

Liquidators 2nd Report on Pakiri Investments Limited (In Liquidation)

Liquidators 6 Monthly Report

As at 15 August 2013

Contents

APPOINTMENT	3
DISCLAIMER & RESTRICTIONS	3
ABBREVIATIONS USED	3
COMPANY INFORMATION	4
Conduct of the Liquidation during the Preceding 6 Months	4
Key Points.....	4
Realisations and Distributions.....	5
Creditor Claims.....	5
Secured Creditors Including the Read Family Trust.....	5
Records & Documents of the Company.....	5
Shareholder Confidentiality Agreements.	6
Restructure - Transfer of Assets from Pakiri to TIME3 – Set Aside	6
Shareholders whose Shareholding in Pakiri was Transferred to TIME3	7
Shareholder Position in the Liquidation	7
Shareholder Complaints	7
Voidable Transactions.....	8
Investigations	8
Mr Read’s History & Communications to Shareholders	8
Summary of Conduct of Liquidation to 15 August 2013.....	9
STATEMENT OF AFFAIRS.....	10
ESTIMATED DATE OF COMPLETION	10
LIQUIDATOR’S CONTACT DETAILS	10



PAKIRI INVESTMENTS LIMITED (IN LIQUIDATION) COMPANY NO. 1671845

Liquidators Six Monthly Report under Section 255 of the Companies Act 1993

As at 15 August 2013

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.

This report should be read in conjunction with previous reports.

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 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 transaction that transferred the assets from the Company to Time3 Global Limited that occurred earlier this year under the “Restructure” as advised Mr Read and Sutich has been set aside.

- The High Court has ordered Mr Sutich, Newman and Ravikulan to produce the Company's books and appear in Court for examination under oath.

Realisations and Distributions

Nil (refer voidable transactions below)

Creditor Claims

Preferential Creditor claims total	\$ 3,845 (petitioning creditor costs)
Unsecured Creditor Claims	<u>\$ 429,839</u>
	\$ 433,684

The directors have filed claims in the liquidation totalling \$277,635.53. The directors claims have not been admitted into the liquidation, the directors have been written to requesting further supporting documentation which has not been forthcoming. Subject to that information being provided the Liquidators will examine the veracity of director's claims and the legal basis for admission/non admission into the liquidation.

Secured Creditors Including the Read Family Trust

The Liquidators First Report included a Notice to Secured Creditors under s305 of the Act. The Liquidators have not received any elections from secured creditors accordingly all creditors who may have been secured creditors have now surrendered their charge to the Liquidators for the general benefit of creditors.

Mr Read has previously advised shareholders that the Trustees of the Read Family Trust were secured creditors.

The Trustees of the Read Family Trust had not registered any security interest on the Personal Property Securities Register and have not provided the Liquidators with a security agreement. The Read Family Trust is not a secured creditor.

Records & Documents of the Company

The current directors of the company and Chief Financial Officer (Messrs Newman, Sutich and Ravikulan respectively) had refused to hand over to the Liquidators the books, records, or documents of the Company. The Liquidators took the matter of non-compliance of these persons to High Court.

The High Court judgment released on 24 September 2013 requires the above persons to produce any books, records, or documents relating to the business accounts, or affairs of the Company in that person's possession or under that person's control to the Court and to be examined on oath or affirmation by the Court or the liquidator or a barrister or solicitor acting on behalf of the liquidator on any matter relating to the business, accounts, or affairs of the company.

Despite the High Court order the Liquidators do still require the assistance of shareholders who can contribute to the Liquidators job by handing over copies of any document they think may be relevant.

To the maximum extent allowable under law the Liquidators will not divulge to Mr Read or the directors or others associated with the running of the Company any shareholder or other person's name who delivers to the Liquidators any books or records or other information that has been provided to the person by the Company.

As set out below, any shareholder who delivers documents to the liquidator cannot be penalised or sued by Mr Read, the Company or Time3 Global Limited.

Mr Read was included in the application of the Liquidators however Mr Read's absence from New Zealand opened the door for him to protest to the Courts jurisdiction. It became impractical to waste the Liquidators resources arguing the point particularly because Mr Read is living in Russia and is unlikely to return to New Zealand in the foreseeable future.

A copy of the judgment is available at <http://www.norrie.co.nz/liquidations/liquidation-reports/>

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 matter relating to the business affairs and accounts of the company.

Shareholders have an opportunity to present documents to the Liquidators without any fear of retribution whatsoever and should do so.

Additionally any shareholder who has questions about their investment or how they were sold shares should present those questions to the Liquidators by email to liquidations@norrie.co.nz

A question submission form is attached at the end of this report.

Restructure - Transfer of Assets from Pakiri to TIME3 – Set Aside

(refer also to Voidable Transactions)

On 14 December 2012 Mr Read wrote to shareholders in the Company advising of a need to restructure the Company due to the needs of the Cayman Islands Trust proposed investment of \$100 million USD. The Restructure was essentially Time3 Global Limited taking ownership of all the Company's intellectual property and transferring all shareholders shareholding in the Company to Time3 Global Limited.

On 28 December 2012 Mr Sutich wrote to all shareholders providing further detail about the Restructure. Further communications followed.

The Restructure transaction was promoted at a time when the Company had defaulted on a Court judgment to pay money to the judgment creditor that successfully applied into put the Company into liquidation.

The Liquidators believed that this was an insolvent transaction and took the appropriate action. As a result the transaction that transferred all of the assets from the Company to TIME3 has now been set aside.

The Liquidators believe that this is likely to be detrimental to the value of Time3 Global Limited and consequently the value of shareholders shares in Time 3 Global Limited.

Shareholders whose Shareholding in Pakiri was Transferred to TIME3

The Liquidators need to consider three types of shareholder events:

- (a) The position of 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
- (b) Those shareholders who did sign 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 who are concerned about their shareholding and/or investment should urgently contact the Liquidators in writing giving full details.

To facilitate managing any shareholder complaints/concerns a Shareholder Complaint form is attached at the end of this report.

Shareholder Position in the Liquidation

It is likely that shareholders have lost the value of any investment made in the Company however the Liquidators are very aware of the situation applying to shareholders. A number of shareholders purchased shares in the Company whilst it was insolvent.

The Company constitution required the directors of the Company to approve any share transaction essentially before that share transaction occurred. Shareholders may wish to obtain legal advice in respect to their options.

Shareholder Complaints

The Liquidators have received a number of enquiries from shareholders who have complaints about their investment in the Company. The Liquidators will be addressing these complaints however some of the complaints are better dealt with by Government authorities.

The relevant Government authorities contact details are:

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

NZ Police Financial Crime Unit: +64 (09)302 6846

Voidable Transactions

The Liquidators are progressing voidable transaction claims. Progress has been frustrated by the lack of Company documents (refer Records & Documents of the Company – above).

The Liquidators have settled 1 voidable transaction claim.

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. Clearly having a better understanding of the Company operations and obtaining its books will assist.

Mr Read's History & Communications to Shareholders

During the 6 months in review Mr Read has by email contacted many shareholders giving his views as to the Liquidators and the liquidation process. The Liquidators refute statements made by Mr Read in those communications that relate to the liquidation and the Liquidators.

Mr Read's background and companies he has been associated with include¹:

Mr Read has twice been adjudicated bankrupt and is currently a bankrupt having left New Zealand without the Official assignee's consent. Mr Read's current Estate Number is 841357.

Mr Read was/is associated with the following Companies (**Bold** indicates liquidators appointed due company being insolvent):

3-Dimensional Design Limited (Struck Off)

Alternative Futures Limited

Bal Old Limited (Liquidated Insolvent - Struck Off)²

Commtalk Communications Limited Concepts To Reality Limited (Struck Off)

Concepts to Reality Limited (Struck Off)

D.N.K Limited (Struck Off)

Effect Management Limited (Struck Off)

Freedom Capital Limited Liquidated Insolvent – Struck Off) *Loans to Associated parties of \$1,588, 768*

Freedom Vnet New Zealand Limited (Liquidated Insolvent – Struck Off)

New Zealand Can Limited (Struck Off)

One Life Limited

Pakiri Investments Limited (In Liquidation)²

Powercall Limited (Struck Off)

Time Laboratories Limited (Liquidated Insolvent Struck Off)² *Was the Development Company for Pakiri Investments Limited (In Liq)*

Time3 Limited Global Limited

Top Coat Limited (Struck Off)

Wayby Holdings Limited (Struck Off)

Wayby Investments Limited (Liquidated Insolvent – Struck Off)² *Owing more than \$5,000,000*

Wayby Telecommunications Limited (Liquidated Insolvent Struck Off)

Youtopia Development Limited (Struck Off)

Mr Read has been associated with 6 companies that have had liquidators appointed to them. All of those Companies were insolvent.

In a number of the companies above that had liquidators appointed the liquidators of those companies either failed/ had difficulty recovering any company books from the directors or obtaining accurate accounts.

¹*Source: Companies Office, PWC, McDonald Vague, Jollands Callender.*

²*Liquidators were unable to obtain or had to go to High Court for Orders to obtain records of Company.*

Summary of Conduct of Liquidation to 15 August 2013

Progress is slow primarily due to the Liquidators having not obtained the Company books and records from the directors and no assistance in the liquidation from the directors.

The directors and CFO have been ordered by the Court to be examined under oath.

The transaction that moved all assets owned by the Company to Time3 has been set aside. The matter is before the Court for determination of other orders.

Shareholders should consider taking independent legal advice as to their investment and legal position.

A number of shareholders have been providing to the Liquidators documents in their possession and information about the affairs of the Company. This assistance has assisted the Liquidators to progress the liquidation, the Liquidators thank those shareholders who have provided assistance and urge all shareholders to provide any document or information they hold to the Liquidators.

Confidentiality Agreements have been cancelled. Shareholders are free to speak without fear of retribution.

Voidable claims are being progressed.

STATEMENT OF AFFAIRS

Realisations	Nil
Voidable Claims	\$4,000
Total Receipts	\$4,000
Less	
Disbursements	\$4,000
Balance	Nil

It is not practicable to estimate any return to creditors.

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

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32 Greenpark Road
Penrose
Auckland



Mark Hector Norrie

Joint & Several Liquidator

Dated this 7th day of October 2013