

**EX-ZNHE Limited (In Receivership & In Liquidation)
formerly known as
eHome NZ Limited (In Receivership & In Liquidation)
until 23 June 2015**

Receivers' Second Report

1 INTRODUCTION AND APPOINTMENT

Tony Leonard Maginness and Peri Micaela Finnigan, Insolvency Practitioners of Auckland, were appointed jointly and severally as receivers and managers of the property of eHome NZ Limited, which property consists of all present and after acquired personal property of the Company, the meaning ascribed to that term in the General Security Agreement on 5 February 2015. The receivers and managers were appointed under the powers contained within a General Security Agreement dated 11 February 2013 in favour of CJM eHome Limited.

The company was placed into liquidation on 17 April 2015 by special resolution of the shareholders. Stephen Rex Tietjens, insolvency practitioner of Auckland, was appointed as liquidator.

The company changed its name on 23 June 2015 following sale of assets. The purchaser has taken over the name "eHome".

Pursuant to section 24 of the Receiverships Act 1993 ("the Act"), the receivers report herewith on the progress of the receivership for the period from appointment to 4 August 2015. This second report should be read in conjunction with the receivers' previous report.

A statement of Realisations and Distributions is **attached**.

2 RESTRICTIONS

This report has been prepared in accordance with Section 24 of the Act. Whilst all care and attention has been taken in compiling this report, we do not accept any liability whatsoever to any party as a result of the circulation, publication, reproduction or use of this report.

We reserve the right (but are under no obligation) to review and, if we consider necessary, revise this report in respect of any information existing at the date of this report which becomes known to us after that date.

3 CONDUCT OF THE RECEIVERSHIP DURING THE PRECEDING SIX MONTHS

Asset Realisations

The receivers engaged an agent to assist in selling the going concern. In total over 40 parties looked at eHome. There was six parties that made conditional offers but their due diligence identified issues that ultimately stopped them making an offer.

In the end, the receivers concluded a sale with the landlord. The receivers gained a valuation of expected recovery at auction and it was established the sale would provide the better return.

3.1 Plant & Machinery

The plant and machinery of the company has now been sold. Payment has been received in full. There are no further items of plant & machinery to be sold.

3.2 Raw Material Stock

Raw material stocks were collected by specific security holders ("PMSI") at the start of the receivership or sold to the landlord. The unsecured inventory would have realised very little, particularly after storage and sale costs were taken into account because a lot of it had no alternative use.

The receivers sold the company inventory for \$125,000. After deducting costs for inventory purchased after the date of receivership, there were funds of \$66,949 available for preferential employee claims.

3.3 Sundry Assets

The receivers sold one completed show home and two partly built flat-pack show homes to third parties. There is another partly complete house that has been sold but funds have not yet been received.

3.4 Work In Progress

The receivers during the course of the receivership employed staff and contractors to complete work in progress. The projects completed were at Lynton Road, Waimahia and various other Housing New Zealand sites. The receivers abandoned certain projects at the outset as these projects were calculated to not produce any equity. The receivers were advised to sell the business as a going concern to maximise the return to creditors. Work in progress was considered important to attract a buyer.

There is now minor work to be completed on one site. It is anticipated that all works will be completed by the end of September 2015.

3.5 *Trading On Receipts*

The receivers traded whilst seeking a sale of going concern to maximise the return for their appointer and lower ranking creditors. The expected interest in a sale did not eventuate and led to negotiations with the landlord as the best prospect. This followed an extensive sales campaign (and after all interest was withdrawn).

During this time, the receivers at the secured creditors' approval, (and subject to additional funding from the secured creditor), completed a number of projects that were partly complete at the date of receivership. It was established that to gain the best market price, the company had to retain the intellectual property by continuing to trade, and have an employee base and contracts to pass on to a purchaser.

The expectation early on was following sale work in progress would transfer and a new owner would employ staff. The result was disappointing to everyone concerned. The outcome reported in the attached statement is a trading loss. This was funded by the secured creditor and has not impacted the recovery for preferential or unsecured creditors. It was agreed by the secured creditors at the outset that they would fund any trading loss with the view the company would sell eventually and this be recovered.

The receivers will complete the final works in September 2015. Retentions will be collected as and when due. The proceeds of realisation will be allocated to costs incurred and the secured creditor.

4 PROPOSALS FOR FURTHER DISPOSAL OF RECEIVERSHIP PROPERTY

The work in progress is expected to be completed by the end of September 2015, as identified in 3.4 above. The proceeds from the final showroom are expected to be realised in October 2015.

5 CREDITORS' CLAIMS

5.1 *GSA Holders*

There were three registered general securities at the date of this report. The amounts due to our appointer were as follows:

	\$
Amount owing at the commencement of receivership being 5 February 2015	6,623,321
Advances to receivers during receivership to fund trading	1,281,422
Less distributions made	834,000
Balance outstanding at 4 August 2015	<u>\$7,070,743</u>

Note: Further advances were made direct for disbursements incurred during the receivership which are not reported here.

There are two further general security agreement holders

- ANZ Bank New Zealand Limited have a secured claim of \$4,542,389. This is subject to personal guarantees from the directors.
- Ngatotara Trust have a secured claim of \$1,654,469.

5.2 Other Secured Creditors

We have received 20 further secured claims totalling \$2,042,613. Many of these relate to stock supplies. Certain of these creditors recovered stocks or traced into proceeds.

Payments totalling \$120,411 have been made to five secured creditors holding Purchase Money Security Interests in stock. The receivers undertook an extensive tracing exercise for each specific security holder and identified entitlements. There were certain specific security holders that made nil recovery. This was largely because the funds could not be traced into proceeds, the landlord did not place any value on the items, or there was nil stocks on site at date of appointment.

5.3 Preferential Creditors

At the commencement of the receivership, the following amounts were owed to preferential creditors.

	\$
Employees Claims – Wages, Holiday Pay and Redundancy	399,254
Inland Revenue – GST & PAYE	138,325
Total	<u>\$537,975</u>

No distribution has yet been paid towards the preferential Inland Revenue Department claim which totals \$138,325.

At the date of this report, payments of \$133,850 have been made to the preferential employees. The payment to employees was from the realisations gained from unencumbered stock sales.

5.4 Unsecured Creditors

As at the date of preparing this report, 225 unsecured creditors claim forms have been received which total \$3,686,465. No distribution has been paid.

The Receivers are not responsible for the administration of unsecured creditors' claims, however, it appears unlikely that there will be surplus funds available for unsecured creditors. There is a significant shortfall to the secured and preferential creditors.

6 MATTERS DELAYING THE COMPLETION OF THE RECEIVERSHIP

The following matters are outstanding:

- Resolution of warranty claims and guarantees
- Completion of the work-in-progress and receipt of payments
- Collection of the retentions

7 ESTIMATED DATE OF COMPLETION

The Receivers believe the receivership may be concluded within six months. The liquidator will review other potential recoveries for creditors.

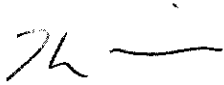
8 CONTACT DETAILS

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TONY L MAGINNESS
RECEIVER

DATED this 21st day of September 2015

Realisations and Distributions

Realisations	Cash Received \$
Advance from Secured Creditor	1,281,422
Trading on Receipts	3,146,155
Sale Plant & Equipment	1,164,780
Sale of Inventory	125,000
Sundry Receipts	87,581
Pre-Receivership GST Refund	224,942
Total Realisations	\$6,029,880
Payments	
Receivers Fees	
Receivers Fees	443,571
Disbursements (refer note 2)	68,965
Total Receivers Fees	\$512,536
Other Costs of Receivership and Trading On	
Trading Expenses	3,163,996
Wages and Salaries	1,207,514
Total Costs of Receivership and Trading On	\$4,371,510
Distributions	
Secured Creditor	834,000
Purchase Money Security Interest Holders	120,411
Preferential Wages and Holiday Pay (refer note 3)	133,850
Total Distributions to Secured and Preferential Creditors	\$1,088,261
Total Payments	\$5,972,307
BALANCE HELD	\$57,573

Note 1: The above figures are GST exclusive.

Note 2: The appointer paid one of the receivers' legal fees of \$49,897 directly, which is not included in the numbers above.

Note 3: PAYE and other deductions totalling \$15,471 on the preferential holiday pay distribution was not due and payable at the date of this report.