

## Harley Logging Limited (In Liquidation)

### Liquidators Second Report

06 May 2009

#### 1. Introduction

Harley Logging Limited (In Liquidation) was put into Liquidation by order of the High Court at Rotorua on the 6<sup>th</sup> day of October 2008 at 11.24 am. Robert James Neilson and Thomas Lee Rodewald were appointed Joint and Several Liquidators of the above named Company.

We set out below our second report on the state of affairs of the above named company as required by section 255 (2)(d) of the Companies Act 1993.

#### 2. Company Information

Date of Incorporation: 12 December 1990  
Type of Business: Logging company  
Registered Office: 109 Tuwharetoa Street, Taupo  
Shareholders: Deborah Carol Clapperton  
Neil Herbert Clapperton  
Peter Joseph Fanning  
Director: Deborah Carol Clapperton  
Neil Herbert Clapperton

#### 3. Conduct of the Liquidation

The Liquidators have met with directors, who have provided some books and records, and have had the situation regarding the company's trading and failure explained by them. We are however still awaiting further records. This has been hampered to an extent due to an illness in the family but we have requested further information.

We have been advised there are some outstanding debtors, however we believe there are disputes on these accounts. The invoices and full details have not been provided as yet and we are awaiting this information. We are unable to comment on the collectability of these debts as this will be reliant on the information provided.

The Liquidators have conducted an initial investigation of the company's books and records as provided however it will be necessary to have the further information as requested.

The Liquidators will be further looking at payments made prior to liquidation under a creditor's compromise and the nature of these payments and any potential void implications will be assessed by the Liquidators on the information received.

Similarly the Liquidators feel that there may be some amounts owed on the shareholders current accounts and we will be seeking further information in respect of amounts owed and collection of these amounts if appropriate. We are unable to comment on the possible collectability of any amounts owed as the directors have advised they are of limited financial means with the demise of this company. It should be noted, however, from the financial information to hand, that the shareholder current accounts have decreased markedly over the last financial year due to fairly substantial cash deposits introduced by the shareholders personally along with very small amounts credited for drawings. Similarly there is a current account owed to the Clapperton Family Trust which is in credit for over \$200,000.

We would further comment that the demise of the company would appear to have been caused by the cancellation or non renewal of some of their forestry contracts. The loss of income from these and the investment in machinery that was essentially then not needed compounded the situation. The company appears to have therefore been unable to meet the secured creditor's commitments over the machinery. This led to the finance company then taking steps to issue notices of repossession and deal with their security. They effectively exercised their rights as secured creditors under the PPSA. The amount that was owed to the finance companies was in excess of what the equipment was worth in a sale situation.

The directors have advised that a new company was set up to effectively try and salvage the situation, as they perceived it as more viable to try and carry on with the contract work that was able to be salvaged than to close completely and have a further large loss. This necessitated the machinery that was required being financed into a new entity at the behest of the finance company. That entity is still trading at the present time however there do not appear to be any issues with the assets from Harley Logging being transferred at undervalue.

#### **4. Estimated Date of Completion of Liquidation and Notice As To Further Reports**

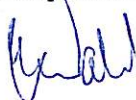
It is not practicable to estimate the date of the completion of the liquidation at this stage. Further reports will be issued six monthly and a final report at the conclusion of the liquidation.

#### **5. Receipts and Payments**

Receipts	Nil
Payments	<u>Nil</u>
Net Funds	Nil

#### **6. Further Information**

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



Thomas Lee Rodewald  
*Joint Liquidator*