

Liquidators 3rd Report on Pakiri Investments Limited (In Liquidation)

Liquidators 6 Monthly Report

As at 15 February 2014

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PAKIRI INVESTMENTS LIMITED (IN LIQUIDATION)

COMPANY NO. 1671845

Liquidators Six Monthly Report under Section 255(2)(d) of the Companies Act 1993

As at 15 February 2014

This report has been prepared in accordance with section 255(2)(d) of the Companies Act 1993 for the purposes of reporting on the conduct of the liquidation during the preceding 6 months and reporting of further proposals we have for completing the liquidation

APPOINTMENT

Pakiri Investments Limited (In Liquidation) (the **Company**) was placed in liquidation on 15 February 2013 at 11:01am by the High Court of New Zealand Auckland Registry and Mark Hector Norrie and Patricia van der Wende were appointed joint and several liquidators of the Company.

DISCLAIMER & RESTRICTIONS

This document is a report to creditors in terms of the Companies Act 1993. This report is not intended for general circulation and is not to be reproduced or used for any other purpose without the prior written consent of the Liquidators.

The statements and opinions expressed in this report have been made in good faith and are based on information available as at the date of this report. This report has been prepared by relying on information supplied by the Company Director(s) and Shareholder(s) and other parties. We reserve the right but will be under no obligation to revise this report if we consider it necessary to do so in the light of any information existing at the date of this report, but which becomes known to us after the date of this report. Neither the Liquidators nor Norrie & Daughters, its employees and agents accept any responsibility or liability to any party whatsoever for any losses to any party for any reason from any use of or placing any reliance on this report.

This report should be read in conjunction with previous reports.

ABBREVIATIONS USED

Act: mean the Companies Act 1993

Company: means Pakiri Investments Limited (In Liquidation)

Notice: means a notice issued under section 261 of the Companies Act 1993

Shareholders: means past and present shareholders as determined from Company Office Records and as amended from records received other sources.

Time3: means Time3 Global Limited

COMPANY INFORMATION

DATE OF INCORPORATION	03 Aug 2005
TRADING NAME	Pakiri Investments (Pakiri Group has been used on occasions)
TRADING ADDRESS	71 Symonds Street Auckland
TYPE OF BUSINESS	Software Developing & Marketing
DATE TRADING CEASED	15 February 2013
SHARE CAPITAL	Unknown
SHARE PARCELS	1,000,000
DIRECTORS	Larrie William NEWMAN Igor George SUTICH
SHAREHOLDERS	At the time of liquidation Company Office records showed the shareholders as being: Rajendran RAVIKULAN (In Trust); and Evan James READ (in Trust)
OTHER KEY PERSONS	Rajendran RAVIKULAN – CFO Evan James READ – Previous director and representative of Read Family Trust

Conduct of the Liquidation during the Preceding 6 Months

Key Points

- The Liquidators obtained High Court orders for the production of documents by and examination under oath in High Court of Mr Sutich, Newman, Ravikulan and Judson.¹
- The High Court subsequently ordered a halt to the production of records by and examination of Mr Sutich, Newman, Ravikulan and Judson pursuant to an application by Mr Newman to remove the Liquidator from office. A full day hearing was held on 17 December 2013 at which Mr Sutich applied to be joined. The judgment was released on 2 April 2014².
- Mr Sutich commenced an application in the High Court to have the Liquidators decision, not admit his creditors claim reviewed. The application has been opposed and a hearing date has yet to be set.
- Ms P van der Wende resigned as a joint and several liquidator of the Company and has not been replaced.
- Examination of records show that the Company failed to maintain its tax obligations in respect to filing returns and paying tax where necessary. Income tax returns were never filed from the time the Company was incorporated. The Liquidator is in discussion with IRD over filing these returns after the production of documents from those ordered.

ASSETS

The transfer of all software from the Company to TIME3 has been set aside. A High Court hearing in respect to the recovery of the property is expected to be scheduled for later this year³.

Realisations and Distributions

The Liquidator has realised voidable transactions and other assets Details of realisations and distributions are set out later in this report.

¹ CIV -2013-404- 2847

² High Court dismissed Mr Newman's application on 2 April 2014 and refused to join Mr Sutich. Refer events occurring after 15 February 2014 later in this report.

³ CIV 2013-404-3305 Norrie & van der Wende v Time3 Global Limited

FURTHER PROPOSALS FOR COMPLETING THE LIQUIDATION

Creditor Claims

Further creditor claims were received during the period.

Preferential Creditor claims total	\$ 3,910
Unsecured Creditor Claims	<u>\$ 827,602</u>
	\$ 831,512

Current and past directors have filed claims in the liquidation totalling \$564,135. One claim by Mr Sutich was not admitted by the Liquidator and Mr Sutich has applied to the High Court to have the liquidator's decision reviewed⁴. No hearing date has been set. The other claims have not yet been admitted into the liquidation and are being examined.

Read Family Trust

Transactions involving the Read Family Trust and in particular Mr Read are still being investigated. Significant sums of money belonging to Company were transferred to Mr Read as shareholder in the Company (Read Family Trust). Mr Read continues to reside outside of New Zealand, generally in Russia and travels extensively. Mr Read remains a bankrupt.

Records & Documents of the Company

It is expected that the records of the Company as required by the Act to be maintained will be received from the Directors during 2014.

Transfer of Assets from Pakiri to Time3

This will likely be heard in the High Court later this year.

Shareholder Complaints Against Directors

Shareholder who wish to make a complaint can commence the process by going to the link <https://adobeformscentral.com/?f=-vvzfpxXHNuXiNldM57uA> and completing the Shareholder Questionnaire. (Refer S261 Notice below)

The Liquidator is aware of at least one shareholder(s) who took matters of concern regarding the refusal of the Company Directors to provide information or hold annual general meetings to the Disputes Tribunal. The Disputes Tribunal has no jurisdiction to hear such a complaint.

⁴ CIV 2014-404-0152 Sutich v Norrie

Shareholders are advised that the correct place to initially lay a complaint about the Company or its directors or Mr Read is with the Liquidator. Your details will be kept confidential. You may also lay a complaint with the Registrar of Companies or the Financial Markets Authority. Matters related to the Act are outside the jurisdiction of the Disputes Tribunal

Contact details are:

Financial Markets Authority: www.fma.govt.nz/about-us/contact-us/contact-form/ or phone
+64 (09) 300 0400.

Registrar of Companies: Freephone within New Zealand 0508 266 726
Freephone from Australia 1800 424 969
International callers +64 3 962 2602

The Liquidator: E: liquidations@norrie.co.nz
P: +64 9 551 3631
F: +64 9 579 9805

S261 Notice - Shareholder Questionnaire – Link to Secure Website

Subsequent to the outcome in the High Court in respect to the setting aside of the transfer of the Company's intellectual property to Time3 the Liquidator will be considering the issue of what appears to be three classes of shareholders in the Company, those classes are:

- (a) Shareholders who did not agree and/or did not sign share transfer forms to transfer their shareholding in Pakiri from Pakiri to Time 3 and whose shares were transferred or they were removed as shareholders in both the Company and Time3; and
- (b) Those shareholders either sold their shareholding or who voluntarily signed share transfer forms to transfer their shareholding in Pakiri from Pakiri to Time 3; and
- (c) Those shareholders in group (b) who transferred under duress.

Shareholders are required to go to the following website to complete and electronically file a confidential shareholder questionnaire.

<https://adobeformscentral.com/?f=-vvzfpfXXHNuXiNldM57uA>

If you wish to set up an email address for the purpose then try Gmail or Hotmail.

A section 261 Notice (**Notice**) issued under the Act will be emailed to all known shareholders separately. The Notice requires each shareholder to complete the Shareholder Questionnaire accessed at the above link. Compliance with the Notice is mandatory and if you do not comply you are actually committing an offence and could be liable, on conviction, to a stiff penalty.

If you have any doubts on the power of the Liquidator to seek this information you should contact your lawyer. You can also search on Google for comment from various law firms about s261 Notices.

The Liquidator is aware of various threats made to shareholders by Mr Read and others who provide information to the Liquidator however each shareholder has a legal obligation to comply with the Notice. By going to the link above and using a confidential email address (if so desired) no person,

other than you and the Liquidator and his staff will know who has responded. Your responses are protected under the laws of New Zealand by the Privacy Act 1993.

Voidable Transactions

The Liquidators have identified voidable transactions and will continue pursuing those claims.

Investigations

There are a number of areas that on a prima facie basis require investigation. The Liquidators have prioritised these areas and will be investigating each one in due course.

Shareholder Confidentiality Agreements.

As previously advised by the Liquidators any confidentiality agreement you signed with Pakiri Investments Limited (In Liquidation) (**Pakiri**) is now an agreement with the Liquidators. The Liquidators have terminated all confidentiality agreements and shareholders are no longer bound by any confidentiality agreement entered into with the Company.

The Directors and Chief Financial Officer will in due course be disclosing to the Court and the Liquidators under oath all matters relating to the business affairs of the company.

Shareholders have an opportunity to present documents to the Liquidators without any fear of retribution whatsoever and should do so in accordance with their legal obligations to comply with the Notice.

Mr Read's On-Going Communications to Shareholders

The Liquidator is aware that since the liquidation of the Company commenced Mr Read continues to email shareholders in the Company and Time3 with various missives about the Liquidator and seeking funds from shareholders for various reasons including the removal of the liquidator.

Shareholders need to carefully consider the ramifications of such donations and as seen from the judgments obtained to date these donations have not provided any positive results for Mr Read or shareholders sympathetic to Mr Reads cause. As events since 15 February show, Mr Read has been proven wrong in his beliefs that the Liquidator would be removed.

As raised in the previous report Mr Read has been involved in a number of company failures where investors and creditors have lost money. The events in relation to the Company paint the same picture.

Any funding provided by shareholders to Mr Read or the directors of the Company to support the current or potential future litigation raised by the same people is in the opinion of the Liquidator a waste of good money and counters any potential benefit shareholders may receive in a future dividend.

Litigation and Dividends to Creditors

Mr Sutich's claim in the High Court to have the Liquidators rejection of his creditors claim reviewed has prevented a first dividend to creditors. Further the costs and time involved are expensive.

To help reduce the costs of litigation the Liquidator has been acting in person on some matters however this is not always feasible or practical and counsel have been engaged as necessary.

The Liquidator is providing most of the funding of the liquidation and subject to further recoveries being made and less litigation costs, particularly through litigation instigated by the current directors, the liquidator believes that creditors will receive a dividend. It is not practical at this point in time to estimate that dividend.

The Inland Revenue preferential claim will be paid in full.

EVENTS OCCURRING AFTER 15 FEBRUARY 2014

On 2 April 2014 Associate Judge Abbott delivered his Judgment in CIV 2013-404-4378 Newman v Norrie. This was an application to have Mr Norrie removed as liquidator of the Company. Mr Newman's application was declined with costs awarded against Mr Newman. A copy of the judgment will be published on Norrie & Daughters website under liquidations in due course. In the interim a copy may be requested by email to: liquidations@norrie.co.nz

The High Court is rescheduling the examination under oath of Messrs Sutich, Newman, Ravikulan and Judson and the production of documents.

Mr Sutich's application to have the Liquidators decision to reject his creditors claim remains in the High Court.

STATEMENT OF AFFAIRS

From 16 August 2013 to 15 February 2014

Receipts	\$59,588.03
To	
Disbursements	\$30,881.42 ⁵
Liquidation Fees	\$24,703.10 ⁶
Funds on Hand	\$ 4,003.51

⁵ Includes, legal costs, printing, postage and miscellaneous disbursements. No adverse costs awards are included. A further \$13,200 of disbursements are yet to be invoiced by the suppliers of legal services

⁶ Liquidation costs exceed this sum.

ESTIMATED DATE OF COMPLETION

It is not practical to estimate the date of completion of the liquidation at this stage.

LIQUIDATOR'S CONTACT DETAILS

The Liquidators may be contacted by:

Post: The Liquidators of Pakiri Investments Limited (In Liquidation)
PO Box 12516
Penrose
AUCKLAND 1642
NEW ZEALAND

Fax: (+649) 579 9805

Email: liquidations@norrie.co.nz

P: (+649) 551 3631

Physical Level 3
32 Greenpark Road
Penrose
Auckland



Mark Hector Norrie

Liquidator

Dated this 9th day of April 2014