

9 April 2009

**EON DESIGN CENTRE (AUCKLAND) LIMITED (IN RECEIVERSHIP &
LIQUIDATION)**

Receivers' First Report on the State of Affairs

**Pursuant to Section 23 of the
Receiverships Act 1993**

Company Number 1202423

Introduction

Kevin David Pitfield and Gareth Russel Hoole were appointed joint receivers of Eon Design Centre (Auckland) Limited (In Receivership & Liquidation) ("the Company") by Blackbird Finance Limited, on 25 November 2008 ("the date of receivership") under the powers contained within a General Security Agreement dated 11 June 2007.

This report has been prepared by the receivers in accordance with and for the purpose of Section 23 of the Receiverships Act 1993.

Restrictions and Disclaimers

The report is prepared for the sole purpose of reporting on the state of affairs with respect to the property in receivership and the conduct of the receivership.

In compiling this report the receivers have relied on the accuracy of all relevant information provided by the management of the company. Whilst all care and attention has been taken in compiling this report, the receivers, Staples Rodway Limited, its employees and its agents do not accept any liability whatsoever arising from this report.

This report is not intended for general circulation and all information contained in it is for the confidential use of the parties to whom it is provided in accordance with Sections 26 and 27 of the Receiverships Act 1993. This report is not to be disseminated or passed on to any other party without the receivers' prior written authority or as may be required by law.

The financial particulars included in this report have been prepared from the company's records and information supplied to the receivers by the company and its director. In preparing the particulars the receivers have not carried out anything in the nature of an audit or other verification procedure.

The receivers reserve the right (but will be under no obligation) to review the contents of this report and, if considered necessary, to revise the report in light of any information which becomes known to the receivers at a subsequent date.

Events Leading To Appointment

The Company is owned by Eon Limited (in Liquidation) (999 Shares) and Angela Erin Chapman Roper (1 Share). The sole director of the Company is Angela Erin Chapman Roper of 27 Little John Street, Hillsborough, Auckland (“the director”).

The Company had recently refurbished the leased premises from which the Company operated. Funding for the refurbishment and working capital was advanced by Blackbird Finance Limited via a loan facility secured by a General Security Agreement dated 11 June 2007. The Company was issued a demand for payment of arrears on 14 November 2008 and, on non payment, the receivers were appointed to receive and manage the assets and undertakings of the Company.

Particulars of the Assets Comprising the Property in Receivership

The property in receivership comprised all of the assets and undertakings of the company. At the date of the appointment of the receivers, those assets comprised of showroom equipment and furniture, stock, fixtures and fittings, a security system, a sound system and motor vehicles.

Some of these assets were charged by specific security interests and the receivers dealt with those assets on a case-by-case basis.

Particulars of Debt and Liabilities Currently Outstanding and Requiring To Be Satisfied From The Property In Receivership

Due to Blackbird Finance Limited secured by a priority ranking General Security Agreement, a sum of \$296,412. Certain other parties had perfected Purchase Money Security Interests (“PMSI”) and had a ‘super priority’ over the GSA holder with respect to their security over specific assets and where applicable those assets were returned to those parties.

There is a substantial balance due to the Inland Revenue Department and they will rank as preferential creditors pursuant to the Seventh Schedule of the Companies Act 1993. All preferential entitlements due to the employees were settled by the receivers.

Apart from creditors designated as preferential in terms of the Seventh Schedule of the Companies Act 1993 and secured creditors referred to above, all other creditors of the company will rank as unsecured. The receivers have not determined the quantum of unsecured creditors. However it is unlikely that there would be any funds available to the unsecured creditors given the level of secured debt measured against realisations.

The identity of creditors who have an interest in the property in receivership is set out below, pursuant to the provisions of section 23(1)(c) of the Receivership Act 1993.

Class of Creditor	Name of Creditor	Nature of Claim	Due at Date of Appointment \$
Secured Creditors	Blackbird Finance Limited	First ranking GSA holder	430,000
	Exclusive Furniture Company Limited	PMSI – Furniture Stock	Nil
	Sleepyhead Manufacturing	PMSI – Bedding Stock	Nil
	Toyota Finance	PMSI – 4 Motor Vehicles	Not known
	Marac Finance	PMSI – Surveillance & Alarm Equipment	20,000
	Nationwide Finance	PMSI – Stereo Equipment	12,000
	Design Mobil NZ	PMSI - Stock	Nil
Preferential creditors pursuant to 7 th Schedule of the Companies Act 1993	Staff	For wages and holiday pay	35,000
	Inland Revenue Department	PAYE and GST	280,000
Unsecured creditors	Various	Goods and services supplied	Not known

Progress of the Receivership

The receivers and their representatives attended the premises of the company on the morning of their appointment. The premises were secured and rights of entry were restricted.

The receivers determined the best way to realise the showroom equipment and furniture and stock was to retain existing staff and to hold a clearance sale. The receivers employed two independent retail consultants to advise on strategies of how best to realise the assets in the sale.

At the conclusion of the sale in early December 2008 the receivers vacated the premises and engaged a valuer to advise them on the realisable values they could reasonably expect to receive for the remaining assets, particularly the fixtures and fittings. It was clear that the proceeds from the realisation of the remaining fixtures and fittings would be maximised if sold in situ.

Negotiations commenced in early December 2008 with an interested party who made an offer to purchase the remaining assets available to the receiver on an in situ basis, subject to obtaining a

lease on satisfactory terms. Those negotiations with the landlord failed and the offer to purchase the assets was withdrawn.

The receivers located a second prospective tenant mid-December 2008 who also expressed an interest in the assets subject to reaching agreement with the landlord for a new lease.

As a contingency, the receivers arranged for the assets to be catalogued by an auctioneer with a view to a public auction in late December and early January. However, at the request of the landlord that sale did not proceed as agreement was reached, in principle, with the new prospective tenant introduced by the receivers and that agreement was contingent on the availability of the remaining fixtures and fittings.

After a delay of some two months, caused by protracted negotiations between the landlord and the new tenant, agreement was reached and the remaining assets were sold for \$100,000 inclusive of GST.

Statements of Realisations and Distributions In Respect of the Receivership

The following realisations have been made:

Furniture	184,234	
Inventory	100,085	
Fixtures and Fittings	<u>88,889</u>	
Total Realisations		373,208

Less Disbursements to:

Receivers' Costs and Expenses		
<i>Receivers' Fees</i>	51,047	
<i>Wages</i>	10,469	
<i>Sales Consultant</i>	9,600	
<i>Valuation</i>	3,000	
<i>Legal Fees</i>	1,320	
<i>Other Expenses</i>	<u>2,002</u>	
Total Receivers' Costs and Expenses	77,438	
Preferential Creditors (directly and via liquidator)	84,945	
Secured Creditor – First Ranking GSA Holder – <i>Interim Distribution</i>	<u>100,000</u>	
Total Distributions made to date		<u>(262,383)</u>

Receivership Funds Available for Distribution \$ 110,825

Note: The first ranking GSA holder was owed a total of \$296,412 and any subsequent distributions, net of any other costs yet to occur in the receivership, will be distributed to the GSA holder.

Amounts Available for Payment to Unsecured Creditors

The receivers do not believe there will be any funds available for the remaining creditors based on the information provided.

Information Provided By the Company

The director of the Company co-operated fully in making available the information required by the receivers to complete this report.

Dated this 9th day of April 2009.



Gareth Russel Hoole
RECEIVER



Kevin David Pitfield
RECEIVER

APPENDIX 1

Names and Address of Creditors With An Interest In The Property In Receivership:

Secured Creditors:

Blackbird Finance Limited, PO Box 37 824, Parnell, Auckland.
 Exclusive Furniture Company Limited, PO Box 5038, Palmerston North.
 Sleepyhead Manufacturing Company Limited, Private Bag 93315, Otahuhu, Auckland.
 Toyota Finance New Zealand Limited, PO Box 17065, Greenlane, Auckland.
 Marac Finance Limited, PO Box 9919, Newmarket, Auckland.
 Nationwide Finance Limited, PO Box 1888, Auckland.
 Design Mobel NZ, PO Box 1142, Greerton, Tauranga.

Preferential Creditors:

Inland Revenue Department, The District Commissioner, Inland Revenue Department, Private Bag, Manukau City.

Employees:

Alice Benson C/- Staples Rodway, PO Box 3899, Auckland
 Sonta Bredesen C/- Staples Rodway, PO Box 3899, Auckland
 Jana Durdevic C/- Staples Rodway, PO Box 3899, Auckland
 Anna Hobbs C/- Staples Rodway, PO Box 3899, Auckland
 Guy Hohmann C/- Staples Rodway, PO Box 3899, Auckland
 Bethanne Kefali C/- Staples Rodway, PO Box 3899, Auckland
 Chloe Kefali C/- Staples Rodway, PO Box 3899, Auckland
 Kim Laery C/- Staples Rodway, PO Box 3899, Auckland
 Aja Pendergrast C/- Staples Rodway, PO Box 3899, Auckland
 Carolyn Radford C/- Staples Rodway, PO Box 3899, Auckland
 Elizabeth Somerville C/- Staples Rodway, PO Box 3899, Auckland
 Lisa Stirling C/- Staples Rodway, PO Box 3899, Auckland
 Jayne Tolley C/- Staples Rodway, PO Box 3899, Auckland
 Cara Wicksteed C/- Staples Rodway, PO Box 3899, Auckland
 Jan Winter C/- Staples Rodway, PO Box 3899, Auckland

Unsecured Creditors:

Should be directed to the attention of the liquidator c/- Horton Price Limited, PO Box 9125, Newmarket Auckland 1149. Level 1, 46 Stanley Street, Parnell, Auckland. Telephone 09-366-3700.