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CHARTERED ACCOUNTANTS

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LIQUIDATOR'S FIRST REPORT
(pursuant to section 255 of the Companies Act 1993)

to the Creditors and Shareholders of

HARTS CONTRIBUTORY MORTGAGES Limited (In Liquidation)

Gerard Hulst, Chartered Accountant of Auckland, was appointed Liquidator of the above company pursuant to order of the High Court at Auckland on 25 July 2002. The order was timed at 10.17 am.

The Liquidator takes no responsibility for any misinformation contained in this report that has been supplied by the company, its officers or other persons.

COMPANY INFORMATION

Date of Incorporation :	12 December 1988	
Company Number :	AK 419844	
Trading Address :	Shortland Street, Auckland	
Type of Business :	Mortgage Broker	
Date trading ceased :	25 July 2002	
Share Capital :	10,000 shares	
Shareholders :	Dorchester Funds Management Limited	10,000 shares
Directors :	David Walter KONI	
High Court Reference :	N No 472-IM02	
Petitioning Creditor :	The company was placed in Liquidation on the petition of The Commissioner of Inland Revenue for $1,397,138.31 being income taxes and penalties. Costs of $2,080.00 plus disbursements of $1,303.67 were awarded.	

A statement of the company's financial position (assets and liabilities) at the date of liquidation is included with this report.

OBSERVATIONS

The company was originally known as Reeves Moses Hudig Mortgage Brokers Limited.

The company was a mortgage broker and sourced investors for various contributory mortgages. A Trustee Company held the mortgages on Trust for the contributories.

The company was sold to Steven Hart of Australia and on 3 November 2000 it changed its name.

On 31 October 2001 the company was purchased by Dorchester Funds Management Limited.

Dorchester did not promote the company as a mortgage broker and they did not sell any contributory mortgages. Dorchester managed the book and repaid the investors as the term of each mortgage ended.

During this wind out phase Dorchester became aware that there were a considerable number of bad loans and that some contributors were not fully covered by their securities. Dorchester did everything possible to ensure that the contributories suffered the minimal loss on their investment. Dorchester advanced significant funds to Harts Contributory Mortgages Limited to enable disbursements to be met to maximise mortgage recoveries.

On 30 July 2002 the Securities Commission made an order under section 44B(2)(c) of the Securities Act 1978 that Harts Contributory Mortgages Limited shall forthwith cease to act as contributory mortgage broker in respect of all contributory mortgages which have previously been allotted by it and that Crichton Horne & Associates Mortgage Brokers Limited be appointed as contributory mortgage broker in its place with respect to those contributory mortgages.

The company was placed in liquidation as a result of unpaid income taxes for the years ending 31 March 1999, 2002 and 2001. The latter two years are based on default assessments.

FINANCIAL INFORMATION

The last set of financial accounts for the company is for the year ended 30 June 2001. Hayes Knight Audit has audited these accounts.

Management accounts as at 31 July 2002 have also been completed.

Assets and Liabilities identified by the Liquidator are :

	Estimated Realisable Value
Assets	
Bank account at date of liquidation	3,200
I week of broker income	3,000
Advances made to recover mortgages	178,143
	$ 184,343
Liabilities	
Petitioning Creditor's costs and disbursements	3,384
Debenture - Dorchester Finance	Unknown
Deed of priority as to advances - Dorchester	Unknown
6 x unsecured creditors	177,128
IRD unpaid taxes – as per claim	1,397,138

PROPOSALS FOR CONDUCTING THE LIQUIDATION

DISPOSAL OF ASSETS

The cash on hand has been received from the bank.

The new broker will be asked to account for the weeks fee income and to note the company's claim for costs when the respective mortgages are realised.

OTHER ACTIONS OF THE LIQUIDATOR

I will conduct an investigation into the affairs of the company;

a) To determine the date of insolvency
b) To determine the conduct of the Directors
c) To determine if the securities are voidable and to pursue appropriate action.
d) To determine if there are any voidable transactions and to pursue recovery thereof.

ESTIMATED COMPLETION DATE

The administration is expected to be completed by July 2003, subject to any court actions.

PROSPECT OF DIVIDEND

Based on the information available

NOTICE REGARDING MEETINGS

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 meeting of creditors should be held at this time.

Consequently, a meeting of creditors will not be held unless within 14 days after receiving this notice a creditor gives notice in writing to the Liquidator requiring a meeting to be called.

LIQUIDATION COMMITTEE

At any time during the liquidation, any creditor may in writing request the Liquidator 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 Liquidator as appropriate in the conduct of the liquidation.

In the absence of a liquidation committee, the Liquidator will work closely with the petitioning creditor.

Gerard Hulst

Gerard Hulst
Liquidator
Dated this 23rd day of August 2002.

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UNSECURED CREDITOR'S CLAIM

Section 304(1) Companies Act 1993

Harts Contributory Mortgages Limited (In Liquidation)

P.O Box 6901 Wellesley Street, Auckland 1

Name and postal address of creditor in full:

Telephone Number:

Facsimile Number:

Amount Claimed: $

I,_____

(title if claim is not on behalf of an individual) _____

claim that the company was at the date it was put into liquidation indebted to the above named creditor for the amount claimed. We hold no security for the amount claimed.

PARTICULARS OF CLAIM

Invoice Date	Invoice Number	Brief Description of Goods or Services Provided	Invoice Amount

Attach separate sheet if space is insufficient

You are not required to attach any supporting documents at this stage, but you may attach them now, if you think it would expedite the processing of the claim. The liquidator may require the production of all documents.

WARNING: It is an offence under the Companies Act to make or authorise the making of, a claim that is false or misleading in a material particular knowing it to be false or misleading; or Omit, or authorise the omission from a claim of any matter knowing that the omission makes the claim false or misleading in a material particular.

Signed: Date:

RESERVED FOR LIQUIDATOR'S DECISION

CLAIM ADMITTED FOR PAYMENT 0R CLAIM REJECTED FOR PAYMENT

Preferential Claim	Ordinary Claim	Deferred Claim
$	$	$

Signed Liquidator: Dated: