

Meltzer Mason Heath

Chartered Accountants practising as insolvency specialists

Refer to: Lloyd Hayward

Liquidators' First Report

Akita Construction Limited (In Liquidation)

1. Appointment

We advise that Jeffrey Philip Meltzer and Lloyd James Hayward were appointed joint and several Liquidators of the above company on 26 January 2007 by special resolution of shareholders.

Jeff Meltzer and Lloyd Hayward are Chartered Accountants and full time Insolvency Practitioners. In November 2002 the creditors of Akita approved a Compromise Proposal under Part XIV of Companies Act 1993. Jeff Meltzer and Lloyd Hayward were appointed Compromise Managers and undertook the duties as set out in the Compromise Proposal. The Compromise was terminated upon the appointment of the Liquidators. Other than acting as Compromise Managers referred to above they have not previously acted in any other capacity for the company or the officers and shareholders of the company.

2. Background

<i>Date of Incorporation:</i>	10 June 1991
<i>Trading Address:</i>	Parity Place, Glenfield, Auckland
<i>Type of Business:</i>	Construction
<i>Date Ceased Trading:</i>	September 2002
<i>Shareholders:</i>	Akita Group Limited 130,400 shares Mark Anthony Cole, Paul Howard Reid & Constance Reid 16,300 shares David Walter Weir, Brendan John Robinson & Louise Margaret Coster Weir 16,300 shares
<i>Directors:</i>	Mark Norton Dixon Paul Howard Reid David Walter Weir
<i>Share Capital:</i>	163,000 ordinary shares
<i>Date of Liquidation:</i>	26 January 2007



3. Events Leading to Appointment

In September 2002 the company identified that it had imminent cash flow difficulties. Further analysis by the directors determined that with the support of its creditors Akita could trade through its difficulties. It therefore proposed a Creditors Compromise to its creditors. Once this proposal was formulated and dispatched to its creditors a significant contract debtor gave notice that it would not pay any further monies to Akita as it believed it had overpaid Akita.

This meant that Akita was not able to resume trading and at the creditors' meeting called to approve the Compromise Akita advised the creditors the Compromise proposed would not proceed. An alternative Compromise was put in November 2002 whereby Akita would not resume trading but would complete existing projects if that could be agreed with the contract principals. This proposal was approved by Compromise Creditors.

Akita then proceeded to recover contract debtor amounts including the debtor who had declined to pay referred above. In two instances this required extended litigation. By June 2006 these matters had both settled. The pool of funds available was distributed in November 2006 to the Compromise Creditors in accordance with the Compromise Proposal.

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

All assets had been realised and proceeds distributed to the Compromise Creditors as per paragraph 3 above.

A small balance of cash remains available to the Liquidators.

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.

Creditors should note that as part of the Compromise approved by creditors the Compromise Managers were requested to conduct an investigation to ascertain whether the directors had traded Akita in a reckless manner. In August 2004 the Compromise Managers reported to the Creditors' Committee that, in their view, that in the circumstances of Akita Construction Limited that an insolvent trading action would be difficult to sustain.

5.3 Knowledge By Creditors etc 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. Creditors Claim Form

Creditors should complete and return the attached Creditor's claim form by 28 February 2007. Creditors who do not make a claim within the period may be excluded from any distribution that may be made.

7. 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 Akita Construction Limited (In Liquidation), and you have not yet contacted the Liquidators, please contact us immediately.

8. 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.

9. 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.

10. 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: Lloyd Hayward

L J Hayward
Liquidator

Dated this 1st day of February 2007

Attach:

**Estimated Statement of Affairs of
Akita Construction Limited (In Liquidation)
As at the date of the Appointment of Liquidators
Being 26 January 2007**

	<i>Book Value</i>	<i>Estimated Realisable Value</i>
	\$	\$
Assets not Specifically Pledged:		
Cash	15,000	15,000
Estimated Total Assets Available for Preferential Creditors and Secured Creditors		<u>15,000</u>
<i>Less – First Ranking Preferential Creditors</i>		
Wages and Holiday Pay (Includes PAYE)		Nil
		<u>15,000</u>
<i>Less – Second Ranking Preferential Creditors</i>		
Inland Revenue Department – GST & PAYE		Nil
Estimated Total Assets Available for Secured Creditors and Unsecured Creditors		<u>15,000</u>
<i>Less – Secured Creditors</i>		Nil
Estimated Total Deficiency as regards Secured Creditors and Unsecured Creditors		<u>15,000</u>
<i>Less – Unsecured Creditors</i>		4,580,000
Total Deficiency as regards Unsecured Creditors and Shareholders		<u>4,565,000</u>
<i>Less – Issued and Paid Up Capital</i>		163,000
Total Deficiency as regards Unsecured Creditors and Shareholders		<u><u>4,728,000</u></u>

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 26 January 2007.

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.