

Receivers first report on the state of affairs of Eurotech Audio Limited (In Receivership) 'the company' as at 31st July 2009

Introduction

Thomas Lee Rodewald and Kenneth Peter Brown were appointed Joint Receivers and Managers of the above company on the 5th day of June 2009. Because the appointment is in Auckland and the Receivers reside in Tauranga, Auckland agents were appointed being Thomas Wilson and Steven Wilkins from Seasons Business Transfer Specialists, telephone (09) 3020793.

The Receivers were also appointed Joint Receivers and Managers to Eurotech Audio Holdings Limited on the same date. Receivers and Managers were also appointed to the Australian company, Eurotech Audio Pty Limited on 11 June 2009, those Receivers being Ross Blakeley and Quentin Olde of Taylor Woodings, a Melbourne based insolvency firm.

The appointment arose under the powers contained in a General Security Agreement dated the 28th February 2008 which consists of all personal property in which it has rights, whether now or in the future.

We set out below our first report on the state of the affairs of the above named company as required by section 23 of the Receivership Act 1993.

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Events leading up to our appointment

The company was suffering cash flow difficulties due to slow debtor payments, high overheads and reduced turnover stemming from the current economic climate. They enlisted the help of advisors who endeavoured to structure a work out plan but it became apparent the difficulties were greater than anticipated; therefore, the director approached the General Security Agreement holder requesting the appointment of Receivers.

Trading on/closure of business

The business was trading at the time of the receivership from new premises in East Tamaki. The Receivers concluded it was in the best interests of all creditors to trade the business while a sale as a going concern was attempted. Accordingly the business has continued to trade, in a limited manner, while the Receivers, through their Agents, sought buyers of the business.

Debtors

There is a substantial debtor's ledger to collect. The Receivers are currently collecting the amounts owed and dealing with any disputed debts. Some unpaid amounts are being sent to a debt collection agency for follow up. The ledger included an amount for \$157,398 which the Receivers established was not a debtor in the normal sense but for stock set aside the majority of which has now been recovered and is being sold as stock. Furthermore due to a dispute with the former owner of the business there are debtors in the three month column who claim they paid the former owner and naturally will not pay again but the former owner alleges a debt is due to him so is not releasing funds held. The Receivers legal advisors are currently reviewing this issue. These matters have reduced the realisable value of debtors significantly.

Fixed Assets

The valuation of assets was only \$18,000 as a going concern compared to a book value of \$657,011. That figure includes \$205,378 relating to motor vehicles which are all secured and have been returned to the finance company involved. No equity is expected in them. \$254,199 of the plant and equipment (\$258,300) are specific tools and moulds developed for the Isuzu contract in Australia that has been terminated following the receivership. There is little or no value as these items are specific to that contract and are located in factories in China and Korea.

The \$148,722 of comparators holds minimal value unless the business is sold as a going concern as these are display units for radios, stereos, speakers and amps for retail customers.

Amounts owing to the general security agreement holders

At the date of the Receivers appointment the amount owing was \$1,555,466.70. This arose from an interlocking company guarantee dated 28th February 2008, between this company, Eurotech Audio Holdings Limited and Eurotech Audio Pty Limited.

Other secured creditors

Seven other secured creditors are recorded on the Personal Property Securities Register and shown on the attached statement of assets and liabilities. Not all have yet responded to the Receivers request for confirmation of the amount owing.

Preferential creditors

These included employee claims for holiday pay totalling \$19,246 and the Inland Revenue Department for GST owing of \$23,762.

Unsecured creditors

Due to the extent of the secured creditor claims there are unlikely to be any funds available for returning to the company, or a liquidator at the conclusion of the Receivership for distribution to unsecured creditors. The total amount due to unsecured creditors known to date is \$332,522.

Assets & Liabilities of the company

We attach as *Appendix 1* a list of the assets and liabilities of the company at the date of appointment.

Receipts & Payments

We attach as *Appendix 2* a list of receipts and payments to 31 July 2009.

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.



Thomas Lee Rodewald
Joint Receiver and Manager



Kenneth Peter Brown
Joint Receiver and Manager

Eurotech Audio Limited (In Receivership)
Statement of Assets and Liabilities as at 5 June 2009

Appendix 1

	Book Value \$		Estimated to realise \$
Assets			
Cash at bank	0		0
Debtors	395,173		150,000
Stock	679,131		500,000
Fixed Assets			
Comparators	148,722)	0
Office equipment	13,294)	0
Motor vehicles	205,378)	0
Plant and equipment	258,300)	18,000
Furniture and fittings	31,317)	0
Vendor funds held	30,000		30,000
Intercompany current accounts	283,184		0
Total Assets	<u>2,044,499</u>		<u>698,000</u>
Liabilities			
Secured – Bank, GSA Holder			1,555,467
Secured - Specific Securities			
- UDC			2,584
- Breakhouse Trust			Unknown
- The Accountant			Unknown
- Steel & Tube			Unknown
- Ed's Auto Services			109
- FEL Group			Unknown
- Finance Direct			205,378
			<u>208,071</u>
Preferential			
Employees - Liability for Holiday Pay			19,246
IRD - GST			23,762
			<u>43,008</u>
Unsecured			
Trade Creditors			332,522
IRD penalties & interest			3,620
			<u>336,142</u>
Total Liabilities			<u>2,142,688</u>
Estimated surplus/(deficit)			<u><u>1,444,688</u></u>
<i>Subject to Receivership costs</i>			

Disclaimer

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Eurotech Audio Limited (In Receivership)
Receipts and Payments from 5 June 2009 to 31 July 2009

Appendix 2

GST exclusive

Receipts

GST on income	7,580.82	
Funds on hand	25.13	
Debtors	53,618.12	
Stock	<u>7,027.70</u>	
		68,251.77

Payments

GST on expenses	3,361.12	
Electricity	175.66	
GST paid	1,335.74	
Insurance	1,569.04	
Legal fees	3,555.56	
PAYE paid	2,782.81	
Petty cash	135.10	
Receivers fees	3,555.56	
Receivers Agents fees	8,780.00	
Rent	5,250.00	
Rubbish	115.40	
Stationery	358.39	
Stock purchases	166.40	
Storage	620.01	
Telephone	1,042.73	
Transport costs	1,415.02	
Valuation	900.00	
Wages	<u>28,926.75</u>	
		<u>64,045.29</u>
Net Funds		<u>\$ 4,206.48</u>

Represented By:

National Bank - Trust Account 4,206.48

\$ 4,206.48