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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

TECH CUTTING Limited (In Liquidation)

Gerard Hulst, Chartered Accountant of Auckland, was appointed Liquidator of the above company pursuant to an order of the High Court at Auckland on 15 May 2003. The order was timed at 11.18 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

Company Number : 1212058

Date of Incorporation : 23 May 2002

Trading Address : 25A Stock Street, New Lynn; and
354 New North Road, Kingsland

Type of Business : Industrial sewing.

Date trading ceased : 13 May 2003.

Share parcels	Shares held
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Parcel 1	David Joseph BLAKEY	52
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Parcel 2	Leon James BLAKEY	16
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Parcel 3	Matthew David BLAKEY	16
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Parcel 4	Troy Jason BLAKEY	16
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Directors : David Joseph BLAKEY

High Court Reference : M40-IM03

Petitioning Creditor : The company was placed in Liquidation on the petition of The Commissioner of Inland Revenue for \$ 32,803.41 being unpaid GST, Child Support Employer Debt, PAYE, Student Loan Employer Deductions together with accrued interest and penalties. Costs of \$ 2,080.00 plus disbursements of \$ 1,307.44 were awarded.

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

OBSERVATIONS

I visited the factory at New Lynn on 16 May 2003 at 9.00 am.

David Blakey originally operated as a sole trader, employing an array of staff, undertaking industrial sewing at Macjays Clothing. This business was located at Kingsland.

In March 2002 the opportunity arose for David Blakey to acquire the business of Lorea Enterprises Limited. This business specialised in sewing of curtains, sheets, pillowcase and other such like items.. The business was located at New Lynn. David Blakey entered into a sale and purchase agreement in his personal capacity. Vendor finance was provided and the vendor took a general security agreement from David Blakey using the assets as security.

David Blakey then decided to get his sons involved in the business with the intention of allowing them to have management experience. Tech Cutting Limited was incorporated. The two business units were transferred to the company. The business then offered the services of contract cutting and some CMT work.

The Director has advised that the business at Kingsland does not own any plant. He has also advised that the plant located at New Lynn was never transferred to the company. The company leased the equipment from David Blakey.

Troy Blakey advised that he was in charge of the New Lynn factory. In the early months of operation Troy Blakey became aware that the performance of the factory did not match the figures that had been represented by the previous owner. Also there was no guarantee of work from the major customer and it became noticeable that the volume of work being referred to the factory was diminishing.

Troy Blakey and David Blakey acknowledge that the company never paid any taxes to the IRD because *"cash was always tight and it was needed to pay for wages"*.

Owing to significant unpaid charges, on 1 April 2003 Macjays effectively cancelled the company's sewing contract and took over the work themselves. Staff previously employed by the company at the Kingsland factory were taken over by Macjays.

The factory at New Lynn ceased to trade on 13 May 2003.

On 16 May 2003, Troy Blakey incorporated Atech Cutting Limited. The factory at New Lynn had had the new signs painted at the time of my visit.

COMPANIES WITH WHICH THE DIRECTORS HAVE AN ASSOCIATION

A search of the Companies Office website shows that David Joseph BLAKEY is not associated with any other current company.

FINANCIAL INFORMATION

The company utilised the services of Terry Carter, Chartered Accountant. No annual accounts have been prepared for the company as it had traded for less than one year.

Assets and Liabilities identified by the Liquidator are :

		Estimated Realisable Value
<u>Assets</u>		
Debtors		4,500.00
<u>Liabilities</u>		
IRD Petitioning Creditor costs & disbursements		3,387.44
2 x Staff preferential wages and holiday pay		2,865.00
IRD Statement of claim		32,803.41
7 x unsecured creditors		10,212.99
		<u>\$ 49,268.84</u>

The above figures are exclusive of the costs of liquidation.

The company has a motor vehicle on lease. The lease company has been instructed to repossess the vehicle. No equity is expected.

PROPOSALS FOR CONDUCTING THE LIQUIDATION

DISPOSAL OF ASSETS

The debtors will be collected in the normal course of business.

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 establish whether the directors owe any money to the company and to pursue recovery thereof.
- 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 31 December 2003 subject to any court actions.

PROSPECT OF DIVIDEND

There will be no dividend to unsecured creditors.

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 10 working 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 30th day of May 2003.

UNSECURED CREDITOR'S CLAIM

Section 304(1) Companies Act 1993

Tech Cutting Limited (In Liquidation)

P.O Box 6901 Wellesley Street, Auckland 1

Creditor details

The name of your business		
The postal address of your business		
Telephone number	Facsimile number	e-mail address

Amount Claimed:

\$

Name of person completing the form, _____

(your title in the firm you represent) _____

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

OR

CLAIM REJECTED FOR PAYMENT

Preferential Claim

\$

Ordinary Claim

\$

Deferred Claim

\$

Signed Liquidator:

Dated: