

Carefree Holdings Limited (In Liquidation)

Liquidators First Report

08 December 2009

1. Background

Carefree Holdings Limited ("the company") was placed into liquidation by special resolution of the shareholders on the 26th day of November 2009, at 10.00am. Kenneth Peter Brown and Robert James Neilson, Chartered Accountants of Tauranga were appointed as Joint and Several Liquidators of the company.

2. Disclaimer

This report is not intended for general circulation, nor is it to be reproduced or used for any purpose other than that outlined above without written permission in each specific instance. The Liquidators do not accept any responsibility or liability for any damage or loss occasioned to any party as a result of the circulation, publication, reproduction or use of this report. In particular the Liquidators take no responsibility for any misinformation contained therein that has been supplied by the company, its officers or any other person. The report is also based upon information available at this date, and the Liquidators therefore reserve the right to review, and if necessary, amend the report.

3. Company Information

Date of Incorporation: 20th March 2001
Trading Address: 7 Ashley Avenue
Type of business: Property Development
Shareholders: Wayne Ashlyn Fry
Directors: Wayne Ashlyn Fry

4. Events leading to appointment of Liquidators

The Director of the company has advised the reason for the failure of the company was due to property being purchased and developed but then being sold allegedly outside the terms of the finance companies loan agreements incurring penalties which were not able to be met. This in turn meant failure to meet other obligations of payment to creditors including GST payments to the Inland Revenue Department.

The director/shareholder then elected to liquidate the company rather than wait for Court action.

5. Statement of Affairs

We attach as *Appendix I* a statement of the company's affairs as at the date of our appointment.

This has been prepared from information provided by a director of the company and the Liquidators are not yet able to express an opinion on the validity of that information.

Also attached as *Appendix II* is a list of known creditors as at the date of appointment.

6. Proposals for Conducting the Liquidation

An investigation will be conducted of the company's books and records to establish if there are any potentially voidable transactions, potential current account issues, and to ensure the Director has complied with the duties and obligations imposed on him under the Companies Act 1993.

The director has advised there are three legal matters which can be followed up which may result in a recovery for the Liquidators. The Liquidators will seek advice from the lawyers involved to determine whether these matters are worthwhile pursuing and then proceed if appropriate.

7. Estimated Date of Completion of Liquidation and Notice As To Further Reports

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

8. Creditors Meeting

A Liquidator may call a meeting of creditors in order to decide whether an application should be made to the Court to appoint a replacement Liquidator.

Having regard to the assets and liabilities of the company, the likely result of the liquidation and other relevant matters, the Liquidator considers in accordance with section 245 of the Companies Act 1993 that no such meeting should be held.

In addition the Liquidators dispense with holding a creditors meeting pursuant to Section 243 of the Companies Act 1993 as the dividend is expected to be nil or very small.

A meeting will not be called unless within 10 working days after receiving this notice a creditor gives notice in writing to the Liquidator requiring a meeting to be called.

In accordance with Section 314 of the Companies Act 1993 a creditor or shareholder may request the Liquidators to call a meeting of creditors or shareholders at any time in the course of the Liquidation to vote on a proposal that a Liquidation Committee be appointed to act with the Liquidators. This request must be in writing.

The Liquidators may decline a request by a creditor or a shareholder to call a meeting on the grounds that:

- a) the request is frivolous or vexatious; or
- b) the request was not made in good faith; or
- c) the costs of calling the meeting would be out of proportion to the value of the company's assets.

The decision to decline a request may be reviewed by the Court on the application of any creditor or shareholder.

9. Creditors Claims

If your terms of trade with the company include reservation of title of goods supplied please contact Steph Harborne on 07 571 6280 or email stephh@rhb.co.nz

Please complete and return the enclosed Unsecured Creditors Claim form by 25th January 2010 to P O Box 15660, Tauranga. If you believe that you are a secured creditor please contact our Tauranga office and the appropriate forms will be sent to you.

Completion of your claim should be given your urgent attention. If creditors do not lodge a claim with the Liquidators, they are not entitled to share in any distribution to creditors that may be made by the Liquidators.

10. Further Information

If you require any further information or if you have any information that will be of assistance to the Liquidators please contact Steph Harborne at our Tauranga Office.



Kenneth Peter Brown
Joint Liquidator

Appendix I

Carefree Holdings Limited (In Liquidation) Statement of Affairs as at the date of the appointment of the Liquidators being 25th November 2009

		<i>Estimated to Realise</i>
Assets		
Tools, Plant & Equipment		Nil
Debtors		Nil
Cash in Bank		Nil
		<hr/>
		Nil
Contingent Assets		
Potential legal claims	<i>Note 1</i>	250,000
Less Secured Claims		
		Nil
Less Preferential Claims		
IRD – GST	1,283,247	
IRD – PAYE	908	
IRD – Income Tax	295,222	1,579,377
		<hr/>
Deficit before Unsecured Creditors		(1,329,377)
Less Unsecured Creditors		
IRD – Income Tax (penalties & interest)	96,211	
IRD – GST (penalties & interest)	454,319	
IRD – PAYE (penalties & interest)	1,149	
Trade Creditors	34,444	586,123
		<hr/>
Less Contingent liability		
Finance company guarantee	<i>Note 2</i>	144,618
		<hr/>
Deficit (before costs of liquidation)		<u>(\$2,060,118)</u>

Note 1: There are three legal claims the company is pursuing. If these continue and are successful, some recovery is possible, less legal costs. If they are discontinued there is no other avenue for funds.

Note 2: A related company has two loan agreements with a finance company for which Carefree Holdings Limited had provided a guarantee and a General Security Agreement was completed.

Disclaimer

This statement should be read in conjunction with the disclaimer on page one of the above Liquidators report and RHB Chartered Accountants Limited have not audited the report and they, their directors or employees accept no liability to any other party in relying on the information presented. The purpose of the report is to give creditors of the company an indication of the financial position of the company as at the date of appointment of the Liquidators.

Appendix II

Carefree Holdings Limited (In Liquidation) Schedule of Creditors as at 25 November 2009

Belgrave Finance Limited	PO Box 106291		Auckland 1143
Castle Finance Limited	1st Floor, 107 Neilson Street	Onehunga	Auckland 1061
Inland Revenue Department	PO Box 76-198	Manukau	Auckland 2241
McEntree Hire Service Ltd	PO Box 72-196	Papakura	South Auckland 1730
The Mill Liquorsave	91 Grey Street		Palmerston North 4410
Wattyl New Zealand Limited	C/- Raajan Sami	City Law, PO Box 6086	Wellesley Street, Auckland 1141