

Liquidators First Report on the State of Affairs of

PAKIRI INVESTMENTS LIMITED (In Liquidation)

Company Number: 1671845

Dated: 25 March 2013

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COMPANY NO. 1671845

LIQUIDATORS FIRST REPORT

Section 255 of the Companies Act 1993

PAKIRI INVESTMENTS LIMITED (IN 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.

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.

Neither of the liquidators is disqualified for any reason set out in Section 280 of the Companies Act 1993 (the **Act**) from being appointed as a Liquidator of the company.

ABBREVIATIONS USED

Act: mean the Companies Act 1993

CFO: means Chief Financial Officer

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 further defined under Shareholder Issues.

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 the shareholders were: Rajendran RAVIKULAN (In Trust); and Evan James READ (in Trust)
OTHER KEY PERSONS	Rajendran RAVIKULAN – Chief Financial Officer Evan James READ – Previous director and representative of Read Family Trust

EVENTS LEADING UP TO APPOINTMENT OF LIQUIDATORS

A Statutory Demand was served on the Company on 21 July 2012 for the sum of \$79,634.87 by Adroit People Limited. (**Adroit**)

The Company unsuccessfully attempted to have the Statutory Demand set aside and on 22 November 2012 the High Court ordered that the Company pay to Adroit the sum of \$66,480.30 together with costs and disbursements totalling \$9,202.30 by 12 December 2012 and failing payment Adroit may apply to place the Company into liquidation.

The Company failed to pay Adroit and on 14 December 2012 Adroit successfully applied to the High Court to have the Company put into liquidation.

An order to put the Company into liquidation was made by the High Court on 15 February 2013 at 11:01am

STATEMENT OF AFFAIRS

Refer to Appendix 1 for the Statement of Affairs as at the date of commencement of the liquidation.

PROPOSALS FOR CONDUCTING THE LIQUIDATION

Recovery of Company Records

On or about 15 February 2013 Notices under section 261 of the Companies Act 1993 (the **Notice**) were served on the Directors, Chief Financial Officer (Mr Ravikulan) (CFO) and other key personnel requiring them to produce the books, records or documents and to answer questions about the affairs and management and assets of the Company however despite the obligations under the Act the directors and CFO have failed to make proper responses to the Notices and neither the CFO nor the Directors of the Company have provided any books, records or documents to the Liquidators. Accordingly the financial information set out in the Statement of Affairs is limited to information obtained from other sources including the various Banks used by the Company from time to time.

The current shareholders in the Company are as set out above under "Company Information". The liquidators have not been able to obtain the Company's Share Register from the Directors or CFO.

Despite the limited records the liquidators have received sufficient information to show that the Company was insolvent from at least November 2010 and probably earlier.

As stated above the officers of the Company have either refused or are unable to provide the following records of the Company to the Liquidator:

- Minutes of all meetings and resolutions of shareholders within the last 7 years;
- An interests register;
- Minutes of all meetings and resolutions of directors and directors' committees within the last 7 years;
- Certificates given by directors under this Act within the last 7 years;
- Copies of all written communications to all shareholders or all holders of the same class of shares during the last 7 years, including annual reports made under section 208 of the Act;
- Copies of all financial statements and group financial statements required to be completed by this Act or the Financial Reporting Act 1993 for the last [7] completed accounting periods of the company;
- The accounting records required by section 194 of this Act for the current accounting period and for the last 7 completed accounting periods of the company;

- The share register.
- Accounts receivables and payable

The Liquidator will continue to attempt recovery of the above records.

Shareholder Issues

The Liquidators have been contacted by ex-shareholders, shareholders who have been removed from Company Office records, shareholders who did not sign Share Transfer Certificates and persons listed on the Companies Office website as shareholders who claim they have never been a shareholder in the Company (the **shareholders**) expressing concern about the goings on at the Company, the effect of the liquidation on their investment and reporting to the Liquidators irregularities with share transactions.

The Liquidators current understanding is that some or most shareholders in the Company have had their shareholding transferred between January 2013 and the commencement of the liquidation from the Company to Time3 Global Limited (Time3).

As late as 4 November 2012 the Company allowed investors to purchase shares in the Company from the largest shareholder in the Company, the Read Family Trust. These shares were sold at varying values and generally over 200 Australian Dollars per share. The Company has not received the benefit of these share sales.

In respect to these transfers the Liquidators can report:

- i) Some shareholders signed share transfer forms and their shares were transferred; and
- ii) Some shareholders did not sign share transfer forms but their shares have been transferred¹; and
- iii) Some shareholders who held shares in the Company and who did not sign any share transfer certificate have been removed as shareholders in the Company and any other associated entity¹.

¹ Sourced from complaints received by the Liquidators from shareholders.

In light of the above information and the absence of a Share Register the liquidators are writing to all known shareholders identified from Company Office records.

The Company's constitution placed restrictions on the transfer of shares and obligations upon the Directors in respect to share transfers.

The Liquidators intentions are to:

- Investigate the actions of the Directors of the Company in allowing the transfer of shares from the Company to Time3; and
- Investigate the actions of the shareholder and the Directors involvement in transferring shares from the Read Family Trust to new shareholders at a time when the Company was insolvent.

Section 261 Notice From Liquidators to Shareholders

Functions of the Liquidator's include the duty to take possession of and to protect the Company assets. However, to discharge these duties properly, the Liquidator's need to have access to information about the Company that may not be contained in the Company records. Section 261 confers wide powers the Liquidator to enable them to access information about the company and its business, assets, and affairs.

A copy of section 261 and other relevant parts of the Act are attached to this report as Appendix 3 for perusal.

On 26 February 2013 the Liquidators wrote to all known shareholders outlining the current situation of the Company and included a section 261 Notice with an attached questionnaire, which focused on each shareholders shareholding in the Company. A request for documents was also made. Shareholders are entitled, if they feel it is necessary, to obtain independent legal advice.

The Liquidators have had responses from a number of shareholders, many of whom have provided documents in their possession however the Liquidators require all shareholders to respond so that:

- The Liquidators can build a more accurate share register; and
- Determine any entitlements each shareholder maybe entitled to receive if all preferential and other claims are paid and a surplus remains; and
- To assist in the progress of the liquidation.

Email to Shareholders from Mr Sutich Dated 4 March 2013

On 4 March 2013 Mr Sutich emailed (the **Email**) shareholders in response to the s261 Notice sent by the Liquidators to shareholders. A copy of that Email is attached and marked Appendix 4.

In his Email Mr Sutich makes certain statements that are false and incorrect. The Liquidators address the points raised by Mr Sutich thus:

- Shareholders do not require the Liquidators to obtain a Court Order before they must comply with a section 261 Notice issued under the Act. The Act provides alternatives and penalties if proper responses are not made to a liquidator.

- There is no ongoing dispute with Adroit. On 22 November the High Court determined that the Company owed Adroit \$66,480.30 plus \$9,202.30 in costs and disbursements and that Adroit did not owe any money to the Company.
- The restructure of the Company was commenced after the judgment against the Company that led to the appointment of liquidators.
- The Read Family Trust has not filed a claim in the liquidation and the Liquidator has found no evidence that the Trust is a secured creditor of the Company.
- In respect to confidentiality obligations: Any obligation of confidentiality owed by the shareholders is to the Company. The Company is now under the supervision and control of the Liquidators and so there can be no breach of confidentiality by the shareholders disclosing information to the Liquidators. The shareholders have been issued a notice under s 261 and are therefore obliged by statute to provide the information requested by the Liquidators. The directors remain in office but cease to have powers, functions, or duties other than those required or permitted to be exercised under Part 16 of the Act. This limits the director's powers to essentially a requirement for the directors to provide information and to deliver up company property and documentation. All other powers of a director transfer to the liquidator.
- The Directors have no powers or authority to protect shareholder interests in the liquidation and the intellectual property referred to has not been sighted or secured by the Liquidators.
- Mr Hucker has not been engaged by the Liquidators of the Company and the Directors have no power to appoint Mr Hucker as the Company's solicitor.

Mr Sutich's Email has frustrated the progress of the liquidation and the Liquidators will be investigating his actions.

Other Proposals for Conducting the Liquidation

The liquidators will be investigating the background to the liquidation and any potential voidable preferences.

A number of notices have been served.

The Liquidators have commenced taking action against Company debtors.

A wholly owned subsidiary of the Company known as Pakiri Properties Limited was placed into liquidation by the Liquidators.

NOTICE REGARDING MEETINGS

Having regard to the assets and liabilities of the company, and the likely result of the liquidation, the Liquidators have decided pursuant to Section 245 of the Companies Act 1993 to dispense with a meeting of creditors. Should creditors require a meeting to be held for a purpose other than appointing a Liquidation Committee, notice in writing to the Liquidators is required within 10 working days of receipt of this report. Section 314 of the Act permits a creditor at any time to request the Liquidators in writing to call a meeting of creditors for the purpose of appointing a Liquidation Committee.

ESTIMATED DATE OF COMPLETION

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

NOTICES TO CREDITORS

All Creditors

We gave public notice that we had set 22 March 2013 as the day on or before which any creditors of the Company are to prove their debts or claims and to establish any priority their claims may have under Section 312 of the Companies Act 1993, or to be excluded from the benefit of any distribution made before their claims are made, or as the case may be, from objecting to any distribution.

Based upon the fact that the Liquidators have not made a distribution yet and do not anticipate making a distribution in the near future any creditor who has not yet proved their debts or claims or established any priority their claims may have under Section 312 of the Companies Act 1993 have not been disadvantaged.

Secured Creditors

There are no known secured creditors.

This document is also a notice under s305 of the Act to any secured creditor receiving it that pursuant to s305 of the Act you as a secured creditor of the Company are required (unless you have already advised the Liquidators in writing of such an election) elect and notify the Liquidators in writing within 20 working days after receipt of this notice, which of the following powers you wish to exercise:

- a) Realise the property subject to your charge; or
- b) Value the property subject to your charge and claim in the liquidation as an unsecured creditor for the balance due, if any; or

- c) Surrender your charge to the Liquidators for the general benefit of creditors and claim in the liquidation as an unsecured creditor for the whole debt.

If you fail to notify the Liquidators in compliance with this Notice within 20 working days you will be taken as having surrendered your charge to the Liquidators for the general benefit of creditors and you may then claim in the liquidation as an unsecured creditor for the whole debt.

Creditors who are holding a security interest granted by the Company or who believe they have a registered Purchase Money Security Interest (PMSI) on the Personal Property Securities Register (PPSR) over any goods or proceeds from realisation of goods, they should contact this office immediately.

If any creditor believes that they have a Reservation of Title over goods and they have not registered their interest on the Personal Property Securities Register, they should also contact our office immediately.

Should any secured creditor file a claim as an unsecured creditor they will be deemed to have surrendered their charge to the Liquidators for the general benefit of creditors and may then only claim in the liquidation as an unsecured creditor for the whole debt.

Preferential Creditors

From the information provided to us, the Company is subject to preferential creditor claims.

Unsecured Creditors

From the information provided to us, the Company is subject to unsecured creditor claims.

Attached as Appendix 2 is a schedule of known creditors

Creditor Claim Forms

Creditor claim forms may be obtained by downloading the claim form from:

<http://www.norrie.co.nz/assets/Uploads/LIQ-910-CCF.pdf>

Or by contacting the Liquidators and requesting a creditors claim form.

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: admin@norrie.co.nz

P: (+649) 551 3631

Physical Level 3
32 Greenpark Road
Penrose
Auckland



Mark Hector Norrie

Joint & Several Liquidator

Dated this 25th day of March 2013

APPENDIX 1

Statement of Affairs of Pakiri Investments Limited (In Liquidation) As at 15 February 2013 being the date of Appointment of the Liquidators

Assets	Book value	Estimated Realisation
Westpac Bank Account	12	12
ANZ Bank Account	(4)	0
Less: Preferential Creditors - Estimated		
Inland Revenue Department	8,000	8,000
Petitioning Creditor Reasonable Costs	3,845	3,845
Estimated Assets Available to Unsecured Creditors	Unknown	unknown
Unsecured creditors	87,088	87,088
Estimated Surplus/(Deficit) (Subject to the costs of Liquidation)	Unknown	Unknown

APPENDIX 2

Schedule of Known Creditors

Adroit People Limited	Suite 3.8	30 St Benedicts St	Auckland 1010
Inland Revenue Department	PO Box 39010	Wellington Mail centre	Lower Hutt 5045
Jags Jagesur	24 Lansell Drive	Howick	Auckland
Kensington Swan Lawyers	Private Bag 92101		Auckland 1142
S Perminton	Unknown		
J O'Hara	Unknown		

APPENDIX 3

COMPANIES ACT 1993 Section 261 and s373(3)(a)

261 Power to obtain documents and information

- (1) A liquidator may, from time to time, by notice in writing, require a director or shareholder of the company or any other person to deliver to the liquidator such books, records, or documents of the company in that person's possession or under that person's control as the liquidator requires.
- (2) A liquidator may[, from time to time,] by notice in writing require—
- (a) A director or former director of the company; or
 - (b) A shareholder of the company; or
 - (c) A person who was involved in the promotion or formation of the company; or
 - (d) A person who is, or has been, an employee of the company; or
 - (e) A receiver, accountant, auditor, bank officer, or other person having knowledge of the affairs of the company; or
 - (f) A person who is acting or who has at any time acted as a solicitor for the company—

to do any of the things specified in subsection (3) of this section.

- (3) A person referred to in subsection (2) of this section may be required—
- (a) To attend on the liquidator at such reasonable time or times and at such place as may be specified in the notice;
 - (b) To provide the liquidator with such information about the business, accounts, or affairs of the company as the liquidator requests;
 - (c) To be examined on oath or affirmation by the liquidator or by a barrister or solicitor acting on behalf of the liquidator on any matter relating to the business, accounts, or affairs of the company;
 - (d) Assist in the liquidation to the best of the person's ability.
- [(3A) Without limiting subsection (3)(a) of this section, a person may be required to attend on the liquidator under that subsection at a meeting of creditors of the company.]
- (4) Without limiting subsection (5) of this section, the liquidator may pay to a person referred to in paragraph (d) or paragraph (e) or paragraph (f) of subsection (2) of this section, not being an employee of the company, reasonable travelling and other expenses in complying with a requirement of the liquidator under subsection (3) of this section.
- (5) The Court may, on the application of the liquidator or a person referred to in paragraph (d) or paragraph (e) or paragraph (f) of subsection (2) of this section, not being an employee of the company, order that that person is entitled to receive reasonable remuneration and travelling and other expenses in complying with a requirement of the liquidator under subsection (3) of this section.
- (6) A person referred to in paragraph (d) or paragraph (e) or paragraph (f) of subsection (2) of this section is not entitled to refuse to comply with a requirement of the liquidator under subsection (3) of this section by reason only that—
- (a) An application to the Court to be paid remuneration or travelling and other expenses has not been made or determined; or
 - (b) Remuneration or travelling and other expenses to which that person is entitled have not been paid in advance; or
 - (c) The liquidator has not paid that person travelling or other expenses.
- [(6A) A person who fails to comply with a notice given under this section commits an offence and is liable on conviction to the penalty set out in section 373(3).]
- (7) Nothing in this section limits or affects section 260 of this Act.

373 Penalty for failure to comply with Act

3. A person convicted of an offence against any of the following sections of this Act is liable to a fine not exceeding \$50,000 or to imprisonment for a term not exceeding 2 years:
- (a) section 261(6A) (which relates to the power of liquidators to obtain documents and information)

APPENDIX 4

Copy of Email From Mr I Sutich to
Selected Shareholders of the Company
Dated 4 March 2013

From: igor@time3.org
To: igor@time3.org
Subject: Mark Norrie letter to Shareholders
Date: Mon, 4 Mar 2013 10:49:27 +1300

Dear all,

It has been brought to the attention of the Directors of Pakiri Investments Ltd, that Mr Mark Norrie of Norrie and Daughters has been sending out letters demanding information from previous shareholders in Pakiri Investments. Please see the email below from our lawyers in this matter and understand you have no obligation to provide any information to him. In fact we would see it as a breach of your confidentiality obligations should you provide information to him or any other party without a court order.

In relation to the matter of Pakiri Investments Ltd(in liquidation) I would make the following points:

1. We have had an on-going dispute with Adroit People regarding the overcharging of fees for over 6 months, which by the calculation of our lawyers shows that Adroit actually owes us over \$25,000.
2. We had been defending this and had already incurred costs of over \$20,000 in the action.
3. When the Directors decided to restructure the group under the TIME3 brand for the satisfaction of our Cayman Islands Loan, it was also decided to stop defending the action of Adroit People as it was a waste of money.
- 4.. The Read Family Trust as the largest and only secured creditor of Pakiri Investments is also taking action against the liquidator as they are totally ignoring the Trusts position.

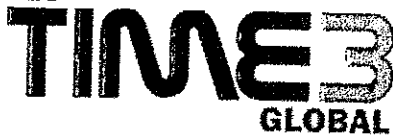
Every action performed by the Directors has been done legally and we also know that the transfers performed by the Read Family Trust have all been done legally. We have always and continue to do everything legally required to act in the best interest of all shareholders and to protect the Intellectual Property.

In summary, I apologise for the way this has been dealt with, but it is in the hands of Robert Hucker who is an insolvency specialist and the Directors of Pakiri Investments Ltd are the only people that Mr Norrie should be dealing with.

As always, our team is working towards our long term goals of bringing TIME3 to the global market and we are hoping to provide you with an update of our progress within the next week or so.

Regards,

Igor Sutich
CEO



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TIME3 Global . TIME3 Vision . TIME3 Evolution . TIME3 Networks . TIME3 Software . TIME3 Properties . ONE Vault . ONE Global

-----Original Message-----