

Meltzer Mason Heath

Chartered Accountants practising as insolvency specialists

Refer to: Karen Mason

Liquidators' First Report

Kern Aquisitions Limited (In Liquidation)

1. Appointment

We advise that Karen Betty Mason and Arron Leslie Heath were appointed joint and several Liquidators of the above company on 13 August 2008 by special resolution of shareholders.

Karen Mason and Arron Heath are full time Insolvency Practitioners. They have not previously acted in any capacity for the company or the officers and shareholders of the company.

2. Background

| | | |
|-------------------------------|----------------------|------------|
| <i>Date of Incorporation:</i> | 13 September 2005 | |
| <i>Type of Business:</i> | Property Development | |
| <i>Date Ceased Trading:</i> | 1 August 2008 | |
| <i>Shareholder:</i> | Otto Kern | 100 shares |
| <i>Director:</i> | Otto Kern | |
| <i>Share Capital:</i> | 100 ordinary shares | |
| <i>Date of Liquidation:</i> | 13 August 2008 | |

3. Events Leading to Appointment

The Director advises that due to the collapse of the company's financier (Property Finance Securities Limited), and other financial institutions, the company was unable to complete the Sale and Purchase Agreement and fulfil its obligations.

4. Statement of Affairs

The Liquidators have prepared an Estimated Statement of Affairs being the assets and liabilities of the company at the date of liquidation. We attach a copy.



5. Proposals for Conducting the Liquidation

5.1 Realisation of Assets

The company has no remaining realisable assets.

- (i) At the time the financier was wound up, the loan to the company was called up. At that time, the company owned 8 units which were sold to settle the financier's loan. The Liquidators will investigate the value of these sales to ensure they were sold for fair value.
- (ii) The company had entered into a Sale and Purchase Agreement for the purchase of land. However, given the uncertainty in the financial market, the company was not able to commit to this agreement and accordingly has forgone its deposit paid.

5.2 Examination of Books and Records

The Liquidators will examine the company's available books and records and conduct a brief review of the company's affairs.

5.3 Knowledge of Information Relevant to the Liquidation

Should creditors and other parties possess any information that may be relevant to the liquidation, or may lead to realisations for the benefit of creditors, please advise the Liquidators in writing and provide them with copies of supporting documents.

6. List of Creditors

A list of all known creditors has been compiled by the Liquidators. We attach a copy.

7. Creditors Claim Form

Creditors should complete and return the attached Creditor's claim form by 19 September 2008. Creditors who do not make a claim within the period may be excluded from any distribution that may be made.

8. Retention of Title Claims/Security Interests

Please note, if you believe you have a valid retention of title claim or security interest over goods or equipment supplied to Kern Aquisitions Limited (In Liquidation), and you have not yet contacted the Liquidators, please contact us immediately.

9. Initial Creditors Meeting

As it is unlikely there will be a distribution to creditors, pursuant to s245 of the Companies Act 1993 the Liquidators propose to dispense with the meeting of creditors to consider whether to appoint different Liquidators, and to consider the views of creditors.

Accordingly a meeting of creditors will not be called unless a creditor gives notice to the Liquidators within 10 working days after receiving this notice, requiring a meeting to be called.

10. Liquidation Committee

At any time during the liquidation, any creditor may in writing, request the Liquidators to call a meeting of creditors to consider whether a Liquidation Committee should be appointed, and if so, to choose the members of the Committee.

A Liquidation Committee has certain powers set out in s315 of the Companies Act 1993, including to assist the Liquidators as appropriate in the conduct of the liquidation.

11. Estimated Date of Completion of Liquidation

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

Enquiries should be directed to: Karen Mason

K B Mason
Liquidator

Dated this 13th day of August 2008

Attach:

**Estimated Statement of Affairs of
Kern Aquisitions Limited (In Liquidation)
As at the date of the Appointment of Liquidators
Being 13 August 2008**

| | <i>Estimated Realisable Value \$</i> |
|--|--|
| Assets not Specifically Pledged: | NIL |
| Estimated Total Assets Available for Preferential Creditors and Secured Creditors | NIL |
| <i>Less – First Ranking Preferential Creditors</i> | |
| Wages and Holiday Pay (Includes PAYE) | NIL |
| | NIL |
| <i>Less – Second Ranking Preferential Creditors</i> | |
| Inland Revenue Department - GST | 300,000 |
| Estimated Total Deficiency as regards Secured Creditors and Unsecured Creditors | 300,000 |
| <i>Less – Secured Creditors</i> | NIL |
| Estimated Total Deficiency as regards Secured Creditors and Unsecured Creditors | 300,000 |
| <i>Less – Unsecured Creditors</i> | 351,576 |
| Total Deficiency as regards Unsecured Creditors and Shareholders | 651,576 |
| <i>Less – Issued and Paid Up Capital</i> | 100 |
| Total Deficiency as regards Unsecured Creditors and Shareholders | 651,676 |

Note: The above estimates are subject to the costs of realisation, including Liquidators' fees.

Disclaimer of Liability:

We have prepared the Estimated Statement of Affairs as at the date of liquidation being 13 August 2008.

The Estimated Statement of Affairs has been prepared based on information from the books and records of the company together with information supplied by the Director. This information has not been verified. The Liquidators have not carried out an audit or reviewed the information supplied and therefore they do not accept any responsibility for the accuracy of the information from which the Estimated Statement of Affairs has been prepared. Further, the Estimated Statement of Affairs has been prepared for the purpose of the liquidation only, and the Liquidators do not accept any responsibility on any ground whatever, including liability in negligence, to any other person.

**Kern Aquisitions Limited (In Liquidation)
Creditors Known at Liquidation
August 2008**

| Company | Address1 | Address2 | City |
|---|-----------------|------------------|-------------|
| McVeagh Fleming | PO Box 4099 | | AUCKLAND |
| Kaizan Developments (NZ) Limited (In Liquidation) | PO Box 6302 | Wellesley Street | AUCKLAND |
| O Kern | PO Box 9759 | Newmarket | AUCKLAND |