

## **MAIN STREET EUROPEAN LIMITED (IN RECEIVERSHIP)**

### **Receivers' First Report on the State of Affairs**

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

**Company Number 1014925**

### **Introduction**

Gareth Russel Hoole and Sharlene Maree Bryant were appointed joint receivers of Main Street European Limited (In Receivership) ("the Company") by Mercedes-Benz Financial Services New Zealand Limited ("Mercedes-Benz"), on the Wednesday, 29 April 2009 under the powers contained within a General Security Agreement dated 18 July 2003.

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 operated as a new and used car sales yards and service centre. The Company held dealership licences with Chrysler and Mercedes-Benz and were service agents for these makes of vehicles.

The Receivers understand that the Company had been experiencing cash flow difficulties prior to their appointment. Those cash flow difficulties were compounded by a fall in demand for luxury vehicles resulting in reduced sales and narrower margins.

The Company had been unable to make payment under the bailment agreement with Mercedes-Benz constituting an event of default under their GSA. This entitled Mercedes-Benz to appoint receivers.

### Particulars of the Assets Comprising the Property in Receivership

The property in Receivership comprises all of the assets and undertakings of the company. At the date of the appointment of the receivers, those assets comprised, at valuation:

- |                                  |           |
|----------------------------------|-----------|
| • Furniture and Office equipment | \$8,410   |
| • Workshop equipment             | \$15,120  |
| • Motor vehicles                 | \$2,500   |
| • Leasehold improvements         | \$129,240 |

The receivers cannot disclose the book value of the assets as there were no current financial statements available.

### Particulars of Debt and Liabilities Currently Outstanding and Requiring to be Satisfied from the Property In Receivership

- |                                                                                                                                                                      |           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| • Due to <b>Marac Finance Limited</b> secured by priority ranking General Security Agreement                                                                         | \$600,000 |
| • Due to <b>Mercedes-Benz Financial Services NZ Limited</b> secured by 2 <sup>nd</sup> ranking General Security Agreement                                            | \$450,000 |
| • Due to former staff in respect of holiday and redundancy pay and ranking as a preferential debt pursuant to the 7 <sup>th</sup> Schedule of the Companies Act 1993 | \$19,902  |
| • Due to Inland Revenue Department and ranking as preferential debt pursuant to 7 <sup>th</sup> Schedule of the Companies Act 1993                                   | \$42,105  |
| • Due to unsecured creditors (approximately)                                                                                                                         | \$109,140 |

### Proposals for the Conduct of the Receivership

The vehicles from the car sales yard were returned to the financiers under their respective security interests and the car sales department ceased to operate.

The Receivers continued to trade the service department with the short term support of both Chrysler and Mercedes-Benz from their appointment until 30 June 2009. The Receivers hoped to be able to find a buyer for the business within this period and sell the business as a going concern. On 30 June 2009, the short term dealer agreements between the Company and Mercedes-Benz and DaimlerChrysler were terminated, preventing the service centre from operating as authorised service centres for these makes of vehicle.

### **Proposals for Disposal of Receivership Property**

As the Receivers were unable to secure a sale of the business as a going concern, the assets of the Company will be sold on a piecemeal basis. The difficulty in finding a buyer of the business as a going concern was exacerbated by the sale of the building from which the Company had operated, resulting in the non-availability of a long term lease for any prospective purchaser.

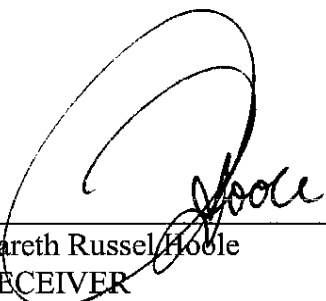
### **Amounts Likely to be Available for Payments to Unsecured Creditors**

The Receivers cannot determine whether any amounts are likely to be available to unsecured creditors until they form a reliable estimate of the proceeds from sale of the Company's assets.

### **Information Provided By the Company**

The director of the Company has co-operated in making available the information required by the Receivers to complete this report, but has thus far failed to provide written responses to various issues raised with him.

Dated this 14th day of July 2009.



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Gareth Russell Hoole  
RECEIVER