

## THE MRIYA AFFAIR

### “WHERE THERE IS A WILL THERE IS A WAY”



By Andri Antoniou\*

By the time the “looting campaign” against one of Ukraine’s largest agricultural operators, the Mriya Group of companies, by its founding members<sup>1</sup> came to an end, it was left with debts in excess of \$1.3 billion. With the collapse of the Group two years ago, creditors, many of which are represented by local banks and international investors, were left looking for ways to salvage what was possible.

The trustee of the group of investors that provided funding through the issuance of bonds (“the Bondholders”), filed an application, on 22 January 2015 with a Cypriot Court, where the holding Company is registered, seeking a winding up order against Mriya Agro Holdings Public Ltd (“MAH”) and simultaneously filed an ex-parte application for the appointment of a Provisional Liquidator (“PL”).

On 26<sup>th</sup> January 2015 the District Court of Nicosia ordered the appointment of a PL<sup>2</sup>, who appointed new directors of the 18 Cypriot subsidiaries and through Powers of Attorney issued to a new Management Team (“MT”), specific individuals were authorised to manage the affairs of the 140 Ukrainian subsidiaries securing their ongoing trading and ensuring 2000 jobs were not lost.

Today, the group boasts a forecasted turnover of over \$114m for the 2016 harvest, whilst having received working capital of \$25m in 2015 and a further \$41m out of the €46m approved for 2016 by investors.

MAH was wound up by the District Court of Nicosia, on 11<sup>th</sup> May 2016, leading to the appointment of the Official Receiver (“OR”) as Liquidator, simultaneously terminating the appointment of the PL. Resulting from close co-operation with the office of the OR, who has been very supportive of the PL’s efforts, an application was filed by the OR (the first of its kind in Cyprus) pursuant to which, on 19<sup>th</sup> May 2016, the former PL was appointed as Special Manager with all the powers of the Liquidator.

Efforts are now being focused on both restructuring the Group’s debts whilst investigating the actions of the previous management and taking steps to bring to justice those responsible for defrauding creditors, spanning several jurisdictions including Ukraine, Cyprus, UK, Russia and Switzerland, of hundreds of millions of dollars.

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<sup>1</sup> The founding members were Ivan and Klavdiya Guta

<sup>2</sup> Chris Iacovides, of CRI Group Ltd, based in Cyprus, was appointed as Provisional Liquidator

*“This is an unprecedented case when the banking community and Eurobond holders were able to remove a fraudster and negligent borrower from the business and not lose the business in the process”, commented the Governor of the National Bank of Ukraine, Valeria Gontareva, recently on the Mriya situation on a Ukrainian TV program, “This is an example of how in Ukraine, as elsewhere in the world, an unpaid creditor must have the right very quickly and efficiently to take control of the business before it has been destroyed.”*

Criminal proceedings are ongoing both in Cyprus and Ukraine against the previous management of the Group and the son of Ivan and Klavdiya Guta, often deemed the “mastermind” behind the orchestrated fraud, who has fled to Switzerland. It is believed that the police investigation currently ongoing in Cyprus, instigated by the former PL, will lead to international arrest warrants being issued against those responsible.

Meanwhile actions to restructure the Group’s debts are continuing through the combined efforts of the Special Manager, and his legal team at Dentons, the Ukrainian law firms Sayenko Kharenko and Avellum, the UK law firms Latham Watkins and Hogan Lovells, the consultants, Rothschild and ICU, and members of the MT. At the beginning of September 2016 the key restructuring terms and conditions were agreed between Mriya and the coordinating committees of banks and bondholders. According to the restructuring terms, Mriya's operating group debt will be reduced to a total sustainable debt level up to \$330 million, a reduction of 70% of the total debt, while creditors will take control of equity in the group.

The Governor of the National Bank of Ukraine further commented *“We very much welcome what Mriya has been able to do. I think that this is really a huge breakthrough. I can say that this is the first story of this kind on our territory. So the National Bank very much welcomes Mriya’s debt restructuring.”*

Updates as to the continuing efforts of the Special Manager and progress of the Group generally can be found at [www.crigroup.com](http://www.crigroup.com) and [www.mriya.ua/en/](http://www.mriya.ua/en/).

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