Meeting.
- Preparing the Administrators' Report (i.e. this Report) pursuant to section 239AU of the Companies Act 1993 including:
 - undertaking investigations;
 - making a recommendation to creditors on the future of Ziera; and
 - convening the Watershed Meeting.
- Reviewing indicatively the books and records and any proofs of debt received, in order to form a view on the value of the unsecured creditor claims. Liaising with material creditors where the Administrators disagreed with claims submitted.
- Liaising with PMSI creditors identified from searches of the PPSR in relation to goods supplied under security arrangements.
- Assessing, reviewing and adjudicating claims for retention of title, liaising with claimants and maintaining a register of claims.
- Corresponding with creditors in response to their enquiries. This included extensive correspondence with specific material creditors, including inventory suppliers, freight forwarders, global agents, IT and advertising services providers with large balances outstanding.
- Obtaining legal advice in relation to queries from, and disputes with, suppliers and creditors as necessary.
- Maintaining and updating an estimated outcome statement to assess estimated outcomes to different classes of creditors throughout the administration process.

Sale process



7. Sale process

Bidders were interested in acquiring Ziera's intellectual property only, rather than the broader business, resulting in all staff being made redundant and all stores being closed.

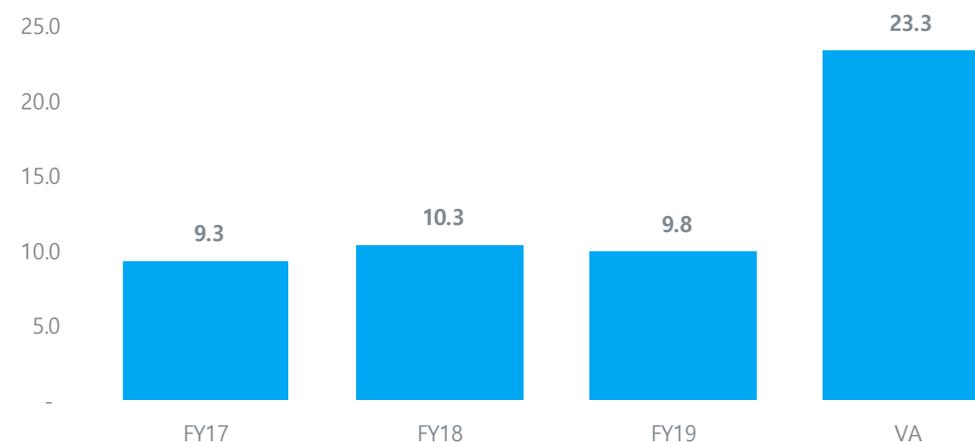
Process run by Administrators

- Shortly after appointment, the Administrators commenced an accelerated sale process for Ziera's business and assets, targeting trade buyers and private equity investors. The administration attracted significant media attention, with the sale being reported throughout Australia and New Zealand.
- The week that the Administrators were appointed was also the week that orders were due to be placed with factories to manufacture the Autumn/Winter 2020 season. We could not place these orders, meaning that the factories had no work to commence. It was therefore necessary to run an accelerated process to preserve the purchaser's ability to manufacture stock in time, otherwise value could be lost.
- The Administrators also needed clarity around whether a sale would include or exclude inventory, which would impact our trading strategy.
- The sale process targeted more than 45 parties. Of these, 20 signed confidentiality deeds and were provided access to a virtual data room. We received four realistic indicative bids (and a number of under-value bids) and conducted further due diligence with these four parties, including site visits. In general, interest was limited to Ziera's brands and intellectual property.
- All parties ran over time compared with the original timetable set by the Administrators, delaying our ability to commence a full discounting strategy to realise inventory. A new deadline was imposed, and a sale and purchase agreement was executed with the highest bidder that met this deadline, Styling Services N.Z. Limited, a subsidiary of MFG. The sale was signed on 15 November and settled on 18 November 2019, for consideration of A\$750,002 (plus GST). The sale effectively included all intellectual property of the Group.
- The Administrators are pleased that the Ziera and Kumfs brands will continue with Styling Services. Styling Services is one of Australia's largest wholesale footwear businesses, holding footwear brands including Django and Juliette, I Love Billy, Colorado, Diana Ferrari, Mollini, Gamins, Top End, Silent D and Supersoft by Diana Ferrari.

Sale excluded inventory

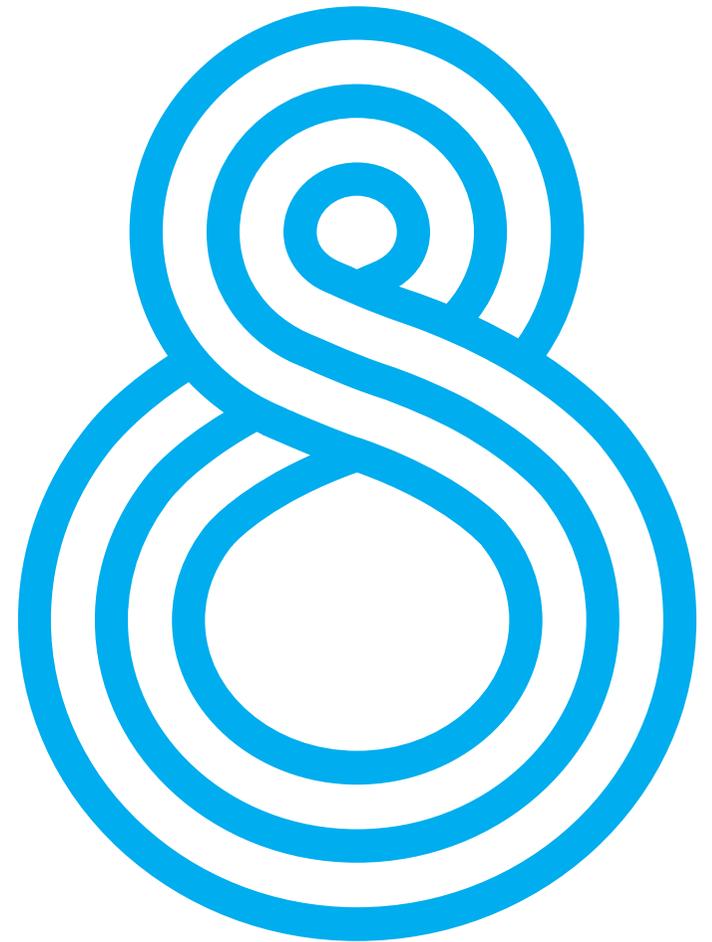
- The sale did not include inventory (minor amounts were subsequently acquired by MFG). All offers for inventory received from parties were at a significant discount to estimated realisations using the retail networks, net of costs.
- Consequently, the Administrators implemented a significant discounting and promotional strategy to sell inventory through the Ziera retail network and online in the most efficient manner possible. This process resulted in sales during the period of administration of \$23m. This result is compared to the same period in the previous three years in the chart below. As shown, the sales during the administration were more than double previous years, albeit at lower margins due to discounting.

Sales comparison (NZ\$m)



Source: extracted from Ziera management information system, note includes Australia and New Zealand

Investigations



8. Investigations

This section of the Report informs creditors about the investigations undertaken by the Administrators to date, and sets out whether any potential recovery actions have been identified that may be available to a liquidator to pursue for the benefit of creditors.

Overview

- The Administrators have undertaken preliminary investigations on whether there are any potential recoveries or actions available in a liquidation, or any transactions that appear to be voidable pursuant to the Act whereby a liquidator (if appointed) may be able to recover money or property for the benefit of creditors.
- These investigations enable the Administrators to form an opinion on each of the three possible options available to creditors to vote at the Watershed Meetings, including an opinion as to which of the three options is in the best interests of creditors.
- However, in this context, we note that there is practically only one option available to creditors: to resolve to appoint liquidators to each of the Companies. This is because no DOCA has been proposed, and returning the Companies to the Directors is impractical as the Companies are insolvent.
- Nevertheless, we report on our initial investigations in order to provide creditors with full information regarding the administration and what may be considered in a liquidation. In the event liquidators are appointed to the Companies, further investigations will need to be undertaken pursuant to the statutory duties and powers that liquidators have under the Act.

Investigations undertaken

The Administrators' investigations undertaken include, but were not limited to:

- reviewing and analysing Ziera's financial accounting information and other books and records;
- reviewing IRD records;
- discussions with certain Board members;
- discussions with management;
- analysing various banking and loan facilities and other financing arrangements;
- considering cash and funding available to Ziera and its timeliness of payments to creditors; and
- conducting PPSR searches.

Adequacy of books and records

- Pursuant to section 194 of the Act, the board of a company is required to ensure that accounting records are maintained that correctly record and explain the company's transactions, financial position and performance, and that would enable financial statements to be prepared and audited.
- If the board fails to maintain books and records in accordance with section 194, each director commits an offence and is liable on conviction to a penalty not exceeding \$50,000 pursuant to section 374 (3) of the Act.
- Based on the books and records of Ziera provided to us, the Administrators are of the opinion that the books and records are adequate pursuant to section 194 of the Act.

Determining the date of insolvency

- An insolvent company is one that is unable to pay its debts when they fall due for payment, or is one where its liabilities exceed its assets. It is important to understand the timing of insolvency, because it can provide opportunities for a liquidator to pursue certain claims against parties that would not otherwise be available if the company was solvent.
- On 24 September 2019 the respective boards resolved that, in the opinion of the directors, the Companies were, or might become, insolvent and responded by appointing the Administrators. This is therefore the latest date that we could determine as Ziera becoming insolvent.

Cash flow solvency

- The Board considered the Group's cash flow and forecasts at board meetings, confirming in the minutes that the Group was solvent and was meeting its obligations as they fell due. Our initial analysis supports this position. We have observed that Ziera:
 - was meeting all of their obligations to the IRD for PAYE, GST, and other taxes on time;
 - was meeting all of their obligations to trade creditors. As at 31 August 2019, over 90% of creditors were aged less than 30 days; and
 - had not received any demands from any creditors in relation to late payment.

8. Investigations

The Administrators' preliminary investigations indicate that Ziera may have become insolvent only upon appointment of Administrators, when contingent liabilities crystallised. The Administrators have also identified one potentially voidable transaction, which we would pursue as liquidators.

Balance sheet solvency

- The balance sheet test specifies that a person or company is insolvent if its total liabilities (including contingent liabilities) exceed the value of its total assets; i.e. there are insufficient assets to discharge its liabilities at a point in time.
- Summarised in section 4 are Ziera's statements of financial position, as recorded in its management accounts as at 31 July 2019 (being the last set of monthly accounts prepared prior to the Appointment Date).
- As shown in section 4, Ziera's assets were greater than their liabilities, with c\$15m of net assets. If the business had been able to be sold as a going concern, with value derived for store fit-outs and leases assigned, then contingent liabilities would not have crystallised.
- Consequently, it appears that Ziera's insolvency was caused by the crystallisation of contingent liabilities, being staff redundancies, claims by landlords for future rents and creditors for future orders, and the inability to derive value from the plant and equipment, due to there being no purchaser for the business as a whole.
- In the event that the Companies enter liquidation, further analysis would be performed by the appointed liquidator to apply adjustments to the balance sheet in order to assess the date at which the Companies became balance sheet insolvent.

Administrators' initial conclusions regarding solvency

- Solvency is a question of fact to be ascertained from a consideration of a company's financial position as a whole. The Administrators' preliminary investigations indicate that, had Ziera kept trading and incurring losses, the Companies would have become insolvent as these trading losses accumulated. Based on the cash flow and balance sheet solvency considerations above, the Administrators' initial view as to the date of insolvency is that Ziera may have become insolvent upon appointment of Administrators, when contingent liabilities were crystallised and subsequently when it became apparent that a sale of the business as a whole would not occur.

Voidable transactions

- In the event that the Companies are put into liquidation, certain transactions that occurred prior to appointment where property of the Companies was disposed of or dealt with, may be recovered by a liquidator. These are known as voidable transactions and include:
 - preferential payments, i.e. insolvent transactions;
 - transactions at an undervalue;
 - unreasonable director-related transactions;
 - creation of a charge over any property; and
 - transactions for the purpose of defeating creditors.
- For the purposes of voidable transactions, the "specified period", being the relevant time period in which transactions may be deemed to be voidable transactions under the Act, is generally two years before the date a company is put into liquidation (or the date an application is filed to place the company in liquidation).
- There are a number of statutory defences available under the Act to counterparties of voidable transactions. Specifically, section 296(3) of the Act provides that a court must not order repayment by a party who proves that, when it received the payment:
 - it acted in good faith; and
 - there were no reasonable grounds to suspect, and it did not suspect, that the company was, or would become, insolvent; and
 - it either gave value for the payment or altered its position in the reasonably held belief that the payment was validly made and would not be set aside.
- The Administrators are not aware of any creditors who suspected that Ziera was insolvent at the time payments were received by creditors. This is because payments were made in the ordinary course of business as and when they fell due.
- The Administrators also reviewed payments made in months prior to Administration, and have identified one specific payment that appears outside of the ordinary course of business. As liquidators, we would pursue recovery of this payment.
- As voidable transactions can only be pursued by a liquidator, further investigations would be required by the appointed liquidator to determine whether any voidable transaction claims exist, and whether or not they would be commercial to pursue.

8. Investigations

Directors' and Officers' responsibilities

- Sections 131 to 138 of the Act set out the duties, obligations and responsibilities imposed on directors, which are designed to promote good governance and ensure that directors act in the best interests of the company. These include duties of:
 - care, diligence and skill;
 - good faith; and
 - acting in the best interests of the company.
- If identified, an Administrator must, as soon as practicable, report to the Registrar any misconduct of a director, officer or shareholder of the company, pursuant to section 239AI of the Act.
- The Administrators' preliminary investigations have not identified any evidence of potential breaches pursuant to the Act. In the event that liquidators are appointed to the Companies, further investigations will need to be undertaken pursuant to the statutory duties liquidators have under the Act.

Alternatives available to creditors



9. Alternatives available to creditors

9.1 Recommended course of action: liquidation

The purpose of this section is to advise creditors of their options at the Watershed Meeting and highlight the Administrators' recommended option. In the absence of a DOCA proposal, and with the businesses insolvent, the Administrators recommend that creditors vote for each of the Companies to be placed into liquidation. There are no other viable options at this time.

Alternative courses of action

- The primary purpose of the Watershed Meeting is for creditors to vote on the future of the Companies. The Administrators are required to provide their opinion as to whether it would be in the creditors' interests for:
 - Ziera to execute a DOCA; or
 - the administrations to end, with control of Ziera reverting to the Directors; or
 - a liquidator be appointed.
- The Administrators recommend that creditors vote for the third option, to appoint liquidators to each of the Companies, for the reasons set out below.

Deed of Company Arrangement (DOCA)

- A DOCA is a binding arrangement between a company and its creditors governing how the company's affairs will be dealt with. It aims to maximise the chances of the company, or as much as possible of its business, continuing, or to provide a better return for creditors than an immediate liquidation.
- To date, no DOCA proposal has been put forward to the Administrators for their consideration. The reason for this is that the Companies could not be rehabilitated to continue trading due to the significant downturn in performance for the reasons outlined in section 5.2 and the capital that would have been required for a turnaround being unavailable. As a result, the only practical option was to sell the assets of the Companies. The legal entities, however, cannot be rehabilitated due to the significant claims against them.
- As such, there is no DOCA proposal on which the Administrators can report or provide an opinion on, or on which creditors can vote. This option is therefore not available.

Administration to end

- Creditors may consider ending the administrations and returning control of Ziera to the Directors. We do not believe this to be a commercially viable option, given the Companies have insufficient funds to meet creditor liabilities and are therefore insolvent.
- In our opinion, it is not in the best interests of creditors to vote for the administrations to end.

That a liquidator be appointed

- An administrator would usually recommend that creditors vote for an insolvent company to be put into liquidation in the absence of an acceptable DOCA proposal. The liquidation of Ziera would involve:
 - further enquiries into potential insolvent trading and voidable transactions; and
 - adjudicating creditor claims and payment of dividends.
- Given Ziera is insolvent and no DOCA has been proposed, **the Administrators recommend that creditors vote in favour of each of the Companies being placed into liquidation.** The Administrators consider this to be the only viable option at this time.

Return to creditors

- Preferential creditors rank ahead of secured and unsecured creditors for distribution purposes against the net proceeds of realisation from pre-appointment inventory, work in progress and accounts receivable. Employees have had, or will have, their preferential entitlements paid in full. We are assessing preferential IRD claims, which are also expected to be paid in full.
- The Secured Creditor holds "all present and after acquired security interests" in Shoes and Retail NZ, with their debt cross-collateralised across these entities. As previously noted, we expect the Secured Creditor to be paid in full.
- Therefore, we expect there to be funds available to unsecured creditors. **We currently estimate that unsecured creditors of Shoes could recover between 45 and 60 cents in the dollar and of Retail NZ could recover between 15 and 20 cents in the dollar,** subject to final recoveries, costs, and claims being assessed.
- Any further recovery for unsecured creditors is dependent on actions that become available in the liquidation, such as voidable transactions claims or legal actions. We provide an overview of our high-level investigations to date in this regard in section 8.

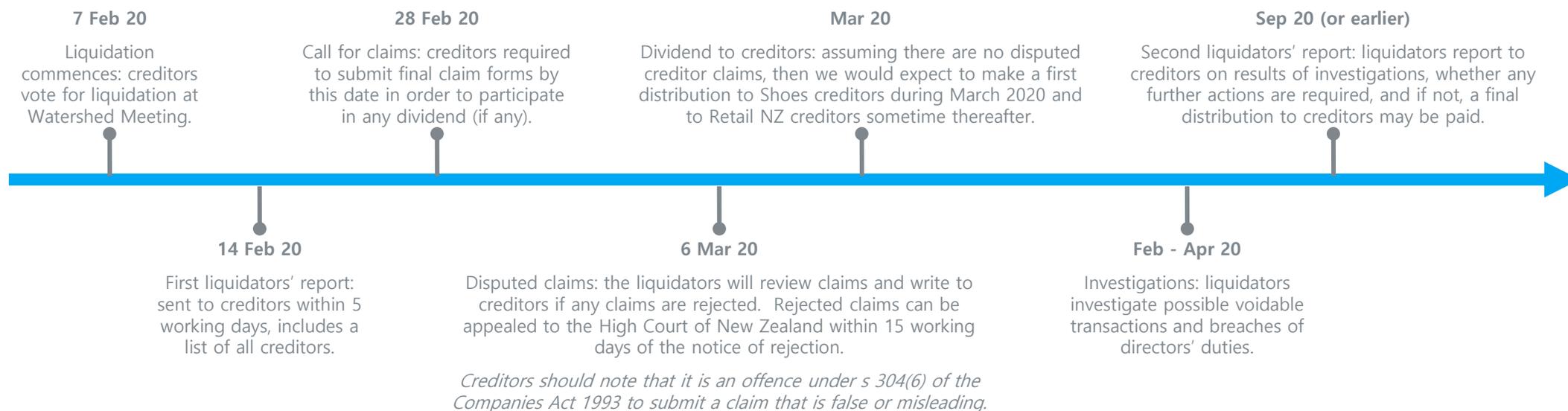
9. Alternatives available to creditors

9.2 Expected conduct of liquidation

Assuming creditors vote for liquidation and that we are appointed as liquidators, we expect to make a distribution to Shoes creditors during March 2020 and to Retail NZ creditors sometime thereafter. We will also further investigate whether there were any breaches of directors' duties, voidable transactions, or any other matters that may increase returns to creditors.

Expected conduct if the Administrators are appointed as liquidators

- **As liquidators, our primary goal will be to make a distribution to Shoes and Retail NZ creditors as efficiently and expeditiously as possible.** We appreciate that creditors, including stock suppliers, service providers and employees whose entitlements are above the preferential cap have been severely affected by Ziera's insolvency. Making an interim distribution to these creditors will therefore be our first priority.
- Set out below is an expected timeline of the liquidation. If the timetable can be shortened, we will expedite the process to ensure distributions can be made as soon as possible. Appendix 4 includes further details of work to be completed in the Administration or subsequent liquidation.



Appendices



Appendix one

Shoes receipts and payments for the period 24 September 2019 to 24 January 2020

Ziera Shoes NZ Ltd receipts and payments for period 24 Sep 2019 to 24 Jan 2020

GST exclusive	NZ\$
Receipts	
Sales	7,288,705
Pre-appointment debtor receipts	3,011,246
Sale of business	799,071
Cash at bank on appointment	455,719
Close out FX positions on appointment	430,164
Shared services charge	154,888
Other income	8,871
Total receipts	12,148,663
VA costs	
Appointee fees and disbursements	(866,561)
Legal fees and disbursements	(102,535)
Total VA costs to date	(969,096)
GST	(1,200,457)
Freight	(999,676)
Wages & salaries	(991,239)
Preferential payments to employees	(578,156)
Stock purchases	(420,897)
IT costs	(298,608)
Preferential payments to IRD/Customs	(190,078)
Rent & rates	(129,533)
Net FX gain/(loss)	(97,393)
Printing and stationary	(45,614)
Advertising	(45,561)
Contractors, consulting and accounting costs	(41,838)
Other costs	(40,074)
Other premises costs	(32,860)
Telephone & internet	(18,334)
Light, power & heating	(15,565)
Total payments	(6,114,981)
Cash at bank as at 24 January 2020	6,033,682

- Note that the funds available for creditors of Shoes will be higher than the cash at bank figure reported opposite. This is because certain proceeds from Retail AU selling inventory on behalf of Shoes has not yet been transferred from Retail AU to Shoes.
- In addition, there are further assets to realise, including plant and equipment belonging to Shoes to be auctioned in February, and debtors to be collected.
- A schedule of remuneration method, hourly rates and disbursements was tabled at the First Meeting of Creditors. A summary of the hourly rates and disbursements is set out in appendix two.
- Note that appointee fees do not agree to the detail shown in appendix two, as the receipts and payments schedule is prepared on a cash basis and \$147,298 fees were paid on 29 January 2020.

Appendix one

Retail NZ receipts and payments for the period 24 September 2019 to 24 January 2020

Ziera Retail NZ Ltd receipts and payments for period 24 Sep 2019 to 24 Jan 2020	
GST exclusive	NZ\$
Receipts	
Sales	4,740,220
GST	528,715
Cash at bank on appointment	7,318
Other income	707
Total receipts	5,276,961
VA costs	
Appointee fees and disbursements	(408,312)
Legal fees and disbursements	(74,341)
Total VA costs to date	(482,653)
Wages & salaries	(932,439)
Rent & rates	(480,709)
Preferential payments to employees	(409,543)
Contractors, consulting and accounting costs	(157,779)
Shared services charge	(154,888)
Bank fees	(74,353)
Advertising	(48,022)
Store costs	(37,305)
Other costs	(4,260)
Total payments	(2,781,952)
Cash at bank as at 24 January 2020	2,495,009

- A schedule of remuneration method, hourly rates and disbursements was tabled at the First Meeting of Creditors. A summary of the hourly rates and disbursements is set out in appendix two.
- Note that appointee fees do not agree to the detail shown in appendix two, as the receipts and payments schedule is prepared on a cash basis and \$73,866 fees were paid on 29 January 2020.

Appendix one

Kumfs Group and Kumfs Brand receipts and payments for the period 24 September 2019 to 24 January 2020

Kumfs Group Limited receipts and payments

For the period 24 September 2019 to 24 January 2020 **NZ\$**

Receipts

Cash on hand at appointment 6,564

Payments

Bank charges (34)

Funds held at 24 January 2020 **6,530**

Kumfs Group receipts and payments (opposite)

- Note Kumfs Group's only assets and liabilities are inter-company debtors and creditors, other than cash at bank on appointment. Consequently, these funds will be distributed to creditors via Shoes and Retail NZ once in liquidation.

Kumfs Brand receipts and payments

- We have not reported a separate receipts and payments schedule for Kumfs Brand. This is because the receipts and payments of Kumfs Brand does not have an impact on returns to creditors of other Group entities.
- Kumfs Brand's only material asset was the ownership of the Ziera and Kumfs brands, as well as a small \$11,913 inter-company debt owed by Kumfs Group. The brands were sold to MFG, but the sale did not specify an allocation of the purchase price between the brands and other assets sold. Consequently, all of the proceeds of the sale have been allocated to Shoes.
- Kumfs Brand's only liability is an inter-company liability to Shoes of \$602,544. Consequently, if Kumfs Brand did have receipts, these would be distributed to Shoes as its sole creditor. This has the same effect as allocating the total proceeds from the sale of the business to Shoes.
- As all preferential and secured creditors will be paid and there is a surplus for unsecured creditors, the distinction between whether this quasi-distribution from Kumfs Brand to Shoes is a fixed or floating charge realisation to Shoes is inconsequential.
- Similarly, we have not apportioned the Administrators' fees and charges, or other trading costs, to this entity for the same reason.

Appendix two

Explanation of hourly rates

Our hourly rates are set out in the table below, together with a general guide showing the qualifications and experience of staff and the role they take in the external administration. The hourly rates charged encompass the total cost of providing professional services and should not be compared to an hourly wage.

Title	Guide to qualifications and role	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

Title	Guide to qualifications and role	Hourly rate (excl GST)
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

Appendix two

Explanation of Disbursements

Disbursements are divided into three types:

- Externally provided professional services – these are recovered at cost. An example of an externally provided professional service disbursement is legal fees.
- Externally provided non-professional costs – such as travel, accommodation, external printing services and search fees, which are also recovered at cost.
- Internal disbursements – office service charge, which includes the cost of photocopying, printing, postage, telecommunications and other fixed and variable overheads.

Disbursement	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*	\$0.68-\$1.09 per KM, depending on the size of the vehicle's engine
Internal disbursements: conference calls	At cost

Appendix two

Shoes time costs for the period 24 September 2019 to 28 January 2020

The Administrators have carefully analysed time costs in detail, to ensure that time costs have been fairly allocated to Shoes or Retail NZ. No specific time was required to be spent in relation to Kumfs Group or Kumfs Brand.

Ziera Shoes NZ Ltd time costs for the period 24 September 2019 to 28 January 2020															
Position	\$/hour (excl GST)	Administration		Creditors		Asset realisation		Investigations		Trading		Reporting		Total	
		Hours	Fees (\$)	Hours	Fees (\$)	Hours	Fees (\$)	Hours	Fees (\$)	Hours	Fees (\$)	Hours	Fees (\$)	Hours	Fees (\$)
Partner	640	25.9	16,546	45.0	28,823	148.8	95,217	2.8	1,760	59.3	37,934	36.8	23,522	318.4	203,802
Director	545	31.4	17,097	47.3	25,792	108.0	58,886	5.0	2,698	461.8	251,707	9.4	5,106	662.9	361,285
Manager	420	19.8	8,305	129.9	54,559	58.7	24,665	1.3	525	458.7	192,657	40.6	17,056	709.0	297,766
Senior Analyst	295	6.3	1,872	105.7	31,175	8.4	2,463	26.8	7,906	221.3	65,287	1.3	388	369.8	109,091
Administrator	275	10.4	2,862	-	-	-	-	-	-	1.7	457	0.7	200	12.8	3,518
Secretary	170	28.2	4,795	1.1	193	-	-	-	-	-	-	-	-	29.3	4,988
Total (excl GST)		122.0	51,477	329.1	140,541	323.9	181,230	35.8	12,889	1,202.8	548,041	88.8	46,271	2,102.2	980,450

Disbursements at cost for the period 24 September 2019 to 28 January 2020

\$	Total
Office service charge	29,413
Travel	2,637
Statutory advertising	726
Staff expenses	303
Meals	186
Couriers	144
Total (excl GST)	33,410

The Administrators declare that all disbursements were necessary and proper

Appendix two

Retail NZ time costs for the period 24 September 2019 to 28 January 2020

Ziera Retail NZ Ltd time costs for the period 24 September 2019 to 28 January 2020															
Position	\$/hour (excl GST)	Administration		Creditors		Asset realisation		Investigations		Trading		Reporting		Total	
		Hours	Fees (\$)	Hours	Fees (\$)	Hours	Fees (\$)	Hours	Fees (\$)	Hours	Fees (\$)	Hours	Fees (\$)	Hours	Fees (\$)
Partner	640	25.5	16,350	6.6	4,201	19.3	12,367	1.8	1,120	30.8	19,730	25.4	16,286	109.5	70,054
Director	545	30.2	16,475	20.1	10,941	16.3	8,858	0.5	245	227.6	124,016	6.1	3,342	300.7	163,877
Senior Manager	480	-	-	-	-	-	-	-	-	2.8	1,344	-	-	2.8	1,344
Manager	420	21.7	9,125	76.6	32,171	19.3	8,095	0.2	63	190.5	80,007	13.1	5,498	321.3	134,960
Senior Analyst	295	11.3	3,320	48.5	14,314	0.7	192	22.0	6,490	211.0	62,242	2.7	792	296.1	87,350
Administrator	275	9.7	2,666	-	-	-	-	-	-	0.9	258	0.6	158	11.2	3,082
Secretary	170	22.7	3,858	4.2	708	-	-	-	-	-	-	-	-	26.9	4,566
Total (excl GST)		121.1	51,793	155.9	62,336	55.5	29,512	24.4	7,918	663.6	287,597	47.9	26,076	1,068.5	465,233

Disbursements at cost for the period 24 September 2019 to 28 January 2020

\$	Total
Office service charge	13,957
Travel	1,753
Statutory advertising	874
Couriers	156
Staff expenses	151
Meals	54
Total (excl GST)	16,945

The Administrators declare that all disbursements were necessary and proper

Appendix three

Shoes description of work completed from 24 September 2019 to 24 January 2020

Description of work completed	
Task area	General description
Administration	<ul style="list-style-type: none"> ▪ Plan staff allocations and responsibilities ▪ Prepare appointment documents and notices to creditors/employees ▪ Arrange travel to sites ▪ Respond to media enquiries and issue releases where appropriate
Sale of business	<ul style="list-style-type: none"> ▪ Preparing and coordinating limited advertising and issuing releases to deliver media coverage of the business being for sale ▪ Marketing the business to targeted potential interested parties ▪ Preparing a teaser and trading update for interested parties ▪ Compiling due diligence information and set up of virtual data room ▪ Liaising with potential purchasers ▪ Conducting due diligence process and answering detailed purchaser enquiries ▪ Managing site visits from purchasers and management presentations ▪ Drafting legal documentation with assistance from legal advisors ▪ Negotiating sale conditions with purchasers and their legal advisors ▪ Providing assistance post-completion to the purchaser to transfer assets ▪ Advising wholesale customers of the sale of the brands ▪ Reporting to the secured creditor regarding the sale process and seeking their consent and partial release of security ▪ Obtaining plant and equipment liquidation proposals from auctioneers

Description of work completed	
Task area	General description
Creditors	<ul style="list-style-type: none"> ▪ Claims <ul style="list-style-type: none"> – Recording, filing and tabulating creditor claim forms – Considering the value to assign to contingent claims – Responding to creditor queries re the status of claims ▪ Enquiries <ul style="list-style-type: none"> – Responding to numerous creditor enquiries received – Uploading relevant creditor information to McGrathNicol website – Distributing information regarding extension of convening period ▪ Meetings <ul style="list-style-type: none"> – Preparing and submitting an application for an extension of the convening period – Preparing statutory advertising and meeting notices for publication – Arranging meeting venue and coordinate requirements – Emailing notification to all individual creditors of first creditors meeting details, including provision of proxies, voting slips etc – Preparation of first creditors meeting presentation – Attending and chairing the creditors meeting, tabulating votes – Drafting meeting minutes – Drafting this Report and distributing it to creditors in advance of the Watershed Meeting ▪ PPSR Creditors <ul style="list-style-type: none"> – Conducting searches of the PPSR – Issuing PPSR questionnaires to all parties with a registered security interest – Identifying machinery on site secured by PPSR registrations and cross referencing details – Determining validity of PPSR registrations and settling valid security interests

Appendix three

Shoes description of work completed from 24 September 2019 to 24 January 2020

Description of work completed	
Task area	General description
Employees	<ul style="list-style-type: none"> ▪ Meeting with all employees to advise of the Administration and providing updates throughout the process ▪ Obtaining details of all employment contracts and collective agreements ▪ Liaising with union members and representatives ▪ Calculating employee entitlements due (preferential and unsecured) and paying certain employee preferential entitlements ▪ Receiving and responding to numerous employee enquiries ▪ Reviewing and preparing correspondence to employees ▪ Obtaining Court approval for an extension pursuant to section 239Y of the Companies Act 1993 ▪ Reviewing health and safety controls ▪ Seeking specialist employment law advice ▪ Terminating employment contracts when reductions in business activity caused certain roles to become redundant
Trading	<ul style="list-style-type: none"> ▪ On-going operational management of the business ▪ Establishing accounting cut-off ▪ Freezing bank accounts, opening new administration bank accounts and establishing administrators and authorised agents as signatories ▪ Monitoring account balances and investing available funds ▪ Establishing new purchasing authorities ▪ Establishing an administration purchase order system and communicating with suppliers ▪ Regularly liaising with management and staff and attending sites ▪ Preparing and updated trading cash flow forecasts ▪ Reviewing and approving monthly expense payments, including payroll ▪ Maintaining account records of the administration ▪ Reviewing and filing IRD returns ▪ Managing ongoing trading issues ▪ Negotiating release of stock held by carriers exercising a carriers' lien ▪ Negotiating the acquisition of further inventory from suppliers

Description of work completed	
Task area	General description
Trading continued	<ul style="list-style-type: none"> ▪ Ensuring continuity of merchant services ▪ Operating the Ziera webstore ▪ Review and adjusting digital advertising strategies to maximise returns ▪ Assessing how and where to allocate stock to AU and NZ retail stores ▪ Considering stock discounting and realisations strategies, including assessing bulk-lot offers ▪ Establishing new terms of trade with wholesale customers, including requiring executing of guarantees to continue supplying ▪ Facilitating the registration of PPSR charges against wholesale customers for ongoing sales ▪ Engaging with franchisees regarding ongoing trading and arrears ▪ Collecting debtors from wholesale customers and arranging payment plans, where necessary ▪ Determining, and advising wholesale customers of, updated pricing

Appendix three

Retail NZ description of work completed from 24 September 2019 to 24 January 2020

Description of work completed	
Task area	General description
Administration	<ul style="list-style-type: none">▪ As per Shoes, and in addition:▪ Arranging for attendance at all stores on Day 1 to advise staff of the administration, conduct a high-level stock date, and secure assets
Sale of business	<ul style="list-style-type: none">▪ As per Shoes, and in addition:▪ Contacting potential parties interested in leases and working to obtain lease assignments, where possible
Creditors	<ul style="list-style-type: none">▪ As per shoes, and in addition:▪ Liaising with landlords to advise of the appointment▪ Updating landlords as to likely store closure dates▪ Considering landlords' contingent claims for future lost rent
Employees	<ul style="list-style-type: none">▪ As per shoes, and in addition:▪ Hiring additional temporary staff where necessary due to the increase in trading at stores
Trading	<ul style="list-style-type: none">▪ As per shoes, and in addition:▪ Modelling store by store performance net of four wall costs▪ Monitoring store performance on a daily basis and planning and executing the closure of underperforming stores

Appendix four

Summary of work to be completed

Note the work to be completed below excludes the work that would be undertaken by the liquidator, discussed in section 9.2.

Description of Shoes work to be completed		Description of Retail NZ work to be completed	
Task area	General description	Task area	General description
Work to be completed	<ul style="list-style-type: none">▪ Realise residual assets, including plant and equipment located at the head office and distribution centre▪ Invoice and collect costs to be reimbursed by purchaser under transitional arrangements▪ Manage handover of intellectual property to MFG following completion of trading through stores and online▪ Review and pay remaining preferential creditors (including IRD)▪ Complete and file IRD returns▪ Respond to correspondence from creditors▪ Comply with statutory reporting requirements▪ Review and pay outstanding creditor invoices incurred during the administration▪ Collect wholesale customer and franchisee debtors globally	Work to be completed	<ul style="list-style-type: none">▪ Liaise with landlords regarding validity of any bonds called▪ Review and pay remaining preferential creditors (including IRD)▪ Complete and file IRD returns▪ Respond to correspondence from creditors▪ Comply with statutory reporting requirements▪ Review and pay outstanding creditor invoices incurred during the administration

Appendix five

Summary financials – Kumfs Group Limited

A summary of Kumfs Group's (the parent company, not the consolidated Group) profit and loss and balance sheet for the financial years FY17 to FY19 is set out below.

Kumfs Group (parent) - financial position			
NZ\$'000	FY17	FY18	FY19
Current assets			
Cash and equivalents	143	7	7
Receivables	1,188	-	21
Current tax assets	330	1,612	12
Other assets	-	-	-
Total current assets	1,662	1,619	39
Non-current assets			
Intangible assets	-	-	97
Investment in controlled entities	24,112	24,112	24,112
Total non-current assets	24,112	24,112	24,210
Total assets	25,774	25,731	24,249
Liabilities			
Payables	1,554	1,510	-
Total liabilities	1,554	1,510	-
Net assets	24,220	24,221	24,249

Kumfs Group (parent) - financial performance			
NZ\$'000	FY17	FY18	FY19
Sales revenue	-	-	-
Other revenue	1,110	11	43
Total revenue	1,110	11	43
Expenses			
Cost of sales	-	-	-
Administration	(11)	(9)	(4)
Distribution	-	-	-
Marketing	-	-	-
Occupancy	-	-	-
Borrowing	-	-	(0)
Other	(200)	-	-
Total expenses	(210)	(9)	(4)
Profit/(loss) before tax	899	2	38
Income tax (expense)/benefit	(95)	(1)	(11)
Net profit/(loss) from continuing operations	804	2	28
FX on translation of foreign operations	-	-	-
Total comprehensive profit/(loss)	804	2	28

Source: Annual financial statements



Appendix five

Summary financials – Ziera Shoes NZ Limited

A summary of Shoe's profit and loss and balance sheet for the financial years FY17 to FY19 and FY20YTD is set out below.

Shoes - financial position				
NZ\$'000	FY17	FY18	FY19	FY20YTD
Current assets				
Cash and equivalents	1,684	2,673	2,032	141
Receivables	32,622	36,421	16,037	39,044
Inventory	9,479	8,521	9,481	6,853
Other financial assets	388	-	1	-
Other assets	1,857	706	551	285
Total current assets	46,031	48,321	28,102	46,323
Non-current assets				
Deferred tax assets	130	116	7,052	98
Plant and equipment	1,220	1,163	1,314	1,623
Intangible assets	294	168	271	-
Total non-current assets	1,644	1,447	8,637	1,721
Total assets	47,675	49,768	36,739	48,044
Liabilities				
Payables	4,863	4,251	6,915	2,523
Borrowings	-	-	2,885	2,748
Provisions	511	430	448	200
Current tax liabilities	-	800	-	-
Other liabilities	205	80	145	441
Total liabilities	5,579	5,562	10,394	5,913
Net assets	42,096	44,206	26,345	42,131

Note: FY19 annual financial statements include a provision for doubtful debts from Retail AU, which is not reflected in FY20YTD management accounts

Source: Annual financial statements and FY20YTD management accounts

Shoes - financial performance				
NZ\$'000	FY17	FY18	FY19	FY20YTD
Revenue	28,437	30,385	30,912	15,023
Cost of sales	(14,812)	(15,750)	(18,102)	9,187
Gross profit	13,626	14,635	12,809	5,837
Interest income	694	41	6	2
Dividend income	-	0	0	-
Other revenue	1,096	1,506	1,901	804
Gross profit after other revenue	15,416	16,183	14,717	6,643
Expenses				
Administration	(6,345)	(5,781)	(6,259)	(3,356)
Distribution	(2,852)	(2,845)	(2,923)	(1,510)
Marketing	(1,846)	(2,747)	(3,657)	(1,855)
Operating	(1,320)	(878)	(1,043)	(378)
Occupancy	(516)	(538)	(452)	(320)
Finance	(126)	(136)	(211)	-
Other	(3,636)	(324)	(4,112)	(457)
Total expenses	(16,641)	(13,249)	(18,656)	(7,876)
Profit/(loss) before tax	(1,226)	2,933	(3,939)	(1,234)
Income tax (expense)/benefit	369	(823)	1,096	
Total comprehensive profit/(loss)	(857)	2,110	(2,844)	(1,234)

Appendix five

Summary financials – Ziera Retail NZ Limited

A summary of Retail NZ's profit and loss and balance sheet for the financial years FY17 to FY19 and FY20YTD is set out below.

Retail NZ - financial position				
NZ\$'000	FY17	FY18	FY19	FY20YTD
Current assets				
Cash and equivalents	80	59	70	67
Receivables	2,713	3,200	3,319	3,280
Inventories	2,807	2,456	3,527	3,433
Current tax assets	455	172	205	219
Other assets	26	16	16	34
Total current assets	6,081	5,904	7,138	7,033
Non-current assets				
Plant and equipment	2,021	1,810	2,268	2,305
Intangible assets	210	164	143	-
Other assets	57	38	25	11
Total non-current assets	2,289	2,012	2,436	2,316
Total assets	8,369	7,916	9,574	9,349
Liabilities				
Payables	10,698	10,655	12,765	13,403
Provisions	218	203	248	157
Total liabilities	10,916	10,858	13,013	13,560
Net assets	(2,547)	(2,942)	(3,439)	(4,211)

Retail NZ - financial performance				
NZ\$'000	FY17	FY18	FY19	FY20YTD
Sales income	11,198	11,232	11,602	5,465
Cost of sales	(5,424)	(5,478)	(5,684)	(2,713)
Gross profit	5,773	5,754	5,918	2,752
Other income	134	284	157	20
Administration expenses	(3,689)	(3,626)	(3,917)	(1,734)
Marketing expenses	(782)	(383)	(387)	(187)
Occupancy expenses	(2,043)	(1,908)	(1,953)	(1,283)
Other expenses	(999)	(668)	(508)	(339)
Total expenses	(7,514)	(6,585)	(6,765)	(3,543)
Profit/(loss) before tax	(1,606)	(547)	(689)	(772)
Income tax (expense)/benefit	444	152	192	-
Total comprehensive profit/(loss)	(1,163)	(394)	(497)	(772)

Source: Annual financial statements and FY20YTD management accounts



Appendix five

Summary financials – Kumfs Brand Limited

A summary of Kumfs Brand's profit and loss and balance sheet for the financial years FY17 to FY19 is set out below.

Kumfs Brand - financial position			
NZ\$'000	FY17	FY18	FY19
Assets			
Receivables	10	11	12
Current tax assets	1	1	3
Total assets	11	12	15
Liabilities			
Payables	581	585	596
Total liabilities	581	585	596
Net assets	(569)	(573)	(581)

Kumfs Brand - financial performance			
NZ\$'000	FY17	FY18	FY19
Income	0	0	0
Brand development costs	(14)	(2)	(0)
Other expenses	(3)	(3)	(10)
Total expenses	(16)	(5)	(10)
Profit/(loss) before tax	(16)	(5)	(10)
Income tax (expense)/benefit	1	1	3
Total comprehensive profit/(loss)	(16)	(4)	(8)

Appendix five

Summary financials – Ziera Retail Australia Pty Limited

A summary of Retail AU's profit and loss and balance sheet for the financial years FY17 to FY19 and FY20YTD is set out below.

Retail AU - financial position				
AU\$'000	FY17	FY18	FY19	FY20YTD
Current assets				
Cash and equivalents	1,079	609	503	581
Receivables	9	5	44	17
Inventories	3,430	4,050	4,258	3,694
Other assets	37	45	43	53
Total current assets	4,556	4,710	4,848	4,346
Non-current assets				
Plant and equipment	2,504	2,532	2,563	2,442
Intangible assets	328	289	167	100
Other assets	23	-	-	-
Total non-current assets	2,855	2,821	2,730	2,542
Total assets	7,411	7,531	7,579	6,888
Liabilities				
Payables	17,624	19,574	21,711	22,080
Loan from NZ companies	3,188	3,188	3,188	3,188
Employee benefits	528	521	631	845
Other financial payables	42	45	50	45
Total liabilities	21,383	23,329	25,581	26,158
Net assets	(13,972)	(15,798)	(18,002)	(19,270)

Retail AU - financial performance				
AU\$'000	FY17	FY18	FY19	FY20YTD
Revenue	17,131	17,659	18,077	8,096
Costs of goods sold	(7,555)	(7,853)	(8,234)	(3,791)
Gross profit	9,576	9,806	9,843	4,305
Other income	130	106	-	260
Employee benefits expense	(5,004)	(5,018)	(5,006)	(2,449)
Depreciation, amortisation and impairments	(455)	(503)	(544)	-
Finance costs	(151)	(11)	-	-
Marketing costs	(952)	(591)	(572)	(269)
Management fees	(520)	(567)	(690)	(456)
Property expenses	(4,284)	(4,260)	(4,171)	(2,267)
Other expenses	(792)	(737)	(954)	(452)
Profit/(loss) on disposal of assets	(320)	(52)	(111)	(12)
Total comprehensive profit/(loss)	(2,771)	(1,826)	(2,204)	(1,339)

Source: Annual financial statements and FY20YTD management accounts



Appendix five

Our offices

ADELAIDE	T +61 8 8468 3700 F +61 8 8468 3799	Level 26, 91 King William Street, Adelaide South Australia 5000 GPO Box 9986 Adelaide South Australia 5001
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BRISBANE	T +61 7 3333 9800 F +61 7 3333 9899	Level 7, 175 Eagle Street, Brisbane Queensland 4000 GPO Box 9986 Brisbane Queensland 4001
CANBERRA	T +61 2 6222 1400 F +61 2 6222 1499	Level 1, 24 Brisbane Avenue, Barton ACT 2600 GPO Box 9986 Canberra ACT 2601
MELBOURNE	T +61 3 9038 3100 F +61 3 9038 3199	Level 6, 171 Collins Street, Melbourne Victoria 3000 GPO Box 9986 Melbourne Victoria 3001
PERTH	T +61 8 6363 7600 F +61 8 6363 7699	Level 17, 37 St Georges Terrace, Perth Western Australia 6000 GPO Box 9986 Perth Western Australia 6001
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