

GERARD HULST & ASSOCIATES
CHARTERED ACCOUNTANTS

Box 6901 Wellesley Street
Auckland 1

Telephone : (09) 357 6756

Facsimile : (09) 303 3371

www.hulst.co.nz

e-mail : gerard@hulst.co.nz

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LIQUIDATOR'S THIRD REPORT

(pursuant to section 255 of the Companies Act 1993)

to the Creditors and Shareholders of

LIVING STONE PAVERS (NZ) Limited (In Liquidation)

Gerard Hulst, Chartered Accountant of Auckland, was appointed Liquidator of the above company pursuant to a resolution of the shareholder dated 9 August 2002.

My Second Report was dated 7th May 2003. I take this opportunity to advise on the conduct of the liquidation during the period 9 February 2003 to 8 August 2003 and on matters that have arisen since that date.

DISPOSAL OF ASSETS

At the date of my appointment the only asset was a debt of \$500,000 owed by Living Stone (2002) Limited. This debt is secured by a registered first charge debenture. Interest at the rate of 8% pa is payable each six months. The second payment of interest has been received. The principal is due for repayment on 31 March 2004.

OTHER ACTIONS OF THE LIQUIDATOR REQUIRING COMMENT

A meeting of creditors was held in the East Wing of the Great Lakes Centre, Taupo on 16 September 2002.

The meeting took due regard to the views of the creditors. The decision was to allow the new company every opportunity to be successful as that was the best alternative for a dividend.

A Liquidation Committee was formed comprising Wendy York, Gavin Hedley and Pat Brown.

FUTURE ACTIONS OF THE LIQUIDATOR

The next interest payment is due on 7 February 2004.

PROSPECT OF FURTHER DIVIDENDS

The initial indications are that there will be a dividend of approximately 30 cents in the dollar if the business is successful.

I particularly draw your attention to page 2 and the paragraph headed "Extension for time to pay".

RECEIPTS AND PAYMENTS

for the period 9 February 2003 to 8 August 2003.

Opening Cash Balance	Nil
Cash Receipts	
Living Stone (2002) Ltd – Interest	20,000.00
Term Deposit Interest	210.89
Total Cash Available	<u>20,210.89</u>
Cash Payments	
Advertising	63.32
Hire of meeting premises	112.50
Liquidation Fees	2,250.00
Petitioning Creditor awarded costs	6,129.50
1 st Debenture holder	<u>11,000.00</u>
Total Cash paid	<u>19,555.32</u>
Closing Cash Balance	655.57

Extension for time to pay

As previously advised, Living Stone (2002) Ltd (LS02) is due to repay the borrowings on 31 March 2004.

LS02's accountant has advised me that the business is making good progress, however revenues are not yet at a level that enable refinancing to occur.

LS02 is currently working with its landlord for a long-term lease of the property that it currently occupies. The landlord does not wish to be in a position where he provides a long term lease agreement to LS02 and then finds the company placed in receivership or liquidation because it could not refinance our \$500,000 loan.

The landlord has advised the accountant that they will formalise lease arrangements provided they have comfort that we will not take pre-emptive action against the company. The comfort they require is an extension of two years before repayment of the \$500,000 debt is required.

From my perspective I believe that it is important that LS02 have a secure lease otherwise if the landlord chose to sell the property the purchaser could ask for vacant possession. Relocating the existing plant would not really be economical. The only down side from the creditors' point is that there will be a delay in you receiving any dividend.

Whilst the final decision is mine I would welcome your feed back on the attached survey form by 23 December 2003.

Gerard Hulst

Gerard Hulst
Liquidator
Dated this 26th day of November 2003

Living Stone Pavers (NZ) Limited (In Liquidation)

Creditors' Survey

The Liquidator
Living Stone Pavers (NZ) Limited (In Liquidation)
Box 6901
Wellesley Street
Auckland 1

Attention : The Liquidator

We have considered the request by Living Stone (2002) limited to extend the repayment term of the debenture from 31 March 2004 to 31 March 2006.

1	We are not in favour of extending the terms of repayment because:	
2	We would support the request to extend the terms of repayment without nay changes.	
3	We would support the request to extend the terms of repayment but would like to see the terms altered as follows (a) Interest to be paid each 3 months (this would ease LS02's cash flow and highlight more quickly any inability to pay. (b) management accounts (P&L and Bal Sheet) are to be provided to the liquidator within 2 months of 30 Sep and 31 March to verify trading and solvency. (c) other please specify	

Name of the Creditor : _____

Name of the person completing the survey _____