

Report to the High Court of New Zealand on the affairs of Du Val Group NZ Limited and related entities (in Receivership)

16 August 2024





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The Registrar
High Court of New Zealand

16 August 2024

Report to the High Court of New Zealand on the affairs of Du Val Group NZ Limited and related entities (in Receivership) (collectively the “Du Val Group” or “Du Val”)

Please find attached our report in respect of the above matter. This report is lodged with the Court pursuant to the orders of the High Court of New Zealand dated 1 August 2024.

We note that this report has been prepared on a high level basis over a 10 working day period, which has limited the degree to which detailed views and conclusions can be formed in areas. Accordingly, certain content within this report may be subject to amendment and updating should further relevant information become available.

This report is issued subject to the Restrictions set out at Appendix i.

Please feel free to contact the Receivers on +64 9 355 8000 or at nz_duval@pwc.com should you have any inquiries on this matter.

Yours faithfully
For the Du Val Group entities in receivership

A handwritten signature in black ink, appearing to be "John Fisk", written over a horizontal line.

John Fisk

A handwritten signature in black ink, appearing to be "Stephen White", written over a horizontal line.

Stephen White

A handwritten signature in blue ink, appearing to be "Lara Bennett", written over a horizontal line.

Lara Bennett

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Recommendations



Recommendations

We set out our overall recommendations in respect of the reporting areas as per the Orders. We have started with 3.9 (d) of the Orders as our primary recommendation is that the majority of entities in the Du Val Group be put into statutory management.

3.9 (d) - Whether, in our opinion, any additional or alternative form of administration is appropriate, including (without limitation) statutory management

Statutory Management

We recommend that the majority of the court-appointed receiverships be replaced by statutory management under the Corporations (Investigation and Management) Act 1989 ("CIMA"). We recommend that the list of entities to be covered by the statutory management differs from the list of companies currently in receivership. Specifically:

- That the 13 corporate entities listed in the table opposite be added. The general partner of Investment Portfolio Management Limited Partnership ("IPM") is already subject to the receivership and it is appropriate that the partnership itself be included. The remaining twelve entities were recently established and our investigations to date have identified intentions / attempts to transfer beneficial ownership of assets to them shortly before the receivership orders. Accordingly, we consider that they should be brought under our control.
- That Du Val HC GP Limited and Du Val Health Clubs Limited Partnership (both in Receivership) be released from receivership (and not put into statutory management). This limited partnership operates a health club that is 50% owned by a third party and operates somewhat independently.

In respect of Mr and Mrs Clarke and Karapiro Corporate Trustees Limited (a co-trustee of the JK & CM Clarke Trust), we recommend that they remain subject to receivership (and not be placed into statutory management). In addition we consider that the JK & CM Clarke Trust should be placed into receivership. This recommendation is made on the basis that the personal affairs of Mr & Mrs Clarke, which may include transactions involving the associated trust, have been closely intertwined with the affairs of the Du Val Group, including in respect of funds flows via the extensive related party transactions and personal expenditure. Further information on this matter is set out later in the report.

Entity	NZBN Number
Investment Portfolio Management Limited Partnership	9429043245772
Darwin GP Limited	9429052241420
Einstein GP Limited	9429052240317
Newton GP Limited	9429052240331
Curie GP Limited	9429052240386
Galilei GP Limited	9429052240416
Franklin GP Limited	9429052240423
Wolf 359 Limited Partnership	9429052247712
Theta Scorpil Limited Partnership	9429052247729
Alpha Centauri Limited Partnership	9429052247767
Bernards Star Limited Partnership	9429052247750
Lalande Limited Partnership	9429052247743
Epsilon Tauri Limited Partnership	9429052247736

Our recommendation is based on numerous features of the Du Val Group, including its governance and mode of operations. In summary: (1) there are irregularities that warrant further investigation; (2) there are complexities which make it difficult to treat some of the members of the Du Val Group independently or separately; and (3) there are risks to investors and creditors that would arise from a multiplicity of insolvency processes across the Du Val Group. More specifically:

- There is evidence of irregular accounting entries that have created assets that may not be legitimate and / or for which the recorded value is insufficiently supported. We have particular concerns about transactions and balances involving the JK & CM Clarke Trust, as explained later in this report. There are further transactions that also warrant further investigation.
- We have concerns about the status and basis of the transaction by which some limited partner investors in two of the funds (the Du Val Mortgage Fund Limited Partnership (in Receivership) (the "Mortgage Fund") and the Du Val Opportunity Fund Limited Partnership (in Receivership) (the "Opportunity Fund")) agreed to subscribe for shares in Du Val Property Group Limited (in Receivership) ("DVPGL"), in exchange for their limited partnership interests.



Recommendations (cont'd)

- We have found significant related party balances requiring further investigation to determine what is recoverable within the Du Val Group and what creditor claims may exist. The position is complex, both in terms of understanding the reason and basis for the transactions and the way in which they were accounted for.
- We are particularly concerned about maintaining value in the development sites. There are multiple sale agreements in place. To preserve value in the developments for the investors and creditors we need to negotiate completion arrangements with secured creditors. Those arrangements include further funding and continuity of work by contractors and supply of materials. Statutory management will provide greater certainty to all parties, including contractors and suppliers to those sites.
- Statutory management will enable the affairs of the Du Val Group to be dealt with in a more orderly and expeditious way. It will reduce the risk of action being taken by individual creditors and others that may be detrimental to the interests of other creditors through reductions in realisable value.
- It will also reduce the risk of inefficiency caused by multiple insolvency processes. While it would be possible to apply to pool multiple liquidations, it may be that different liquidators are appointed to various entities and any pooling or other co-ordination that is required would take time and would be uncertain.
- In light of our concerns about certain transactions, especially the agreements to exchange limited partnership interests for shares, we consider that orthodox liquidation and receivership processes are not sufficient to preserve the interests of the investors in particular.
- Statutory management would enable full investigations to be completed in an orderly way in respect of the Du Val Group.

Our intention, should we be appointed statutory managers, is that we would continue to work with stakeholders, including secured lenders, in order to protect value and maximise outcomes for all parties. We see no need for statutory management to change the approach taken to date or further restrict the security rights of the secured lenders (who are third party financiers). We would expect to continue to seek solutions that are beneficial to the secured parties alongside all other stakeholders.

If statutory managers are appointed, we understand the court-appointed receiverships will automatically cease.



Recommendations (cont'd)

The remainder of our recommendations assume that there is no statutory management appointment. They assume that the court-appointed receiverships continue.

3.9 (a) - Whether any person not subject to receivership should, in our opinion, have a receiver appointed

We would recommend that the additional limited partnerships and entities listed in respect of item 3.9 (d) be added to the court appointed receiverships as set out on page 5.

Whilst we consider it is likely that we will subsequently recommend that those entities be placed in liquidation (alongside a number of the existing receivership entities as noted above), the associated legal proceedings required to action the liquidations will take some time. For that reason, to the extent that those entities are not in receivership they ought to be first placed into receivership.

In addition, we recommend that the JK & CM Clarke Trust itself be added to the receivership appointments.

3.9 (b) - Whether any person subject to receivership should, in our opinion, be released from that receivership

We recommend that Du Val HC GP Limited and Du Val Health Clubs Limited Partnership (both in Receivership) be released from receivership. This limited partnership operates a health club that is 50% owned by a third party and operates somewhat independently.

3.9 (c) - Whether, in our opinion, the powers granted by this order should be varied, modified, or extended in any way, and if so, in what way

The Receivers, as set out in their memorandum to the Court, wish to make this report public (with any redactions they consider appropriate for personal information about Mr and Mrs Clarke). They seek the Court's confirmation that they may publish the report on PwC's website.

The Receivers support the FMA's request to amend the orders to make it clear that they do not prevent receivers appointed by secured creditors from dealing with any assets over which they are appointed.

Similarly, the Receivers consider that the orders should not apply to any liquidator appointed by the Court (any liquidator appointments would be made in separate proceedings).

The Receivers understand that the Court has yet to determine whether the Receivers are entitled to an indemnity from the assets of the entities in receivership for their fees and expenses. They note that they are personally liable for all contracts entered into by them in the exercise of their receivers' powers under section 32 of the Receiverships Act 1993. To the extent of that liability it ought to be uncontroversial that they obtain an indemnity from the relevant entities' assets. Those will be costs that the entities would likely have incurred regardless of the receivership and/or will benefit the entities. Whether the court-appointed Receivers' fees ought to be subject to an indemnity is more a matter for other parties to address.

While it may not be an amendment to their powers as such, the Receivers record that they have filed an application seeking to extend the 14 day period in section 32 of the Receiverships Act 1993. After that period the Receivers become personally liable for wages and salary, and for rent, incurred by the relevant entities. The Receivers ask the Court to extend that period, for the reasons set out in the application.

3.9 (d) - Whether, in our opinion, any additional or alternative form of administration is appropriate, including (without limitation) statutory management

We consider it likely that, following a brief additional period to confirm our initial findings in respect of some entities, we will recommend that a number of the entities be placed into liquidation. We understand that a separate proceeding will be required in order to seek any liquidation orders.



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Introduction

Appointment of Receivers and Managers

John Howard Ross Fisk, Stephen Robert White and Lara Maree Bennett of PricewaterhouseCoopers New Zealand (“PwC”) were appointed Receivers and Managers of the companies and limited partnerships, and Receivers of the individuals set out at Appendix ii of this report by the High Court in Hamilton at 5.50am on 2 August 2024 following an application made by the Financial Markets Authority (“FMA”) under the Financial Markets Conduct Act 2013 (“FMCA”). The entities / persons referred to at Appendix ii are collectively referred to as the “Du Val Group” or “Du Val” in this report.

The appointments are part of the interim asset preservation orders obtained on 1 August 2024 under sections 522 and 523 of the FMCA and in conjunction with the provisions of the Receiverships Act 1993, certain liquidator powers and rights under the Companies Act 1993 and the High Court Rules.

The effect of our appointment is that we have assumed control of the Du Val Group and have been given the various powers to manage the affairs and assets of the Du Val Group.

In terms of the the orders of the High Court, we are required to report to the High Court within 10 working days of our appointment outlining the Receivers’ opinion on:

- Whether any person not subject to the receivership should have a receiver appointed;
- Whether any respondent should be released from that receivership;
- Whether the powers granted by the orders should be varied, modified, or extended in any way, and if so, in what way; and
- Whether any additional or alternative form of administration is appropriate, including (without limitation) statutory management.

In order to address the areas noted in the orders, we have carried out an investigation of the Du Val Group’s books and records, taken action to secure and preserve assets and made enquiries with a range of stakeholders. We summarise in this report our initial findings that support the conclusions and recommendations that we have reached.

In addition, we note the FMA has conducted a number of its own investigations and continues to do so. We do not propose to cover matters that are still subject to the FMA’s investigation in this report. However, inevitably some matters we have considered will overlap. We express no opinion on the matters the FMA or any other regulatory agency may cover in their own investigations. Until these investigations are complete, it is inappropriate to report on certain details to ensure that any subsequent actions are not prejudiced.

This report is subject to the Restrictions set out at Appendix i. In preparing this report we have relied upon and not independently verified or audited information or explanations provided to us.



Introduction (cont'd)

Priorities since our appointment

Since our appointment as Receivers, our priorities have been to identify, secure and preserve the assets of the Du Val Group, whilst conducting our interim investigation into the Du Val Group's financial position and circumstances.

We have written to all banks in New Zealand that may have operated accounts in the name of the Du Val Group and have frozen funds held in those accounts. We have utilised funds to meet appropriate ongoing operating expenses and to fund the Court ordered allowance to Mr and Mrs Clarke of \$1,500 per week, each.

We have secured the Du Val Group company records and have access to associated Xero accounting records where available.

We have engaged Chapman Tripp (led by Michael Arthur) to advise the Receivers. We have confirmed the insurance arrangements over the Du Val Group and we have written to all known investors and creditors.

A critical part of our role in preserving the Du Val Group's assets has been to limit disruption to Du Val's operations by working closely with Du Val's staff / management and key stakeholders, including secured creditors funding development activities.

We would like to take this opportunity to thank Du Val's staff and the other Du Val Group stakeholders that have proactively worked with the Receivers over the last two weeks, despite the challenging circumstances. We note that we have met with Mr and Mrs Clarke, Mr John Dalzell and their lawyers to be briefed on the current position of the Du Val Group and to understand their plans at the time of our appointment. As at the time of preparing this report, we have not yet met with Mr Owen Culliney (who we understand is overseas) or Mr Mark Robinson. Our discussions with Mr Che Desmond have been focussed on operational matters as he leads the property management team.

We have applied to the Court to extend the 14 day period we have as Receivers to decide whether to terminate employment contracts and retain the use and possession of leased property. The extension requested will end on 27 September 2024.

Property developments in progress

Following our appointment we immediately contacted the Du Val Group's two primary funders in respect of ongoing development activity. Our discussions and actions in this regard have been focussed on minimising disruption to construction works being carried out on certain development sites, where the associated secured lender has been prepared to fund the activity on an ongoing basis. This approach, which includes consenting to funding drawdowns and associated direct payment for works undertaken by contractors, has enabled scheduled property settlements to be facilitated where possible.

We continue to liaise with the two major funders as further completion milestones and subsequent settlement of pre-sold properties are scheduled in the near term.

For development projects in early phases, or where works had been suspended prior to our appointment, no further works are being undertaken whilst both the secured lenders and the receivers assess options and potential outcomes.

CCB appointment of receivers

On 2 August 2024 China Construction Bank (New Zealand) Limited ("CCB") appointed Neale Jackson and Daniel Stoneman of Calibre Partners over Du Val Build To Rent Limited Partnership (in Receivership) (the "Build to Rent Fund") and Du Val BTR GP Limited (in Receivership) ("BTR GP"). CCB's appointments were made under the provisions of a Composite General Security Deed dated 1 July 2021.

Control of the Build to Rent Fund and BTR GP now rests with the CCB appointed receivers, whose contractual rights take priority over our Court appointment in respect of these entities. We have actively engaged with the CCB appointed receivers in respect of the Build to Rent Fund and BTR GP to ensure the interests of Build to Rent Fund investors are preserved as much as possible.

Should statutory managers be appointed, we anticipate a high priority would be to seek agreement with the relevant secured creditors on a way forward that would preserve value. This could include a continuation of the above strategies and would recognise their respective rights as secured creditors.



Du Val Group structure

Overview

Structural Overview

Whilst we have been appointed as Receivers and Managers of 64 companies and limited partnerships, together with two individuals, for the purposes of this report we have presented our overview of the Du Val Group across seven key areas:

1. The Mortgage Fund;
2. The Build to Rent Fund;
3. The Opportunity Fund;
4. DVPF;
5. Development special purpose vehicles into which secured third party lenders made senior secured loans, the Mortgage Fund made subordinated loans, and the Opportunity Fund and third parties provided equity (the “Development SPVs”);
6. Du Val Group’s operations comprising property management services, sales and other business activities; and
7. John Kenyon Clarke and Charlotte Marie Clarke together with their personal assets and Trust.

Since its establishment in or around 2013, the Du Val Group has grown significantly. Developments have been undertaken through the use of special purpose vehicles, including various limited partnerships and corporate entities.

The proliferation of entities, coupled with the Group’s range of business activities and interests, have contributed to the complexity of its funding arrangements and the difficulty we have encountered in obtaining clarity in respect of the structure and status of the entire Du Val Group in the short period since our appointment.



Du Val Group structure (cont'd)

Mortgage Fund (1 of 2)

Overview of the Mortgage Fund

The Mortgage Fund was registered as a limited partnership on 20 July 2020. Its purpose was to solicit funds from wholesale investors to fund the development of residential buildings through limited partnership special purpose vehicles in the Du Val Group. When established, the Mortgage Fund was marketed as a \$100m fixed income investment offering investors a fixed 10% p.a. return with distributions to be paid quarterly.

Du Val Capital Partners Limited (in Receivership) ("DVCP") was appointed as the sole general partner of the Mortgage Fund on 27 July 2020. DVCP's current directors are Owen Francis Tyrrell Culliney and Mark Dean Robinson, with former directors being Kristen James Laughton Holland (resigned on 11 December 2023) and John Peter Clarke (resigned on 7 September 2018).

Based on the Mortgage Fund's FY23 signed financial statements, Partners' Funds totalled \$40.0m. The Limited Partnerships Register lists 105 limited partners in the Mortgage Fund (including Du Val Group NZ Limited (in Receivership)), which is inconsistent with the FY23 financial statements. However, we understand that 48 of the limited partners have exchanged their units in the fund to shares in DVPG following a proposed restructure of the Du Val Group (see page 16).

How the fund intended to work

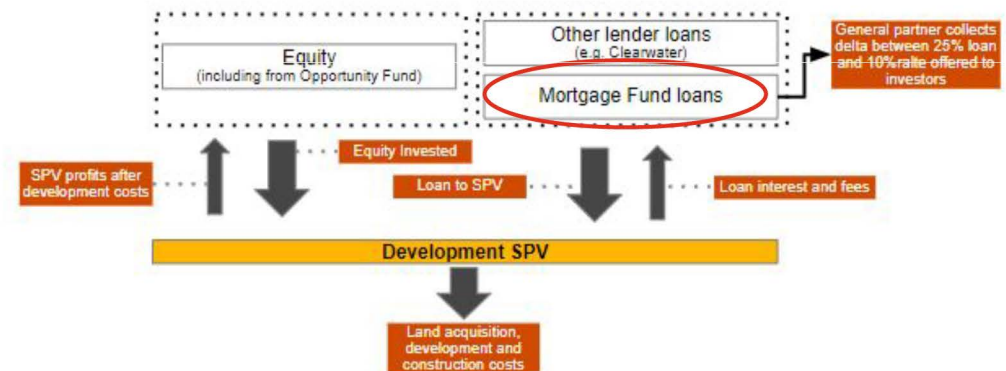
The Mortgage Fund raised funds from wholesale investors, which were used to make loans to associated Du Val property development SPVs. In addition to the Mortgage Fund loans, the SPVs also obtain first ranking secured loans from third party development lenders, such as Clearwater Capital Partners Direct Lending Opportunities Fund, L.P. ("Clearwater Capital"), 1769 Capital Limited ("1769 Capital") and CCB, along with equity from the Opportunity Fund and third parties.

The Mortgage Fund's debt is subordinated to the senior secured lenders with security typically in the form of lower ranking mortgages in favour of DVCP as general partner. We understand that the Mortgage Fund's debt does, however, rank ahead of equity from the Opportunity Fund.

We understand that the Mortgage Fund's loans into the Development SPVs carried an interest rate of 25% per annum, of which 10% per annum was intended to be distributed to the fund's limited partners (investors) with 15% to go DVCP as general partner.

On pages 17 to 19 we have provided details of the current Mortgage Fund investments into the Development SPVs. At this stage, we do not have a clear understanding of the extent to which the Mortgage Fund's loans may be recoverable. However, we consider there to be significant risk to their recoverability.

The below diagram summarises the intended operation of the Mortgage Fund.



Inconsistencies with how the fund has operated

We have identified a number of inconsistencies surrounding the operation of the Mortgage Fund relative to the intended operation, and related party transactions between Development SPVs that have borrowed from the Mortgage Fund. These inconsistencies and transactions warrant further investigation in our view.



Du Val Group structure (cont'd)

Mortgage Fund (2 of 2)

Suspension of Mortgage Fund cash distributions

In January 2023 the DVCP Board notified Mortgage Fund investors that it had resolved to suspend all Mortgage Fund cash distributions. As part of this announcement, investors also received a proposal to convert any accrued cash distributions into additional units in the Mortgage Fund. We have not been able to confirm how many Mortgage Fund investors, if any, agreed to this proposal.

We note that, in response to this event, the FMA issued a public warning to DVCP for its failure to inform investors of the underlying reason to suspend distributions, namely that the Mortgage Fund did not have adequate cash flow, creating a misleading impression of the reasons for suspending cash distributions.

Timeline of events

Since its establishment there have been a number of events associated with the Mortgage Fund, which we have summarised in Appendix v.



Du Val Group structure (cont'd)

Build to Rent Fund

Overview of the Build to Rent Fund

The Build to Rent Fund was registered as a limited partnership on 13 December 2019. It was open to wholesale investors for the purpose of lending to large-scale residential rental properties. Wholesale investors were offered a targeted 7.5% per annum rate of return to be generated from rental income and paid after operating expenses.

BTR GP was appointed as the sole general partner of the Build to Rent Fund on 13 December 2019. BTR GP's current directors are Owen Francis Tyrrell Culliney, John Glenn Dalzell, Che Rodger Desmond and Mark Dean Robinson.

Based on FY24 draft financial statements, the Build to Rent Fund had \$17.4m of first ranking secured debt from CCB as at 31 March 2024. We do not believe that any repayments of this debt have been made since 31 March 2024, but note that further interest and penalties may have accrued since then.

The draft FY24 accounts show Partners' Funds totalling \$18.07m as at 31 March 2024. Per the draft financial statements, these funds comprise investments from 31 third party wholesale investors (\$9.9m) plus Du Val BTR Limited (in Receivership) (\$8.2m), each of which is a limited partner in the Build to Rent Fund. The Limited Partnerships Register lists 39 limited partners in the Build to Rent Fund (including Du Val BTR Limited (in Receivership)), which is inconsistent with the draft FY24 financial statements. The investors' interests are subordinated to the CCB debt.

The CCB debt and wholesale investor funds were used to acquire two residential rental properties at 69 McKenzie Road, Mangere Bridge, Auckland (the "McKenzie Road BTR Property") and 2-6 May Road, Mangere East, Auckland (the "May Road BTR Property") as follows:

- McKenzie Road BTR Property - July 2021 for \$14.64m; and
- May Road BTR Property - July 2021 for \$20.12m.

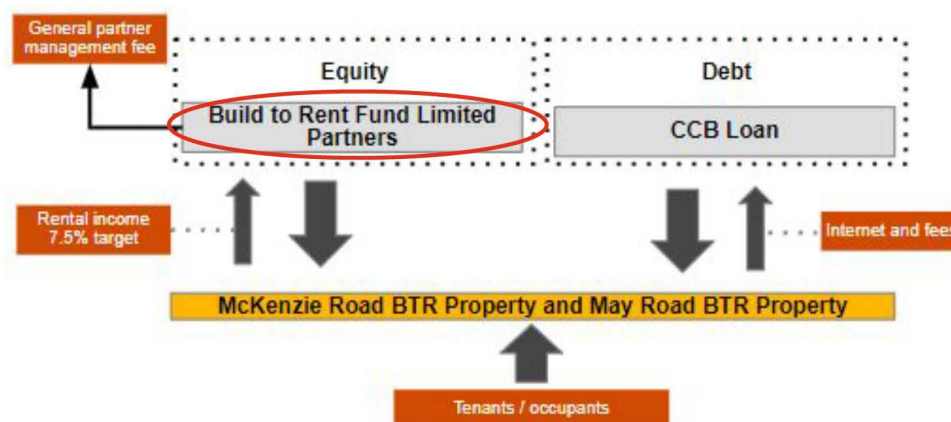
Based on the FY24 draft financial statements, the carrying values of the McKenzie Road BTR Property and the May Road BTR Property remained unchanged as at 31 March 2024. We have not seen up to date valuations in respect of these properties.

How the fund intended to work

The Build to Rent Fund used investor equity and bank debt to invest in residential property, with a view to generating steady rental returns.

Rent received from 171 McKenzie Road BTR Property and May Road BTR Property tenants is used to fund the debt service costs associated with the CCB loan, cash distributions to the investors (limited partners), and management fees to the BTR GP.

The Build to Rent Fund was intended to operate as follows:



Based on our preliminary investigations carried out to date, we have not identified any specific inconsistencies with the above. However, we have identified potential issues that warrant further investigation in relation to the basis for the land purchase transaction in respect of funds flow and allocation of limited partner interests.

Du Val Group structure (cont'd)

Opportunity Fund

Overview of the Opportunity Fund

The Opportunity Fund was registered as a limited partnership on 17 September 2020. We have been advised that the fund was established as a \$25m investment fund offered to friends and associates of Mr and Mrs Clarke. DVCP was appointed as the sole general partner on 17 September 2020.

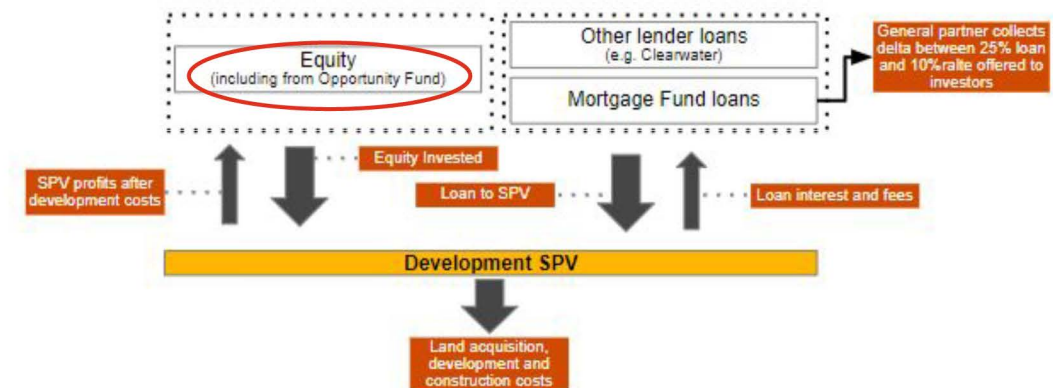
The latest available Opportunity Fund financial statements (FY23) show Partners' Funds of \$4.4m - \$8.4m relating to 30 external wholesale investors and negative \$3.97m relating to Du Val Investments Limited (in Receivership) ("Du Val Investments").

The Limited Partnerships Register lists 36 limited partners in the Opportunity Fund (including Du Val Investments), which is inconsistent with the FY23 financial statements. We understand that 18 of the limited partners have exchanged their units in the fund to shares in DVPG following a proposed restructure of the Du Val Group (see page 16).

How the fund intended to work

The Opportunity Fund makes equity investments into Du Val Group property development projects (the Development SPVs), which also borrow from external first ranking secured lenders and the Mortgage Fund (see page 12). We understand that the Opportunity Fund equity invested into the Development SPVs ranks behind both forms of debt.

The Opportunity Fund was intended to operate as follows:



Based on our preliminary investigations carried out to date, we have not identified any specific inconsistencies with the above. However, we have not been able to locate much information on the fund.



Du Val Group structure (cont'd)

Du Val Property Group

Restructure of property operations

In December 2022, the Mortgage Fund's investors were notified of a proposed restructure of Du Val's business, which was intended to result in a carve out of the property related businesses from the wider Du Val Group. Other investors from different Du Val Group funds may have been approached on a similar basis, however, we have not seen any correspondence in relation to this so far.

As part of the restructure, DVPG was incorporated on 16 November 2022, and the Du Val Group's property development, construction / construction management, portfolio and facilities management, and build to rent development / investment activities were to be consolidated under DVPG.

The investors were advised that, following the restructure, Du Val Group was intending to initiate discussions with the New Zealand Stock Exchange ("NZX") and the FMA in relation to a potential listing of DVPG's shares on the NZX either by way of direct listing or initial public offer. They were notified that the Group was planning an orderly wind up of the Mortgage Fund, which was to be initiated by DVCP in its capacity as general partner of the Mortgage Fund under the terms of the Limited Partnership Agreement.

In December 2023, Du Val Group released its Information Memorandum in respect of the offer for shares in DVPG. Mortgage Fund investors, in addition to investors in the Opportunity Fund, were given the option to exchange their units in the respective funds for shares in DVPG. The Information Memorandum referenced an internally produced valuation agreed by the directors of DVPG of \$306m to \$431m. It did not include an independent (external) valuation.

Following correspondence from the FMA, DVPG issued a supplementary memorandum to investors.

We understand that 48 external Mortgage Fund investors opted to exchange, along with 18 external Opportunity Fund investors. In addition Du Val Group NZ Limited (in Receivership) was issued shares in DVPG.

Potentially misleading representations

A number of professional advisers were listed in the Corporate Directory included in the Information Memorandum. We have not yet been in contact with all of the advisers but note that, following a request to provide information on their role, two of the listed advisers have advised they did not have any involvement in the preparation of the Information Memorandum.

The absence of formal independent opinion within the Information Memorandum, raises concerns over the robustness of representations made in the document, on which Mortgage Fund and Opportunity Fund investors may have based their decision to participate in the DVPG share offer.

Based on public registration records, alongside information within the Du Val Group's records and provided by its solicitors, it appears that some of the documentation to effect the restructure had been prepared and executed. Based on our investigations to date, some of this documentation is incomplete or not supported by underlying agreements, particularly in respect of transferring beneficial ownership in associated development properties.

We have also received confirmation from a third party mortgage holder over one of the properties that they were not aware of an attempted beneficial ownership transfer and did not consent to the transaction.



Du Val Group structure (cont'd)

Development SPVs (1 of 3)

Parry Limited Partnership (in Receivership)

Parry Limited Partnership (in Receivership) ("Parry LP") is the special purpose vehicle ("SPV") that developed Parry Terraces, a development of 38 two to three bedroom townhouses at 15 Helen Jeneper Lane, Mount Wellington. The development was completed in 2023.

Du Val GP 8 Limited (in Receivership) is the general partner and Du Val Investments and the Opportunity Fund are the limited partners. The JK & CM Trust is the ultimate owner of Du Val GP 8 Limited (in Receivership).

Parry LP still holds a single unit title (albeit we note this is not listed in Parry LP's balance sheet in Xero) and there is outstanding debt secured by way of a first ranking mortgage to an offshore lender. We note that there is a second ranking mortgage in favour of DVCP as general partner of the Mortgage Fund.

Earlsworth Limited Partnership (in Receivership)

Earlsworth Limited Partnership (in Receivership) ("Earlsworth LP") is the SPV that is currently developing Te Awa Terraces, a townhouse development located at 26-30 Earlsworth Road, Mangere East. The development is well progressed and we are advised is due to be completed within the next three months.

Du Val GP 7 Limited (in Receivership) is the general partner and Du Val Investments and the Opportunity Fund are the limited partners. The JK & CM Trust is the ultimate owner of Du Val GP 7 Limited (in Receivership).

Earlsworth LP holds various freehold and cross-lease titles associated with the development and there is outstanding debt secured by way of a first ranking mortgage to Clearwater Capital. We note that there is a second ranking mortgage in favour of DVCP as general partner of the Mortgage Fund.

Edmonton Road Limited Partnership (in Receivership)

Edmonton Road Limited Partnership (in Receivership) ("Edmonton Road LP") is the SPV that is currently developing Edmonton Mews, a townhouse development located at 64-67 Edmonton Road, Henderson. The development is at a very early stage, with the site having been cleared with some contaminated materials removal activity undertaken.

Du Val GP 11 Limited (in Receivership) is the general partner and Du Val Investments and the Opportunity Fund are the limited partners. The JK and CM Clarke Trust is the ultimate owner of Du Val GP 11 Limited (in Receivership).

Edmonton Road LP holds various freehold titles associated with the development and there is outstanding debt secured by way of a first ranking mortgage to Clearwater Capital, a second ranking mortgage to the Prasads (which we understand to be vendor finance associated with Du Val's initial land acquisition), and subsequent mortgages registered by Du Val Group entities, DVCP as general partner of the Mortgage Fund and Earlsworth LP.



Du Val Group structure (cont'd)

Development SPVs (2 of 3)

Hill Top Apartments Limited Partnership (in Receivership)

Hill Top Apartments Limited Partnership (in Receivership) ("Hill Top LP") is the SPV that is due to develop the Hilltop Apartments, a planned development located at 58 Hillside Road and 68-72 Hillside Road, Mount Wellington. While Du Val has obtained a resource consent, development activity is yet to commence.

Du Val GP 9 Limited (in Receivership) is the general partner and Du Val Investments and the Opportunity Fund are the limited partners. The JK & CM Trust is the ultimate owner of Du Val GP 9 Limited (in Receivership).

Hill Top LP holds various freehold titles associated with development and there is outstanding debt secured by way of a first ranking mortgage to an entity associated with 1769 Capital. We note that there is a second ranking mortgage in favour of DVCP as general partner of the Mortgage Fund.

Sunnyvale Terraces Limited Partnership (in Receivership)

Sunnyvale Terraces Limited Partnership (in Receivership) ("Sunnyvale LP") is the SPV that is currently developing Sunnyvale Terraces, a development of 46 residential properties located at 9-11 Sunhill Road and 101-103 Awaroa Road, Sunnyvale.

The development is at the groundworks stage of development. The extent of additional work to ensure the civil works completed to date are stabilised for a period is being assessed by the secured funder.

Du Val GP 10 Limited (in Receivership) is the general partner and Du Val Investments and the Opportunity Fund are the limited partners. The JK & CM Trust is the ultimate owner of Du Val GP 10 Limited (in Receivership).

Sunnyvale LP holds various freehold titles associated with the development and there is outstanding debt secured by way of a first ranking mortgage to Clearwater Capital and subsequent mortgages registered by Du Val Group entities, DVCP as general partner of the Mortgage Fund and Earlsworth LP.

Trans-Tasman Pacific Limited Partnership (in Receivership)

Trans-Tasman Pacific Limited Partnership (in Receivership) ("Trans-Tasman LP") is the SPV that is currently developing the Mountain Vista Estate, a multi-stage development of one-bedroom apartments, two-bedroom terraced houses and three-bedroom terraced houses. Mountain Vista Estate is located at 35-37 Walmsley Road, Mangere. Certain stages are complete, with other well progressed terraced house stages due to be completed later in 2024, and an apartment block stage due to be completed in 2025.

TTPP General Partner Limited (in Receivership) is the general partner and Du Val Investments and the Opportunity Fund are the limited partners.

DVPG (created as part of the recent restructure) is an indirect shareholder of the general partner (via Du Val Investments).

Trans-Tasman LP holds various unit titles associated with the Mountain Vista Estate and there is outstanding debt secured by way of a first ranking mortgage to Clearwater Capital, with a second ranking mortgage in favour of DVCP as general partner of the Mortgage Fund.



Du Val Group structure (cont'd)

Development SPVs (3 of 3)

Hillside Crossing Limited Partnership (in Receivership)

Hillside Crossing Limited Partnership (in Receivership) ("Hillside LP") is the SPV that is currently developing the Verge Apartments, a development of two-bedroom apartments located at 64-66 Hillside Road, Mount Wellington.

We understand that construction activity ceased around February 2024. At present the foundations, structure and roofing appears complete on both buildings. However, there is a significant amount of work still to do. Ongoing discussions with the secured funder are being held in this regard.

Du Val GP Limited (in Receivership) is the general partner and Du Val Development Fund No. 14 Limited Partnership (in Receivership), Du Val Investments and the Opportunity Fund are the limited partners. The JK & CM Trust is the ultimate owner of Du Val GP Limited (in Receivership).

Hillside LP holds two freehold titles associated with the development and there is outstanding debt secured by way of a first ranking mortgage to an offshore lender.

Du Val Property Management Limited (in Receivership)

Du Val Property Management Limited (in Receivership) ("Du Val PM") is the registered owner of one unit in a previously completed Du Val Group project, the Avenue Apartments, a three-level apartment complex comprising of 119 apartments located at 69 Hall Avenue, Mangere, Auckland.

The project was completed in 2019. Du Val PM still holds a single unit title and has a debt facility secured by way of a first ranking mortgage to ASB Bank Limited.



Du Val Group structure (cont'd)

Operations (1 of 2)

Overview of the Du Val Group's operations

Outside of the Du Val Group's main property development activities, business activities comprise:

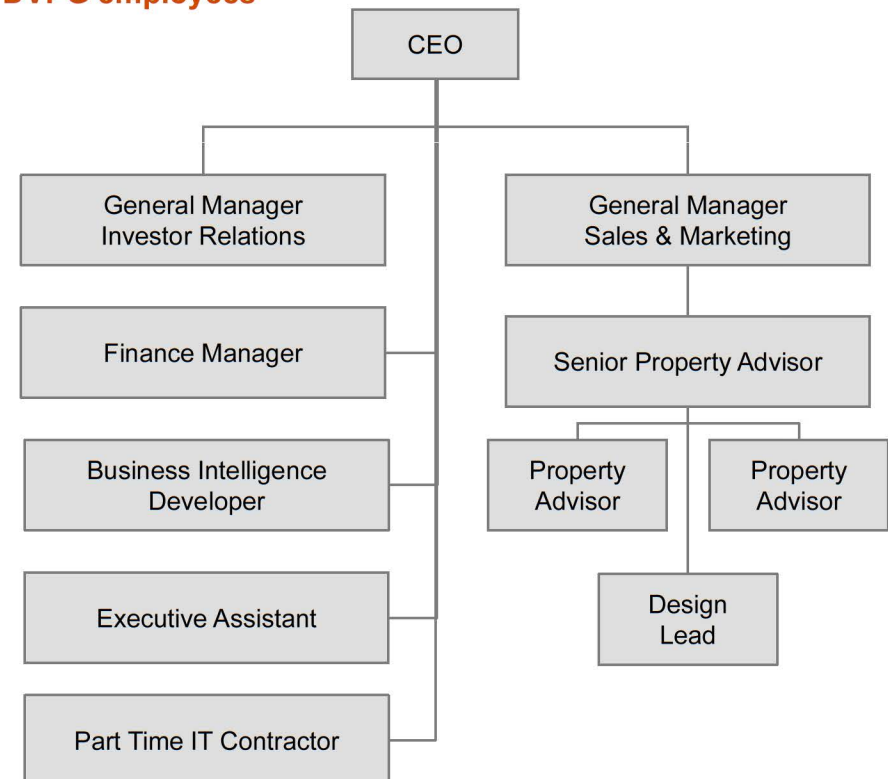
- **Property sales** including the management of marketing, buyer liaison, inspections and pre-settlement activities;
- **Portfolio management** services on behalf of Du Val development landlords, where Du Val manages the rent collection process and repairs and maintenance, in addition to other services including property advertising, tenancy onboarding and body corporate communications;
- **Facilities management** services for larger developments or landlords, involving onsite management presence or a regular visiting manager for others to cover the types of services noted above (under portfolio management), but also additional services such as security surveillance and private rubbish collection; and
- **Operation of Du Val Clubs** at 8 Lakewood Court, Manukau, which offers gymnasium facilities, exercise classes and a swimming pool. This business is operated jointly with a third party who holds a 50% interest in the business.

Property sales

The team comprises nine Du Val staff members, which are are employed by DVPG.

Since their appointment, the Receivers have worked with the sales team, the conveyancing division of the Group's legal advisers in conjunction with the Receivers' own legal advisers, and the funder of the Mountain Vista Estate development to complete 16 settlements to date.

DVPG employees





Du Val Group structure (cont'd)

Operations (2 of 2)

Portfolio and facilities management

Du Val's portfolio and facilities management division provides services in respect of 591 properties, including the McKenzie Road BTR Property and the May Road BTR Property (the rental properties owned by the Build to Rent Fund). The 591 properties comprise:

- 456 third party owned properties/units;
- 72 McKenzie Road BTR Property units; and
- 63 May Road BTR Property units.

The Group's portfolio and facilities management activities are operated through Investment Portfolio Management Limited Partnership (trading as Du Val Portfolio Management) ("IPM").

We note that IPM was not placed into receivership by the Court. However, as receivers of IPM's general partner, IPM General Partner Limited (in Receivership), the Receivers have operational management and control of IPM. Given the significance of IPM in terms of the Group's operations and the volume of financial and other transactions flowing through the entity, our view is that IPM should be included in any statutory management (or placed into receivership as part of the wider FMA initiated process).

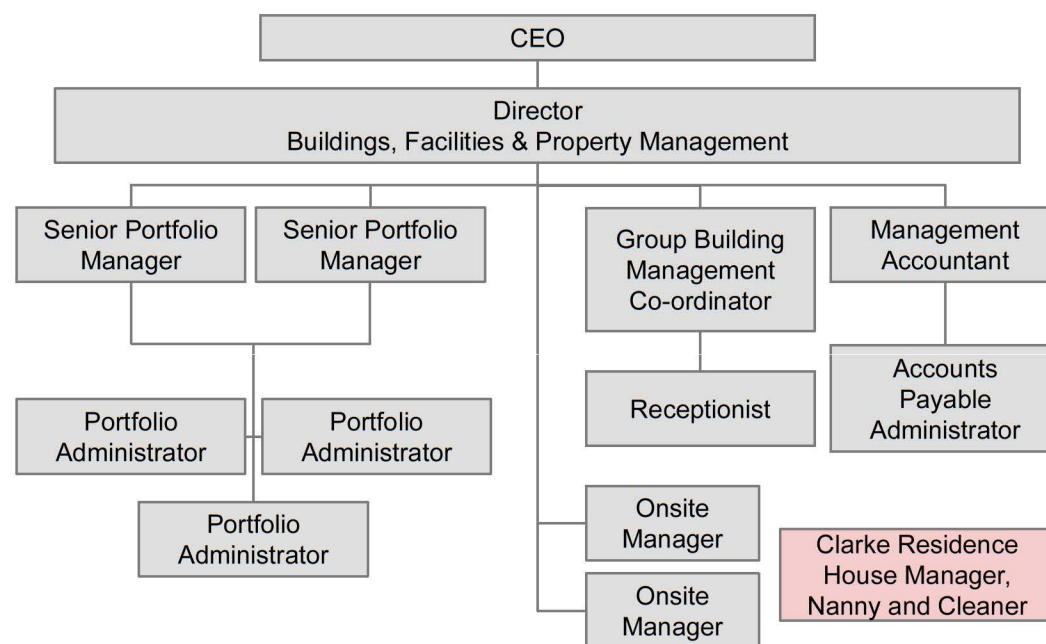
The portfolio and facilities management divisions employ 12 staff, all of which are employed by IPM. IPM also employed Mr and Mrs Clarke's house manager, who has resigned since our appointment.

Du Val Clubs

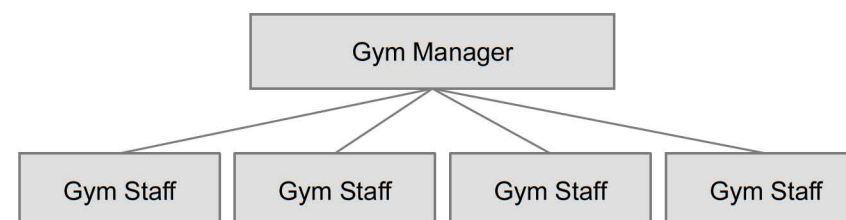
Operated by Du Val Health Clubs Limited Partnership (in Receivership), Du Val Clubs is a joint venture with an external health club operator. The Group has a 50% interest in the business via Du Val Clubs Limited (in Receivership).

The club is operated by staff employed by Du Val Health Clubs Limited Partnership (in Receivership) and also utilises contractors. The commercial space occupied by the club is owned by Du Val Commercial and Mixed-Use Fund Limited Partnership (in Receivership).

IPM employees



Du Val Health Clubs Limited Partnership (in Receivership) employees



Investors

Communications

Shortly after our appointment, we wrote to all known investors to provide them with a brief update on:

- Why the Receivers were appointed to the Du Val Group; and
- The potential next steps of this process.

The table opposite sets out a summary of the investors (limited partners) in each of the Mortgage Fund, Build to Rent Fund and Opportunity Fund. We sought to obtain “master” lists of all investors in the funds from the Du Val Group’s records and the Group’s legal advisers. However, we were unable to ascertain the accuracy of these.

The summary has been prepared based on information obtained from the Limited Partnerships Register. We note that certain investors have interests in more than one Du Val fund. Therefore, the total number of investors across the Du Val Group may be lower than the sum of each. Records indicate 48 Mortgage Fund and 18 Opportunity Fund investors agreed to subscribe for shares in DVP, in exchange for their limited partnership interests, as part of the restructure discussed on page 16.

Verifying the true investor position will be a key part of any further phase of the process.

Registered limited partners (per Limited Partnerships Register)

	No. limited partners (External)	No. limited partners (Du Val)	Total no. limited partners
Mortgage Fund	104	1	105
Build to Rent Fund	38	1	39
Opportunity Fund	35	1	36



Financial

Overview

Financial information

As the majority of the Du Val Group's tangible assets comprise properties in various stages of development, we have omitted detail regarding current value assessments where we consider disclosures may prejudice the maximisation of realisable value for such assets.

In addition to the above, there are a number of limitations and concerns in respect of the financial records of the Du Val Group including, but not limited to:

- No consolidated accounts have been located and we understand that these have not been prepared historically;
- None of the historical financial statements for the entities in receivership have been subject to an audit process;
- The most recent unaudited accounts compiled by the Du Val Group's external accountants relate to the period to March 2023 (with the exception of two entities for which draft March 2024 accounts have been provided);
- We have obtained access to Xero accounting records for 23 entities. Whilst most of these indicate recently reconciled bank accounts, the financial performance and position statements resulting from the records indicate that a number of accounting procedures are outstanding with regard to work in progress and accrual adjustments; and
- There are a significant number of related party advance balances recorded across the majority of the entities for which accounting records are present. These include transactions between parties which do not appear to be connected to the intended operating purpose of the advancing entity.

Whilst we note that a number of entities do not trade in their own right (e.g. general partners of various limited partnerships) the absence of current accounting records for all entities, many of which are noted as having related party balances with the entities for which accounting records are present, has prevented us from forming a fully informed view on the financial status of the Du Val Group.

Notwithstanding the limitations noted above, the records available indicate an overall negative net asset position and significant outstanding / overdue obligations to third parties. Further commentary on each of the seven key areas of the Du Val Group identified in the structure section are set out in the following pages.

Tangible assets

As previously noted, upon appointment we sought to immediately identify and secure the assets of the Du Val Group. In this respect, the key material assets identified to date as held at the time of our appointment comprised the following:

1. Two completed properties held by the Build to Rent Fund, with third party leases managed by Du Val Group entities;
2. Two commercial units in a completed development;
3. Two residential units in completed developments;
4. Three development sites where only minimal or early civil works have been undertaken;
5. One development site where substantial construction works have been undertaken but activity has been suspended since late 2023;
6. One development site nearing completion in its entirety;
7. One development site where most stages are nearing completion, with a final (apartment) building scheduled to be completed in mid 2025;
8. Various bank accounts held by the entities, with credit balances (c.\$5.1m);
9. Funds held in the Du Val Group's solicitor's trust account as stakeholder in respect of deposits paid for development properties yet to be completed (c.\$11.2m);
10. Funds held in the Du Val Group's solicitor's trust account in respect of certain retention obligations under the Construction Contracts Act 2002 (c.\$0.4m);
11. Funds held in the Du Val Group's solicitor's trust account under an escrow arrangement in respect of repairs required to a completed property (c.\$1.0m);
12. Items uplifted from Mr and Mrs Clarke's private residence and secured at other locations (discussed separately in this report);
13. General fixed assets (e.g. motor vehicles, plant and equipment, office equipment).

It is important to note that many of the abovementioned assets, including cash balances, are potentially subject to registered security interests (including mortgage security), legal trust / escrow / stakeholder, and tax obligations. Accordingly, they are not immediately available to the Du Val Group for realisation or operational purposes. In addition, a number of settlements completed since our appointment have resulted in corresponding reductions in deposits held by the Du Val Group's solicitor as stakeholder.



Financial (cont'd)

Financial matters by key area

Mortgage Fund

The management accounting records (Xero) for the Mortgage Fund reports investor funds received by the Mortgage Fund of \$27.7m. The corresponding net asset position is comprised of:

- Advances made to six of the Development SPVs within the Du Val Group (\$30.5m);
- A loan balance owing to the Mortgage Fund's general partner, DVCP (\$2.2m);
- Accrued interest payable to investors and Inland Revenue (\$0.7m).

The balances above have effectively been recorded at these amounts since the end of the year to March 2022 with no interest recorded as accruing on the monies advanced to the development SPVs, although we note the externally compiled accounts to March 2023 incorporate an adjustment for this.

Mortgages are registered against the properties owned by the Development SPVs to which funds have been advanced (in the name of the general partner). These mortgages are second (and in at least one case third) ranking. Given the current status of the developments, discussed separately, we consider that it is unlikely that the advances are fully recoverable, with material shortfalls likely.

As noted on page 16 various documentation and registrations have been actioned by the Du Val Group, with the intention of giving effect to a transfer of certain investors' interests in the Mortgage Fund to a shareholding in DVPG, along with transfer of beneficial interests in properties over which the Mortgage Fund holds security. These changes have not been reflected in the associated accounting records for the Mortgage Fund.

Given our noted concerns in respect of the Information Memorandum presented to Investors in respect of DVPG, we consider that further investigation is required to ensure investors are able to make a fully informed decision as to whether to challenge the establishment of the new structure and transfer of their interests.

In addition, we have sighted information that appears to indicate that a \$1.5m loan was advanced to a person associated with Mr and Mrs Clarke in the March 2022 year. Whilst full loan repayment is recorded in the accounts, including interest, accounting records vary in respect of the borrowing entity. To date no records supporting that this advance was consistent with the stated purpose of the fund or that associated security was in place during the period of the lending has been located.

Build to Rent Fund

The two properties owned by the Build to Rent Fund are subject to a first ranking mortgage in favour of CCB, which has appointed separate receivers. Repairs are in progress in respect of one of the properties, a significant portion of which is to be funded by proceeds of an insurance claim held in escrow. Whilst these repairs are undertaken, significant affected areas of the property are unable to be rented.

As noted previously, the Build to Rent Fund appears to have operated consistently with its intended purpose and it is the only significant entity in the Du Val Group without material balances owing to / from related parties. However, we have identified concerns in respect of the initial transactions that require further investigation to confirm that the associated funds flow and allocation of limited partner interests, which include a substantial proportion to a member entity of the Du Val Group, were appropriate.

Opportunity Fund

The Opportunity Fund does not have accounting records in Xero, with the most recent financial statements available being those as at March 2023, which reports a net asset position of \$4.4m. This includes related entity advances, equity interests in two of the Du Val Group's ongoing property developments and related party balances owing to five of the Development SPV limited partnerships.

It is unclear whether the recorded related party assets are recoverable and therefore would support repayment of the related party balances owing.

As with the Mortgage Fund, it appears actions have been taken to effect the transfer of investor interests in this fund to DVPG. Our concerns regarding these transactions also apply to this fund, although we note that their position as equity investors in the property developments within this entity is likely to be subject to a shortfall in return.



Financial (cont'd)

Financial matters by key area (cont'd)

Du Val Property Group

The financial records held in Xero for this entity are unlikely to be complete given the complexity and status of the proposed transactions with investors in the Mortgage and Opportunity Funds. However, we note that they record a negative net asset position of \$45k as at 2 August 2024. An aged creditor summary indicates c.\$0.6m in unpaid third party creditors, with c.\$0.1m of cash at bank.

Development SPVs

In respect of developments within these entities, there are two major third party secured lenders as previously outlined, as well as three other external mortgages registered for smaller lending amounts, including vendor finance on one of the properties. With regard to the two major funders, one (in respect of two pending developments) has only been funding holding activities with no ongoing substantive construction works in progress. The second secured lender has cross-guaranteed security across a number of the SPV entities and has been paying ongoing development costs for four projects under agreements whereby the contractors and suppliers are paid directly via a solicitors' trust account.

In addition, just prior to our appointment one of the SPVs agreed a scheme of arrangement with Inland Revenue in respect of a material GST obligation relating to the settlement of completed units. Whilst these funds had been received by the SPV from the settlement proceeds we are advised that, with the secured lenders paying third party and agreed development costs only, the Du Val Group did not have sufficient other sources of funds to meet its ongoing overheads for which they wished to use the GST funds. We do not consider this to be an appropriate source of working capital for a business and have concerns that this is not an isolated instance. Further investigation is required in this regard.

Each of the SPV entities also records a large volume of related party balances, many of which do not represent a use of funds consistent with each entities business activities. Given the status of the secured lending facilities and development works, amounts owing to the Mortgage Fund and related party balances, we consider it likely that many, if not all of these entities are insolvent.

Operations

The remaining entities of the Du Val Group comprise both the operating entities as outlined on page 20 and various limited partnerships and holding entities. Although a number of entities for which financial records are present record positive net asset positions, the absence of financial records for a large number of entities have prevented any accurate assessment of the overall position and reconciliation / confirmation of individual entity positions. We have identified significant concerns in respect of the following areas set out below.

Related party balances

Almost all of the entities in the Du Val Group for which records have been viewed record multiple (often significant) balances owing to / from other related entities. The absence of a consolidated or complete set of records has prevented a full reconciliation in the time available but we consider that many of these balances recorded as "assets" are unlikely to be recoverable. Furthermore, the sheer volume and complexity of these balances across the wider Du Val Group, and associated information reviewed to date, indicates that transactions have been undertaken for the purpose of meeting liquidity needs without regard to whether the transactions were in the interests of the entity advancing the funds, or should be retained for that entity's known future obligations.

Although we have been advised of attempts to recapitalise / refinance Du Val Group activities (and seen various associated documentation / correspondence), no tangible commitments have been achieved and, as outlined in this report, we consider some of the underlying assumptions about the future viability / performance of the Du Val Group's activities are not sufficiently supported.

Intellectual Property

The financial information received to date indicates that Du Val Group NZ Limited (in Receivership) purchased "intellectual property" from the JK & CM Clarke Trust for \$15m in a historical transaction, creating a corresponding loan balance owing to the Trust. This loan balance had subsequently been reduced to c.\$5.5 as at March 2023. As Du Val Group NZ Limited (in Receivership) does not have financial records in Xero we have been unable to determine the associated funds flow supporting these positions. Further investigation is strongly recommended in this regard, including the basis for the initial purchase transaction and value attached.



Governance

General Observations

We set out at Appendix iv of this report a schedule of directors and the entities within the Du Val Group that they were appointed to at 2 August 2024. In addition to the named directors, we note that Dr Mark Long attended Board Meetings for DVPG in recent months in his capacity as High Performance Coach and Observer. He has advised us that he expected to be formally appointed director to the DVPG Board shortly before our appointment as Receivers.

We have written to all known current and recent directors of the Du Val Group and have received a completed questionnaire from John Dalzell in respect the the entities he is appointed to within the Du Val Group. We are yet to receive any other written responses at the time of preparing this report.

Central to control of the Du Val Group over most of its existence has been John Kenyon Clarke either through directorship or management positions.

Funding obtained from the public was carried out through issuing a Private Placement Information Memorandum and noting the offer was made to wholesale investors.

Overall, in our opinion, governance within the Du Val Group has been poor. We note the Du Val Group:

- Did not produce consolidated financial accounts (inhibiting the ability to get an overall picture of the Du Val Group financial position at any time);
- Did not appoint an auditor to the Group (although we note attempts to secure an auditor were recently made, without success);
- Did not issue a prospectus, and instead, relied upon the wholesale investor exemptions under the Financial Markets legislation to raise public money;
- Apart from recent DVPG Board meetings, did not have a full set of minutes that we have been able to locate for the entities in the Du Val Group;
- Did not have truly independent Board members - we note the directors either had a financial investment in at least one of the entities or directors were employed as staff or through consulting arrangements; and
- Did not have a level of Directors and Officers insurance cover appropriate for the nature of the size and risks being taken by the Du Val Group.

The Mortgage Fund suspended payment of interest on investors units in January 2023 and, at least from this date, the Du Val Group appears to have faced cash flow problems and difficulties in meeting obligations up until the date of our appointment. There are several applications for liquidation of one of the Du Val Group entities on foot at the time of our appointment as covered in the Legal section of this report. In our view, there are a number of entities where potential breaches of directors' duties should be investigated.

FMA Warnings

Some Du Val Group entities have been publicly warned in regard to their conduct. This includes:

- **October 2021** - FMA directed Du Val to remove advertising materials likely to mislead or deceive investors.
- **October 2022** - The FMA commenced a review of wholesale investments into property related offers after noting an increase in complaints made and concerns raised about how such wholesale offers were being promoted, and whether the appropriate investors were being targeted and accepted.
- **March 2023** - The FMA warned DVCP, the general partner of the Mortgage Fund and Du Val Group, in respect of misleading or deceptive statements to investors.

Communication with investors in recent times has been considerably strained and this has led to an increasing level of frustration and complaints by investors. This situation has been exacerbated with the number of limited partnerships in existence that means investors have difficulty obtaining information on the financial position of entities within the Du Val Group.

Production of financial statements

The Limited partnership agreements ("LPAs") for the Opportunity, Build to Rent and Mortgage funds all stipulate financial statements must be produced by the general partner within 120 days of financial year end. Whilst we have sighted March 2024 draft accounts for the BTR fund, the signed accounts for the three respective funds as at 31 March 2023 were dated as follows:

- Opportunity fund - 3 May 2024
- Build to Rent fund - 3 May 2024
- Mortgage fund - 10 May 2024

All of the above materially exceeded the 120 day period as set out in the respective LPAs.



Other Matters

Proposed refinancing of Build to Rent Fund properties

Following our appointment as Receivers, we met with Mr and Mrs Clarke, John Dalzell and Mark Long (along with their respective legal advisers) to discuss their plans for the Du Val Group prior to the receiverships.

At the meeting we were advised that the Du Val Group was in the process of refinancing CCB's debt with an external non-bank lender. Du Val Group has engaged a boutique corporate finance adviser, which had undertaken a detailed market sounding process, which culminated in an Australian-based non-bank lender submitting a conditional offer to refinance CCB's debt in full.

We were advised that the lender was due to visit New Zealand in the week commencing 5 August 2024 to inspect the McKenzie Road BTR Property and the May Road BTR Property (the two key assets secured to CCB). In addition to the inspection, we understand that other loan conditions comprised of:

- Obtaining a satisfactory independent third party valuation (for which CBRE had been engaged); and
- Finalising two new 10 year leases for a combined 135 units across the McKenzie Road BTR Property (72 units) and the May Road BTR Property (63 units).

Given control of the Build to Rent Fund assets now resides with Neale Jackson and Daniel Stoneman of Calibre Partners as receivers (the "CCB Receivers"), we have sought to facilitate discussions between John Dalzell (in his capacity as a director of DVPGL) and the CCB Receivers.

International activities

Our investigations to date have resulted in a number of indications that business activities and entities may have been established outside of New Zealand. To date we have viewed evidence or assertions relating to Europe, the United Kingdom, Asia and the Pacific Islands.

Whilst we have commenced enquiries where sufficient information is available to do so, in the time available no confirmations of any potential assets have been received.

Further investigation is required in this regard.

Retentions withheld from contractors

As noted in the financial section of this report, approximately \$0.4m has been identified as being held in Du Val Group's solicitors' trust account in respect of retentions (to meet the requirements of the Construction Contracts Act 2002).

Based on the information available, this represents specific amounts held for two of the development SPVs. Xero accounting records for Blue River Holdings Limited (formerly Du Val Construction Limited) indicate that a further \$0.8m in retentions may be owing. To date, we have not identified any associated cash holdings related to this balance and our investigations are ongoing.



Other matters (cont'd)

Litigation and claims

We have searched in all court registries to identify litigation involving any of the entities in receivership. Those searches showed eight active proceedings. The receivership orders do not operate to stay (pause) those proceedings. We summarise those proceedings below, beginning with those in which the Du Val entities are defendants.

Blue River Holdings Limited (in Receivership)

- A creditor is suing Blue River Holdings Limited (in Receivership) (previously known as Du Val Construction Limited) ("Blue River") for approximately \$59,000 in the Hamilton District Court.
- Three liquidation applications in the Hamilton High Court seek liquidation of Blue River. The total debt claimed by the creditors in those applications is approximately \$880,000. The applications are to be heard in September 2024.

Downey Management Ltd v Amble Valley Limited (in Receivership) (previously Du Val Developments Limited) & Ors

- This High Court proceeding involves a dispute between the limited partners of Lakewood Plaza Limited Partnership (in Liquidation). Amble Valley Limited (in Receivership) and Mr Clarke are defendants, together with various other entities not in receivership. Trial is set down for April 2026.

Body Corporate application

- Du Val Health Clubs Limited Partnership (in Receivership) is one of 22 respondents to an application in the High Court to approve a scheme under s 74 of the Unit Titles Act. We have yet to obtain details of this proceeding.

Other litigation

- Our searches also showed two matters where entities in receivership are the plaintiffs. In one case there is a High Court trial set down for April 2025 and an appeal in relation to an application for a freezing order. The other case has been filed but not yet served on any defendant. We are seeking further information, and legal advice, in respect of those proceedings.



Other matters (cont'd)

Engagement with the Du Val Group's primary legal adviser

We have engaged with C.A.P.A.C. Limited (trading as iCLAW) ("iCLAW"), the Du Val Group's legal adviser, in order to understand the funds and records they hold. We instructed them to effect settlements of a number of sales of completed properties in the Mountain Vista Estate development that fell due shortly after our appointment. iCLAW have cooperated with our requests for information and assistance.

Upon our appointment, iCLAW held approximately \$12.6m in their trust account, including on interest bearing deposit. Of these funds:

- Approximately \$420,000 was held for retentions on construction contracts. Those retention amounts have been transferred to the Receivers to hold as Trustee.
- Approximately \$1,000,000 was held in escrow for a specific contractor undertaking remediation work at the McKenzie Road BTR Property, to be paid to that contractor upon works being carried out. In consultation with the receivers appointed by CCB, we have authorised payment of some of those funds to the contractor. The balance of those funds remain with iCLAW under the escrow arrangements.
- The remainder represented deposits from purchasers, held by iCLAW as stakeholder under the relevant sale and purchase agreements. We are discussing with iCLAW a transfer of those funds to our solicitors for them to hold as stakeholders.

We have also obtained from iCLAW various documents, and lists of the files that they hold for the various entities in receivership. We are in the process of seeking further information from those files.



Redacted



Appendices

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Appendix i - Restrictions to this report

The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise.

This report has been prepared for the High Court of New Zealand and provided to the FMA. We specifically disclaim any responsibility to any other party seeking to rely upon this report.

Unless the Court determines that this report may be issued publicly, it is not to be copied or released to any other party without our prior written consent for each party requesting its release.

We have not independently verified the accuracy of information provided to us, and have not conducted any form of audit in respect of the Du Val Group or related entities. Accordingly, we express no opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied. Whilst all care and attention has been taken in compiling this report, we do not accept and liability whatsoever arising from this report.

The statements and opinions expressed in this report are based on information available as at the date of the report.

We reserve the right, but will be under no obligation, to review or amend our report, if any additional information, which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.

In addition the following should be noted:

- Certain numbers throughout this report have been rounded and therefore do not add exactly; and
- Unless otherwise stated all amounts are stated in New Zealand dollars.

Appendix ii - Entities / persons in receivership

Du Val Capital Partners Limited	Du Val GP Holdings Limited	Du Val GP 5 Limited
Du Val Group NZ Limited	Amble Valley Limited (formerly Du Val Developments Limited)	Du Val GP 8 Limited
Du Val IP Holdings Limited	April Elements Limited (formerly DVFS LIMITED)	Parry Limited Partnership
Du Val Prop Tech Limited	Clarke Media Group Limited	Get Started Limited (formerly Du Val Education GP Limited)
Coastway Limited (formerly Du Val Wealth Limited)	Blue River Holdings Limited (formerly Du Val Construction Limited)	Du Val Education Limited Partnership
Du Val Connect Limited Partnership	Flipping Lids Limited (formerly Due Val PT NZ Limited)	Orange Pineapple Limited (formerly Du Val Sales Limited)
Karapiro Corporate Trustees Limited	TTPP General Partner Limited	Rising Holdings Limited (formerly Du Val HC Limited)
John Kenyon Clarke	Trans-Tasman Pacific Limited Partnership	Techway Limited (formerly Du Val Corporate Services Limited)
Charlotte Marie Clarke	IPM General Partner Limited	Tribal Holdings Limited (formerly DVE LIMITED)
Du Val Mortgage Fund Limited Partnership	Diamond Box Limited (formerly Du Val Fashion Limited)	Water Alley Limited (formerly Du Val Architects Limited)
Du Val Opportunity Fund Limited Partnership	Woodle Limited (formerly Du Val Acquisitions Limited)	Du Val GP Limited
Du Val BTR GP Limited	Du Val Clubs Limited	Hillside Crossing Limited Partnership
Du Val Build to Rent Limited Partnership	Du Val HC GP Limited	Du Val GP 4 Limited
Du Val Property Group Limited	Du Val Health Clubs Limited Partnership	Du Val Development Limited Fund No. 14 Limited Partnership
Du Val Investments Limited	Du Val BTR Limited	Du Val GP 7 Limited
Du Val Building Limited	Du Val CMUF Limited	Earlsworth Limited Partnership
Du Val Land Limited	Farham Limited (formerly Du Val Holdings Limited)	Du Val GP 9 Limited
Du Val CMUF GP Limited	Fiji Land Acquisition Limited	Hill Top Apartments Limited Partnership
Du Val Commercial and Mixed-Use Fund Limited Partnership	Shrub Holdings Limited (formerly Du Val Health GP Limited)	Du Val GP 10 Limited
Blue Frame Holdings Limited (formerly Du Val Estates Limited)	Te Awa Terraces Limited Partnership	Sunnyvale Terraces Limited Partnership
Du Val Property Management Limited	Du Val GP 1 Limited	Du Val GP 11 Limited
Du Val Management Limited	Du Val New Homes Limited Partnership	Edmonton Road Limited Partnership

Du Val Group NZ Limited and associated entities (in Receivership) - Report to the High Court
PwC





Appendix iv - Director appointments

The lists of appointments in this appendix relate to individuals who were appointed as current directors of Du Val Group entities as at 2 August 2024.

John Kenyon Clarke

Current Director Appointments to Du Val Group entities

CLARKE MEDIA GROUP LIMITED (In Receivership)
 MT LEGACY LIMITED
 DARWIN GP LIMITED
 EINSTEIN GP LIMITED
 NEWTON GP LIMITED
 CURIE GP LIMITED
 GALILEI GP LIMITED
 FRANKLIN GP LIMITED
 COASTWAY LIMITED (In Receivership)
 DU VAL GROUP NZ LIMITED (In Receivership)
 DU VAL IP HOLDINGS LIMITED (In Receivership)
 DU VAL PROP TECH LIMITED (In Receivership)
 DU VAL PROPERTY GROUP LIMITED (In Receivership)
 DU VAL BUILDING LIMITED (In Receivership)
 DU VAL LAND LIMITED (In Receivership)
 DU VAL PROPERTY MANAGEMENT LIMITED (In Receivership)
 DU VAL MANAGEMENT LIMITED (In Receivership)
 DU VAL GP HOLDINGS LIMITED (In Receivership)
 APRIL ELEMENTS LIMITED (In Receivership)
 AMBLE VALLEY LIMITED (In Receivership)
 FLIPPING LIDS LIMITED (In Receivership)
 TTPP GENERAL PARTNER LIMITED (In Receivership)
 DIAMOND BOX LIMITED (In Receivership)
 WOODLE LIMITED (In Receivership)
 DU VAL CLUBS LIMITED (In Receivership)
 DU VAL HC GP LIMITED (In Receivership)
 DU VAL CMUF GP LIMITED (In Receivership)
 BLUE FRAME HOLDINGS LIMITED (In Receivership)

DU VAL BTR LIMITED (In Receivership)
 DU VAL CMUF LIMITED (In Receivership)
 FARHAM LIMITED (In Receivership)
 FIJI LAND ACQUISITION LIMITED (In Receivership)
 SHRUB HOLDINGS LIMITED (In Receivership)
 GET STARTED LIMITED (In Receivership)
 DU VAL GP 8 LIMITED (In Receivership)
 ORANGE PINEAPPLE LIMITED (In Receivership)
 TECHWAY LIMITED (In Receivership)
 RISING HOLDINGS LIMITED (In Receivership)
 DU VAL GP LIMITED (In Receivership)
 DU VAL GP 4 LIMITED (In Receivership)
 DU VAL GP 7 LIMITED (In Receivership)
 DU VAL GP 9 LIMITED (In Receivership)
 DU VAL GP 10 LIMITED (In Receivership)
 TRIBAL HOLDINGS LIMITED (In Receivership)
 DU VAL GP 11 LIMITED (In Receivership)
 DU VAL INVESTMENTS LIMITED (In Receivership)

Owen Francis Tyrrell Culliney

Current Director Appointments to Du Val Group entities

DU VAL CAPITAL PARTNERS LIMITED (In Receivership)
 COASTWAY LIMITED (In Receivership)
 KARAPIRO CORPORATE TRUSTEES LIMITED (In Receivership)
 DU VAL GROUP NZ LIMITED (In Receivership)
 DU VAL IP HOLDINGS LIMITED (In Receivership)
 DU VAL PROPERTY GROUP LIMITED (In Receivership)
 DU VAL PROPERTY MANAGEMENT LIMITED (In Receivership)
 DU VAL CLUBS LIMITED (In Receivership)
 DU VAL CMUF GP LIMITED (In Receivership)
 DU VAL BTR LIMITED (In Receivership)
 DU VAL CMUF LIMITED (In Receivership)
 DU VAL INVESTMENTS LIMITED (In Receivership)
 DU VAL BTR GP LIMITED (In Receivership)

Appendix iv - Director appointments (cont'd)

Charlotte Marie Clarke

Current Director Appointments to Du Val Group entities

DU VAL PROPERTY MANAGEMENT LIMITED (In Receivership)
IPM GENERAL PARTNER LIMITED (In Receivership)

John Glenn Dalzell

Current Director Appointments to Du Val Group entities

DU VAL BTR GP LIMITED (In Receivership)
DU VAL PROPERTY GROUP LIMITED (In Receivership)

Mark Dean Robinson

Current Director Appointments to Du Val Group entities

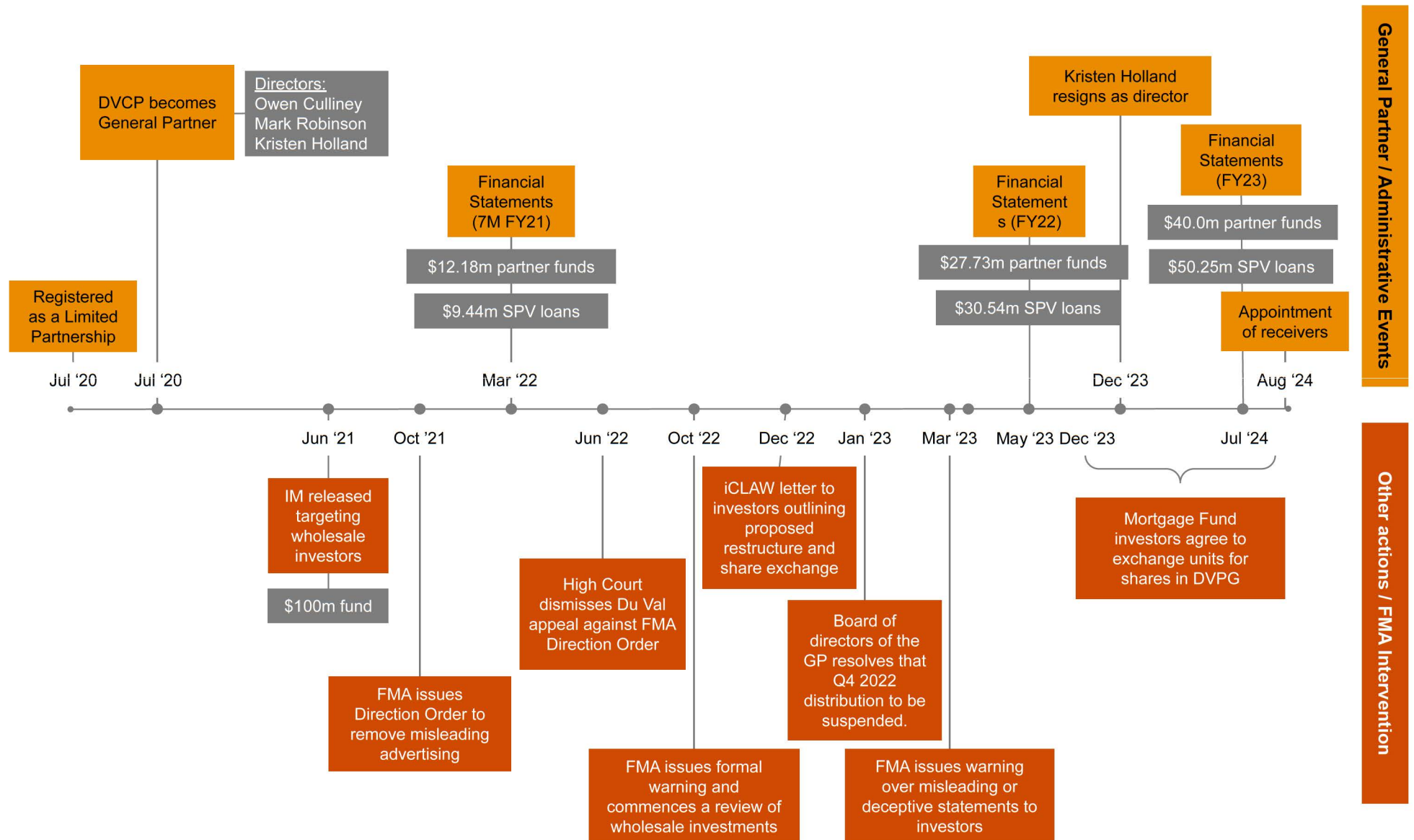
DU VAL CMUF GP LIMITED (In Receivership)
DU VAL CAPITAL PARTNERS LIMITED (In Receivership)
DU VAL GP 5 LIMITED (In Receivership)
DU VAL BTR GP LIMITED (In Receivership)

Che Rodger Desmond

Current Director Appointments to Du Val Group entities

DU VAL BTR GP LIMITED (In Receivership)

Appendix v - Mortgage Fund timeline of events





Appendix vi – Glossary

Term	Definition
Du Val, the Du Val Group, the Group	The companies and limited partnerships listed in Appendix ii, all of which are in receivership
Mr Clarke	John Kenyon Clarke (in Receivership)
Mrs Clarke	Charlotte Marie Clarke (in Receivership)
CCB	China Construction Bank (New Zealand) Limited - a first ranking secured lender to the Build to Rent Fund
the Receivers	John Fisk, Stephen White and Lara Bennett in their capacity as Receivers and Managers of the Du Val Group
FMA	Financial Markets Authority
FMC Act	Financial Markets Conduct Act 2013
Receiverships Act	Receiverships Act 1993
Companies Act	Companies Act 1993
Mortgage Fund	Du Val Mortgage Fund Limited Partnership (in Receivership)
Build to Rent Fund	Du Val Build to Rent Limited Partnership (in Receivership)
Opportunity Fund	Du Val Opportunity Fund Limited Partnership (in Receivership)
the Clarkes	Mr J K Clarke and Mrs C M Clarke
CCB Receivers	Neale Jackson and Daniel Stonemen of Calibre Partners appointed by CCB as receivers of Du Val Build To Rent Limited Partnership and Du Val BTR GP Limited.
SPVs	Special Purpose Vehicles
DVPG	Du Val Property Group Limited (in Receivership)

Term	Definition
DVCP	Du Val Capital Partners Limited (in Receivership)
BTR GP	Du Val BTR GP Limited
Clearwater Capital	Clearwater Capital Partners Direct Lending Opportunities Fund, L.P. - a first ranking secured development funder to Du Val Group SPVs
1769 Capital	1769 Funding Limited - a first ranking secured development funder to Du Val Group SPVs
FYXX	Financial year ended 31 March 20XX
Du Val Investments	Du Val Investments Limited (in Receivership)
Parry LP	Parry Limited Partnership
Earlsworth LP	Earlsworth Limited Partnership
Edmonton Road LP	Edmonton Road Limited Partnership
Hill Top LP	Hill Top Apartments Limited Partnership
Sunnyvale LP	Sunnyvale Terraces Limited Partnership
Trans-Tasman LP	Trans-Tasman Pacific Limited Partnership
Hillside LP	Hillside Crossing Limited Partnership
Du Val PM	Du Val Property Management Limited
IPM	Investment Portfolio Management Limited Partnership trading as Du Val Portfolio Management

Thank you

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