



**Halifax New Zealand Limited
(In Liquidation) (the Company /
Halifax NZ)**

**Company Number 2130897
NZBN 942 903 274 8079**

Liquidators' second report

18 October 2019

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1 Introduction

Morgan Kelly, Phil Quinlan and Stewart McCallum were appointed Administrators of the Company on 27 November 2018 pursuant to Section 239I of the Companies Act 1993 (**the Act**). The appointment followed the appointment of the same Administrators to Halifax Investment Services Pty Ltd (Australian entity) (**Halifax AU**) on 23 November 2018.

At the watershed meeting held on 22 March 2019, creditors resolved that the Company be wound up pursuant to Section 239ABA of the Act and that the Administrators be appointed as Liquidators of the Company. Please note, Stewart McCallum has since resigned as Liquidator of the Company effective from 9 May 2019.

2 Statutory Reporting

This report has been prepared pursuant to Section 255(2)(d) of the Act, and covers the six month period from the date of appointment of the Liquidators, being the period from 22 March 2019 to 22 September 2019 (**this Report**).

We now take this opportunity to report to you on the following matters relating to the liquidation of the Company:

- An update on the Liquidators' activities to date;
- An update in relation to the Liquidators' investigation into the Company's affairs and the conduct of the director and former directors; and
- The status of the court application process and next steps in the liquidation.

This Report should be read in conjunction with the Liquidators' first report dated 28 March 2019 (**the Liquidators' Report**), the Voluntary Administrators' Report dated 14 March 2019 (**the Voluntary Administrators' Report**) and other updates to investors and creditors:

<https://www.ferrierhodgson.com/au/creditors/halifax-new-zealand-limited>

3 Restrictions

This Report has been prepared in accordance with and for the purpose of Section 255 of the Act. It is prepared for the sole purpose of reporting on the state of affairs of the Company in liquidation and the conduct of the liquidation. It is not the intention that this Report is available for general circulation nor should it be reproduced in full or in part without the Liquidators written consent.

In preparing this Report, the Liquidators have relied upon information, documentation and explanations provided to them by various parties. The information, documentation and explanations have not been independently verified or audited as at the date of compiling this Report. The Liquidators accept no responsibility for the completeness or accuracy of the information contained in this Report, nor do they accept liability for any losses occasioned to any party due to the circulation, publication, reproduction, or use of this Report.

The Liquidators reserve the right to review and amend this Report in light of any additional information and explanations that become available, although they are under no obligation to do so.

Amounts are in NZD unless specified.

4 Current position

4.1 Matters addressed during the liquidation

The primary focus since the commencement of the Liquidation has been:

1. preparing Court applications (in Australia and New Zealand) for directions and/or judicial advice to enable the distribution to investors of the funds held on their behalf as soon as possible; and
2. investigating the pursuit of monetary recoveries from third parties to seek to maximise the return to investors and creditors

I set out the other matters addressed below.

4.1.1 Trading

At this stage, the Liquidators continue to maintain the trading platforms and IT infrastructure.

All investor accounts will remain in 'close only' mode – i.e. it is not possible for investors to enter into new positions, nor is it possible to withdraw money from client accounts, however it is possible to close out current positions.

The Liquidators have surrendered the Company's lease of its trading premises to the landlord and no longer continue to maintain its office operations.

4.1.2 Assets

To date the Liquidators have realised:

- A term deposit;
- Cash at bank;
- Cash held in pre-appointment trust accounts;
- Property, plant and equipment held at the premises of the Company;
- Debtors; and
- Unclaimed monies.

Aside from the investor funds held on trust by Halifax AU and the Company that are subject to court proceedings, all of the Company's tangible assets have been realised and future recoveries are dependent on the Liquidators' pursuit of claims and litigation that may be available to the Company for the benefit of creditors.

4.1.3 Liabilities

4.1.3.1 Secured creditors

No secured creditors have filed claims since our last report.

4.1.3.2 Preferential creditors

Preferential creditors who have already lodged a proof of debt to date are not required to lodge another proof of debt at this stage. Preferential creditors are estimated to total \$107,831.

The Liquidators have not made any distributions to preferential creditors to date.

4.1.3.3 Unsecured creditors

Unsecured creditors who have already lodged a proof of debt to date are not required to lodge another proof of debt at this stage. Unsecured creditors are estimated to total \$8,724. Please note, this amount excludes 2,079 contingent investor unsecured creditors of Halifax NZ which is further discussed below.

The Liquidators have not made any distributions to unsecured creditors to date.

4.1.3.4 Contingent creditors (trust beneficiaries)

As advised in the Voluntary Administrators' Report, investors will be unsecured creditors to the extent of the shortfall in trust assets to meet beneficiary claims.

The Liquidators have processed 933 investor creditor proofs of debt to date. There are a total of 2,079 contingent unsecured creditors of Halifax NZ.

The ultimate shortfall in trust assets to meet beneficiary claims (i.e. quantum of investor unsecured claims) will be dependent on:

- the determination by the Courts of the treatment of investor claims (there may be different issues affecting the position of a number of classes of investors which may impact on the directions the Courts may make);
- market movement in open positions; and
- currency fluctuations.

4.2 Summary of receipts and payments

A summary of the receipts and payments for the period 27 November 2018 to 22 September 2019 is provided at **Annexure A**. Please note that this relates only to the Administrators' and now Liquidators' operating account which

includes all operating receipts and expenses for the Voluntary Administration and now Liquidation period. Annexure A excludes any receipts and payments from the pre-appointment trust accounts (attached at **Annexure B**) and pre-appointment accounts controlled by Halifax NZ on appointment (attached at **Annexure C**).

5 Investigation into the Company's affairs

Creditors should refer to the Voluntary Administrators' Report for Halifax NZ and the Voluntary Administrators' Report for Halifax AU for information about the Administrators' preliminary investigations and a summary of potential antecedent transactions which are currently being investigated by the Liquidators.

The Liquidators are investigating the conduct of the Company's current director and former directors to determine whether the Company has claims available.

The Liquidators are also reviewing the Company's information and documents to determine whether there are any other claims available that will give rise to recoveries for the benefit of creditors.

Given the confidential nature of these investigations and the fact that they may be the subject of litigation at a future time, no further update will be provided in addition to the information already provided.

6 Update on Court application

The Liquidators have applied to the Federal Court of Australia for judicial advice and / or directions as to how to distribute the commingled investor funds held by Halifax AU. Subsequent to the reporting period, the Liquidators have filed a mirror application to the High Court of New Zealand in respect of funds held by Halifax NZ, including in their capacity as trustees appointed by the Financial Markets Authority pursuant section 246(2) of the Financial Markets Conduct Regulations 2014.

The Liquidators are seeking a joint sitting of the New Zealand High Court and Federal Court of Australia to provide consistent directions on the distribution of investor funds.

6.1 Investor participation in the court process

In the coming weeks, investors will be issued with a further update from the Liquidators in relation to the court applications.

7 Professional fees and internal disbursements

The hourly rates of the Liquidators and their team members, as follows:

Position	Hourly Rate AU\$
Partner	695
Director	625
Associate Director	575
Manager	525
Executive	475
Analyst	375
Support Staff	225

The Liquidators have paid fees incurred for the period 27 November 2018 to 28 February 2019 of \$455,499.92 in the reporting period. The Liquidators have not been paid any further remuneration during the reporting period.

The Liquidators have paid internal disbursements during the administration period totalling \$5,584.74 in relation to data room hosting fees.

8 Conduct and estimated completion date of liquidation

As outlined in the Voluntary Administrators' Report, we understand that Clients require access to funds held in their respective accounts as a matter of urgency. However, it is difficult at this time to provide an estimated timeframe as to when a distribution may be made on the basis that this is largely dependent on the Court application process.

9 Reporting obligations

The Liquidators are obligated to evaluate the actions of management, review antecedent transactions and if necessary report any adverse findings to the appropriate authorities and/or institute proceedings for the recovery of funds dissipated.

Should you have any information that you believe would benefit our enquiries then please set out details in writing, attaching copies of all documentary evidence, and send it to the Liquidators. Please note that the Liquidators can only act on written information as undocumented information is deemed to be hearsay only and is inadmissible in Court.

10 Future reporting

Reports on the conduct of the liquidation and on proposals for completion of the liquidation will be prepared and distributed six monthly in accordance with Section 255 of the Act. A final report will also be prepared and distributed in accordance with Section 257 of the Act at the completion of the liquidation.

11 Queries

Questions regarding the Liquidation should be directed to Link Market Services on:

- Phone: 0800 729 276 (within New Zealand) +61 1300 910 051 (from overseas)
- Email: halifaxnz@linkmarketservices.com.au

Dated this 18th day of October 2019



Morgan John Kelly

Joint and Several Liquidator of **Halifax New Zealand Limited (In Liquidation)**

Annexures

A – Liquidators’ operating account - Receipts & Payments to 22 September 2019

The following table provides a summary of funds held in the Liquidators’ operating account as at 22 September 2019.

Liquidators’ operating account	Voluntary Administration: 27 November 2018 to 21 March 2019 (NZ\$)	Liquidation: 22 March 2019 to 22 September 2019 (NZ\$)	Total (NZ\$)
Opening cash balance at appointment	-	479,185	
Receipts			
Debtor collections	506	-	506
Other pre-appointment accounts	899	-	899
Term deposit	1,113,565	-	1,113,565
Unclaimed monies	21,437	-	21,437
Plant & equipment	-	850	850
Cash at bank	95,447	-	95,447
Total receipts	1,231,853	850	1,232,703
Payments			
Administration expenses	(7,911)	(167,529)	(175,440)
Administrator fees	(455,500)	-	(455,500)
Bank charges	(112)	(825)	(937)
Employee expenses	(52,519)	(57,399)	(109,918)
Foreign currency loss	-	(836)	(836)
Licence expenses	-	(11,207)	(11,207)
Platform & IT expenses	-	(3,545)	(3,545)
Other expenses	-	(2,707)	(2,707)
Occupancy expenses	(9,152)	(45,701)	(54,853)
Legal fees & disbursements	(227,475)	-	(227,475)
Total payments	(752,668)	(289,748)	(1,042,416)
Closing balance	479,185	190,287	

B – Company pre-appointment trust accounts - receipts and payments to 22 September 2019

The following table provides a summary of funds held in the pre-appointment trust bank accounts and controlled by the Liquidators as at 22 September 2019. The below analysis excludes the Liquidators' operating account set out in Annexure A.

Company pre-appointment trust accounts	Voluntary Administration: 27 November 2018 to 21 March 2019 (NZ\$)	Liquidation: 22 March 2019 to 22 September 2019 (NZ\$)	Total (NZ\$)
Opening cash balance at appointment	1,764,981	1,811,069	
Receipts			
Investor deposits	44,011	30,000	74,011
Interest	2,507	3,813	6,319
Total receipts	46,518	33,813	80,330
Payments			
Administration expenses	-	(1,000)	(1,000)
Administrator fees	(429)	(130)	(559)
Total payments	(429)	(1,130)	(1,559)
Closing balance	1,811,069	1,843,751	

**Please note, all foreign currency accounts have been converted to NZD based on the RBNZ exchange rate as at 27 November 2018*

C – Other company pre-appointment accounts - receipts and payments to 22 September 2019

The following table provides a summary of funds held in the pre-appointment bank accounts in the name of Halifax NZ and controlled by the liquidators as at 22 September 2019. The below analysis excludes the Liquidators' operating account set out in Annexure A

Other company pre-appointment accounts	Voluntary Administration: 27 November 2018 to 21 March 2019 (NZ\$)	Liquidation: 22 March 2019 to 22 September 2019 (NZ\$)	Total (NZ\$)
Opening cash balance at appointment	1,209,910	-	
Payments			
Funds swept to Liquidators' trading account	(1,209,910)	-	(1,209,910)
Bank charges	-	(25)	(25)
Total payments	(1,209,910)	(25)	(1,209,935)
Closing balance	-	(25)	