



# **Taylor Industries, Limited (In Voluntary Liquidation)**

First Interim Report of the Voluntary Liquidator

As at February 4th, 2019

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## Glossary of Terms

- “Act” – The Companies Act of The Bahamas, 19992
- “B\$” – Bahamian dollars
- “BT” – Bryan Taylor, Director
- “CIBC” – CIBC FirstCaribbean
- “Company” – Taylor Industries, Limited (In Voluntary Liquidation)
- “Court” – Supreme Court of The Bahamas
- “Custom Computers” – Custom Computers Limited
- “Deloitte” – Deloitte & Touche Chartered Accountants, Bahamas
- “GT” – Graham Taylor, Director
- “IMB” – Insurance Management (Bahamas) Limited
- “Insolvency Act” – The Bahamas Companies (Winding Up Amendment) Act, 2011
- “Liquidator” – Andrew Davies, Voluntary Liquidator

## List of Appendices

1. Resolution to appoint Voluntary Liquidator
2. Filed Notice of Voluntary Winding up and Liquidator's Consent to Act
3. Notice to Creditors of commencement of dissolution
4. Certificate of Incorporation
5. Financial Statements for the years ended April 30, 2015 through to April 30, 2018
6. Estimated employee termination claims
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## 1. Introduction

### **Basis of Appointment**

- 1.1 On January 8, 2019, pursuant to a resolution passed at an extraordinary meeting of the shareholders of Taylor Industries, Limited (“the Company”) and Section 235 (b) of the Companies Act, 1992 (“the Act”), Mr. Andrew Davies of Crowe Bahamas was appointed as Voluntary Liquidator (“the Liquidator”) of the Company. A copy of the resolution is attached as Appendix 1.
- 1.2 Unless otherwise stated all financial data in this report is in Bahamian Dollars (“B\$”)

### **Restrictions and Qualifications of the Report**

- 1.3 This first report is prepared and submitted by the Liquidator to the members of the Company for the purpose of providing information regarding the work undertaken by the Liquidator since the date of the appointment.
- 1.4 Neither the Liquidator nor Crowe Bahamas will be responsible for any losses, damages, liabilities or claims arising from the use and/or reliance on this report.
- 1.5 In performing the work, the Liquidator has relied on the integrity and accuracy of the information and documents supplied and available. Although the Liquidator has attempted to corroborate the information they have obtained from different sources, they have not independently verified all of the information and documentation upon which they have relied in preparing this report. In addition, the Liquidator has not performed an audit or review in accordance with General or International Auditing Standards, and consequently, no assurance is expressed in this regard.
- 1.6 This report has been prepared in a limited time frame and not all information relevant to the investigation of the Company’s affairs is at hand. The Liquidator has therefore formed their views based on the information provided to date.
- 1.7 This report shall not be copied, reproduced, quoted or distributed without the prior written permission of the Liquidator.

### **Sources of Financial Data and Information**

- 1.8 The Liquidator has drawn upon documentation obtained from the Company’s books and records and information and documentation obtained from the following service providers to the Company;

- Accountants: Financial Statement review services provided by Deloitte & Touche Chartered Accountants, Bahamas (“Deloitte”)
- Banks CIBC FirstCaribbean (“CIBC”)
- Financial Consultant Adderley & Co

1.9 The Liquidator has also obtained information from the following parties;

- Directors and Members – Bryan Taylor (“BT”), Graham Taylor (“GT”)
- Former staff of the Company
- Custom Computers Limited as IT service provider to the Company

1.10 Pursuant to Section 229(f) of the Act, the Liquidator may, with or without the approval of the Supreme Court of The Bahamas (“the Court”), exercise all powers given to an Official Liquidator. The powers of an Official Liquidator are set out in Section 202(1) of the Act and include, inter alia, the ability to:

- a) bring or defend any action, suit, or prosecution, or other legal proceedings, civil or criminal, in the name and on behalf of the Company;
- b) carry on the business of the Company, so far as may be necessary for the beneficial winding up of the same;
- c) sell the real and personal property, effects, and things in action of the Company by public auction or private contract with power to transfer the whole thereof to any person or company, or to sell the same in parcels;
- d) do all the acts and execute, in the name and on behalf of the Company, all deeds, receipts, and other documents, and for that purpose, when necessary, the Company’s seal
- e) prove, rank, claim and draw a dividend, in the matter off the bankruptcy or insolvency of any contributory, for any balance against the estate of such contributory, and take and receive dividends in respect of such balance, in the matter of bankruptcy or insolvency as a separate debt due from such bankrupt or insolvent, and rateably with the other separate creditors;
- f) draw, accept, make and endorse and bill of exchange or promissory note in the name of and on behalf of the Company, also to raise upon the security of assets of the Company from time to time any requisite sum or sums of money; and drawings,

accepting, making or endorsing of every such bill of exchange or promissory note on behalf of the Company shall have the same effect with respect to the liability of such company as if such bill or note had been drawn, accepted, made, or endorsed by or on behalf of such company in the course of carrying on the business thereof;

- g) take out, if necessary, in his official name, letters of administration to any deceased contributory, and do in his official name and other act that may be necessary for obtaining payment of any monies due from a contributory or from his estate, and which act cannot be conveniently done in the name of the Company; and in all cases where he takes out letters of administration, or otherwise uses his official name for obtaining payment of any monies due from a contributory, such monies shall for the purposes of enabling him to take out such letters or recover such monies, be deemed to be due to the official liquidator himself; and
- h) do and execute all such other things as may be necessary for winding up the affairs of the Company and distributing its assets.

### **Basis of Findings**

- 1.11 In order for the Liquidator to comply with their duties and obligations, certain aspects of the work have been done with the assistance of BT and GT under the direction of the Liquidator.
- 1.12 In addition, the Liquidator has been guided by advice received from his legal counsel, Lennox Paton.

## 2. Executive Summary

- 2.1 Upon appointment, the Liquidator provided notice of the winding up of the Company and their appointment as Liquidator to the Company's registered office/agent, directors, bank, Insurers and pension fund managers. Additional information in relation to communication with each of these stakeholders is contained in Section 4, Activities Upon and Since Appointment.
- 2.2 The Liquidator has taken the necessary steps to identify, safeguard and preserve assets held in the Company's name, including submitting a request to CIBC that any cash accounts in the name of the Company be frozen effective as at the date of appointment.
- 2.3 The Liquidator has identified and where practical taken possession or copies of the books and records of the Company, including;
  - a) Manual records located on the business premises from which the Company operated;
  - b) Electronic records stored on the computers and Management Information Systems utilized by the staff and Directors of the Company;
  - c) The Liquidators obtained the assistance of Custom Computers to review the IT environment of the Company and ensure it was stable and secure. Custom Computers also assisted with copying an image of the Company's server and accounting platform as at the date of their appointment to preserve all electronic records available at that time; and
  - d) Obtaining online access to the Company's bank account.
- 2.4 The Liquidator has had relatively limited time to review the Company's records in detail, however Section 5 of this report provides an assessment of the Company's financial position leading up and after the commencement of liquidation.
- 2.5 The Members of the Company had prior to the commencement of liquidation been advised as to the size of the potential solvency shortfall of the Company based on the value of assets available and the value of creditor claims, contingent or otherwise.
- 2.6 The Members of the Company had indicated they would like to try and bridge this solvency shortfall by contributing other assets that may become available outside the Company.
- 2.7 The Directors have not filed the Declaration of Solvency in the required timeframe of 28-days from commencement of liquidation so the Liquidator will be applying for a Supervision Order from the courts.

### 3. Background

- 3.1 Taylor Industries, Limited was incorporated on November 21, 1945. The Company had two main lines of business, electrical contract work and retail sales.
- 3.2 The registered office of the Company is St. Andrews Court, Frederick Street Steps, Nassau, The Bahamas.
- 3.3 The Company operated from premises located at 212 Shirley Street, Nassau and a storage warehouse located on Dunmore Street. The building and property they operated from are both owned by the same shareholders but under a separate legal entity and is therefore not owned by TIL. There was no formal lease between the two entities for use of the building and property.
- 3.4 The majority owners of the Company are the Taylor family, a local Bahamian family. The business was owner operated and day to day management of the Company was managed on a day-to-day basis by Bryan and Graham Taylor.
- 3.5 The Company had been experiencing several years of losses and after several unsuccessful attempts to restructure the business Management made the decision they could no longer continue to operate.
- 3.6 As part of the liquidation process the Company terminated the employment contracts of approximately 43 employees.
- 3.7 At the commencement of liquidation the statutory records available showed the Directors of the Company were as follows:
  - i. Bryan Taylor – Director and Member
  - ii. Graham Taylor – Director and Member
  - iii. Allan Mabon – Director and Member
  - iv. Derek Taylor – Director and Member
- 3.8 The Company did not have auditors but retained Deloitte to conduct a review of their financial statements. Copies of the Company’s recent financial statements are attached in Appendix 5.

3.9 The Members of the Company at the commencement of liquidation are as follows:

<b>Member Name</b>	<b>Shares Held</b>
Eileen Mabon	768
Phillip Taylor (deceased)	1,001
Frontier Properties Limited	1,110
Bryan Taylor	74
Graham Taylor	74
Leonard Archer	34
George Carey	34
Ian Mabon	134
Allan Mabon	134
Total shares	3,363

## 4. Activities Upon and Since Appointment

4.1 The Liquidator took the following steps immediately upon appointment to safeguard the assets of the Company:

- i. Written notice was delivered to CIBC, the Company's banker, formally notifying them of the appointment of a Liquidator and that any wires, payments or company cheques in circulation at the commencement of liquidation should be placed on hold and the Liquidator notified of such payments for his further consideration. The initial written communication was followed up with a meeting with the account Manager assigned to the TIL account on the afternoon of January 8, 2019 to ensure CIBC recognized the validity of the Liquidator's appointment and to confirm the bank's understanding was clear with respect to the requirements of the initial notice.
- ii. The Liquidator arranged for a locksmith to attend at the Company's place of business at 212 Shirley Street, Nassau to rekey all exterior access doors and security shutters. The locksmith also rekeyed the padlocks that secure the fenced in area behind the building where the Company vehicles are stored.
- iii. The Liquidator obtained the alarm code for the building and tested it was working as required. The alarm monitoring company, Security Systems International, was notified of the appointment of a Liquidator and an agreement was put in place for SSI to continue to provide monitoring services to the main building at 212 Shirley Street and a warehouse used by the Company for storage located at Dunmore Street under the same terms and conditions.
- iv. The Liquidator confirmed the batteries were removed from the Company vehicles and placed in a secure area of the main building to prevent their theft and/or their use in the potential theft of the vehicles.
- v. IMB, the Company's insurers, were notified in writing of the appointment of a Liquidator. The Liquidator requested documentary support and further details of all current insurance policies the Company held with IMB and the status of the premium payment. The Liquidator received written confirmation from IMB that the premiums for all policies were current and the willingness of IMB to continue to hold coverage while the Company was in liquidation. The Liquidator requested and received an updated Public Liability policy that included his personal name and the name of his firm as the named insured. The Liquidator reviewed the insurance policies to ensure the assets covered were to the best of his knowledge still owned and in the possession of the Company. The Liquidator exercised his professional judgement to obtain comfort that the insured value of the assets covered was adequate set against their estimated realizable value if sold.

- vi. The Liquidator visited the warehouse used by the Company for storage located on Dunmore Street. The Liquidator tested the alarm system was working satisfactorily and inspected the items stored in the building which appeared to be of limited value based on discussions with Management.
- vii. The Liquidator arranged to meet staff of Custom Computers at the main business location to review the Company's IT infrastructure and gain an understanding of the security and accessibility of TIL's electronic records. At the time of the meeting the Liquidator requested and was provided with a full back up of the Company's database and electronic records at the commencement of liquidation which has been stored in an off site fireproof safe in order to safeguard the records of the Company. The Liquidator arranged for access to these management information systems be restricted to certain individuals and remote access provided to the Liquidator in order to assist with the review of the financial records of the Company.
- viii. The Liquidator toured the business premises with Management to gain an understanding of the location and possible value of the assets of the Company.

4.2 Since appointment the Liquidator has taken the following further actions to safeguard the assets of the Company:

- i. The Liquidator arranged for the landlord to install the heavy duty hurricane shutters on the glass front of the main building to maximize the security of the inventory and other Company assets located in the building;
- ii. The Liquidator met with representatives of Cable Bahamas to ensure they would continue to provide internet services to the Company which is required for Custom Computers to monitor the ongoing health of the IT environment remotely.
- iii. The Liquidator wrote to and met with representatives of Bahamas Power & Light ("BPL") to request they continue to provide electricity supplies to TIL that will be paid as a cost of the liquidation. The provision of ongoing electricity supply was deemed essential to ensure the alarm system is functional and the IT environment is maintained at the correct temperature. The financial records of the Company showed that BPL was owed \$5,845.34 as at the commencement of liquidation which they would be entitled to claim as an unsecured creditor if or when the Liquidator runs a claims process. The Liquidator highlighted s.245 of the Companies (Winding up Amendment) Act, 2011 which addresses the supply of utilities in the event of a Company entering liquidation. BPL verbally agreed to continue to provide electricity to the Company subject to it being paid on a timely basis as a cost of the liquidation. The Liquidator is still waiting to receive written confirmation of this as at the date of this report.

- iv. The Liquidator signed a formal month-to-month alarm monitoring agreement with SSI for them to continue to provide ongoing monitoring services to the Company;
- v. The Liquidator has had discussions with the Members of TIL who are also Members of a separate company that owns the two buildings the Company operates from. Management confirm there has never been a formal lease in place between TIL and the entity that owns the buildings (Shirley Street and Dunmore Street). The Liquidator received verbal confirmation from representatives of the landlord that they will allow the Liquidator to continue to utilize their properties for a period of at least 6-months to assist with the orderly winding up of the Company's affairs. The Liquidator anticipates 6-months will be sufficient time to realise the assets of the company held at these properties.
- vi. The Liquidator has been in communication with CFAL with respect to the Company's staff pension fund. Representatives of CFAL notified the Liquidator that the Company's management agreement with CFAL ended upon termination of all of the employees of the Company and the subsequent appointment of a liquidator. Further, CFAL notified the Liquidator that all current employees of the Company were fully vested in the staff pension fund and there were no unvested contributions that could be claimed by the Liquidator on behalf of the Company. The Liquidator reviewed the records provided to him, including a copy of the Company pension plan agreement and current pension statement for each staff member, and found the position of CFAL to be reasonable. CFAL also notified the Liquidator of 5 (five) former employees of the Company who had left prior to the commencement of liquidation who had not claimed the funds they were entitled to from the pension fund. CFAL advised the Liquidator of the Company's need to properly advertise these funds were available to the former employees and that in the event the former employees do not claim these funds they would be returned to the Company for its benefit. The value of these unclaimed funds amounts to approximately \$65,000. The Liquidator has not place the advertisement for these pension funds as yet as he would like to obtain a formal opinion from counsel on the legal rights, duties and obligations with respect to these funds which may be a contingent asset of the Company.

#### 4.3 Trade Creditors and Government Creditors

The Liquidator was provided with a list of creditors by Management as at the commencement of liquidation which are classified as follows:

Overseas trade creditors	\$244,310
Bahamian trade creditors	\$80,713

NIB	\$28,060
VAT	\$20,592
Customers with credit balances*	\$126,519
Total	<u>\$500,194</u>

\*Customers with credit balances on their accounts, which would classify them as creditors of the Company, have been identified in the accounting system. Management explained these amounts built up over the years and are mainly customers who overpaid on their account and TIL has not been able to find them to refund them the money. In addition, there are some customers who pay in advance for their contract work and a subsequent invoice has not been raised against it to clear this credit balance.

Management confirmed to the Liquidator there were no secured creditors. The Liquidator has not been made aware of any secured creditor as at the date of this report.

#### 4.4 Communications with Trade Creditors and Government Creditors

- i. The Liquidator placed the notice to creditors of the commencement of dissolution in the local gazette as required under the Insolvency Act. See Appendix 3. The Liquidator has received minimal responses to this advertisement from creditors.
- ii. VAT had been filed and paid in full by the Company up to October 31, 2018 quarter end. The Liquidator was given access to the Company online VAT account with the Bahamas Department of Inland Revenue. The Liquidator used this access to arrange for the filing for the December 31, 2018 quarter end which was done on January 20, 2019. The Liquidator relied on the Company books and records to make the filing and received assistance from the former member of staff who was responsible for filing VAT Returns. The filing created an additional liability of \$20,592 as at the commencement of liquidation. The Liquidator sent an internal note through the Inland Revenue online system notifying them that the Company had been placed in Liquidation.
- iii. Management notified the Liquidator that as a result of cash flow restrictions National Insurance Board (“NIB”) Contributions for the Company had not been made for the months September 2018 to December 2018 inclusive and the first week of January 2019. The failure of the Company to pay these contributions impacted the terminated employees ability to claim unemployment benefit from the NIB. The amounts owed to NIB was subsequently paid directly by the Taylor family from personal funds in the first week of liquidation. The Liquidator will at

the appropriate time seek confirmation from the NIB that this payment was received to the extent the amount that was owed would rank as a preferential creditor in a winding up.

- iv. Overseas trade creditors were represented by three main vendors. All three overseas vendors have been notified that TIL has been placed in Liquidation. The Liquidator has had limited communication with these creditors up until the date of this report.
- v. Bahamian trade creditors amounted to 37 different vendors with varying amounts owing ranging from \$16,116.50 down to \$19.50. The average local trade creditor balance equates to \$2,181. The Liquidator has been in communication with the largest local trade creditor but has had limited interaction with other creditors.
- vi. Upon successful application for a Supervision Order the Liquidator proposes a meeting be called of specific creditors classes.

## 5. Review of Financial Position

### 5.1 Financial Performance of the Company up to commencement of liquidation

The financial records reviewed show Company had experiencing significant operational losses for the financial years ended April 30, 2015 through to 2018. Financial highlights are shown in Figure 1 and 2 below and supported by detailed financial statements as reviewed by Deloitte which are attached as Appendix 5.

Total comprehensive losses for this 4-year period amounted to \$1,411,934 with a corresponding reduction in total assets from \$2,068,149 as at April 30, 2015 to \$1,204,739 as at April 30, 2018.

Other financial highlights to note for the same 4-year period are as follows:

- Total revenue between the year ended April 30, 2015 and April 30, 2018 declined by 36%
- Staff and related benefits remained constant over the same period.

For the financial period May 1, 2018 to the commencement of liquidation (January 8, 2019) the Company's financial records showed an operating loss of \$443,736 and a further reduction in total assets by \$602,891. By the commencement of liquidation the Company's financial records show the Company was still solvent based on the Balance Sheet definition of solvency albeit the total assets were only \$22,142 greater than the total liabilities.

Management informed the Liquidator that the Company had last declared a dividend in 2012.

**However, the financial records as at January 8, 2019 highlighted in Figure 1 do not reflect the contingent or prospective liability relating to the termination payments due to staff whose employment was terminated by the Company on January 7, 2019 details of which can be found in Appendix 6.**

## Figure 1: Statement of Financial Position

	As at 8-Jan-19**	As at 30-Apr-18*	As at 30-Apr-17*	As at 30-Apr-16*	As at 30-Apr-15*
<b>Assets</b>					
Cash	51,335	103,174	30,873	45,763	52,701
Accounts Receivable	162,955	503,513	620,371	297,965	846,424
Inventory	314,515	525,221	912,135	875,893	961,898
Deposits and Prepayments	24,495	24,495	9,878	3,288	45,656
Fixed Assets	48,549	48,336	53,055	74,390	92,123
Advances to Related Parties		-	-	69,347	69,347
<b>Total Assets</b>	<b>\$601,848</b>	<b>\$1,204,739</b>	<b>\$1,626,312</b>	<b>\$1,366,646</b>	<b>\$2,068,149</b>
<b>Liabilities &amp; Equity</b>					
Bank overdraft		-	81,111	43,656	
Accounts Payable and Accrued Liabilities	579,706	732,808	696,014	396,010	392,761
Share Capital	9,724	9,724	9,724	9,724	9,724
Contributed Capital	43,026	43,026	43,026	43,026	43,026
Retained earnings	(30,608)	419,181	796,437	874,230	1,622,638
<b>Total Liability &amp; Equities</b>	<b>\$601,848</b>	<b>\$1,204,739</b>	<b>\$1,626,312</b>	<b>\$1,366,646</b>	<b>\$2,068,149</b>

## Figure 2: Statement of Comprehensive Income

	Period ended 8-Jan-19**	Year ended 30-Apr-18*	Year ended 30-Apr-17*	Year ended 30-Apr-16*	Year ended 30-Apr-15*
Total Net Income	726,416	1,146,013	1,467,585	1,203,966	1,781,649
<i>Expenses</i>					
Staff & Related benefits	(1,010,601)	(1,341,594)	(1,297,706)	(1,405,047)	(1,346,679)
Other expenses	(159,551)	(181,675)	(178,325)	(547,327)	(643,447)
Operating loss for year	(443,736)	(377,256)	(8,446)	(748,408)	(208,477)
Write off advances to related party	-	-	(69,347)	-	-
<b>Comprehensive loss for period/year</b>	<b>(\$443,736)</b>	<b>(\$377,256)</b>	<b>(\$77,793)</b>	<b>(\$748,408)</b>	<b>(\$208,477)</b>

Source - \* Financial Statements reviewed by Deloitte (see Appendix 5)

\*\* eAutomate accounting software

## 5.2 Financial Position of the Company from the commencement of liquidation

Figure 3 shows the Liquidators assessment of the current financial status of the Company and the estimated realizable values of the assets under a liquidation process

Subject to the shareholders contributing the necessary additional capital or assets the Company is insolvent.

Based on this initial assessment, the Liquidator contends that only the preferential creditors can expect to receive a distribution from the liquidated estate.

**Figure 3: Estimated Realisable Value of liquidation estate**

	Per Financial Records	Per Liquidators Financial Review Book Value	Liquidators Estimated Net Realisable Value	Notes
	8-Jan-19	8-Jan-19		
<b>Assets</b>				
Cash	51,335	38,189	38,189	Actual cash in bank
Accounts Receivable	162,955	189,851	50,000	
Inventory	314,515	314,515	125,000	
Deposits and Prepayments	24,495	24,495	-	
Unclaimed staff pension funds			30,000	Subject to legal opinion
Fixed Assets	48,549	48,549		
Vehicles			40,000	
Furniture, fixtures and fittings			5,000	
Advances to Related Parties		-	-	
<b>Total Assets</b>	<b>\$601,848</b>	<b>\$615,599</b>	<b>\$288,189</b>	
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities	579,706	579,706	579,706	
Staff terminations		682,096	682,096	Preferential claim
VAT		28,060	28,060	Preferential claim
<b>Total Liabilities</b>	<b>\$579,706</b>	<b>\$1,289,862</b>	<b>\$1,289,862</b>	
<b>Solvency Surplus/(Shortfall)</b>	<b>\$22,142</b>	<b>(\$674,263)</b>	<b>(\$1,001,673)</b>	

## 5.3 Investigation into reasons for the Company's failure

As the Liquidator is still awaiting complete access to the Company's bank account a more detailed analysis as to the cause of the Company's failure has not been possible. Per

discussions with Management, the main reasons provided for the failure of the Company are as follows:

- i. A significant decrease in electrical contract work due to a slow-down in the Bahamian construction industry;
- ii. A reduction in working capital as a result of ongoing losses that reduced the Company's ability to buy new inventory for resale;
- iii. A move to overseas online retail shopping by the Bahamian consumer;
- iv. The withdrawal of their overdraft facility by CIBC which further reduced their working capital reserves to purchase new inventory;
- v. The introduction of VAT and subsequent increase of the rate of VAT from 7.5% to 12% which increased overall cost of product to the end consumer;
- vi. TIL's staff demographic contained many long standing employees which under Bahamian labour law would have been entitled to significant termination pay for which the Company did not have the cash reserves to meet as part of a restructuring exercise;
- vii. The ongoing requirement to pay a Business Licence fees to the Government even though the Company had been making losses for several years;
- viii. A lack of non-core assets owned by the Company that could have been divested to fund a reduction in head count in line with the reduced level of sales;
- ix. The inability of the Company to raise financing from Commercial banks to fund restructuring of the Company mainly through a reduction in head count.

The Liquidator has at the date of this report not been made aware of any circumstances or supporting facts that would contradict any of the reasons given for the Company's failure as provided by Management.

## 6. Proposed Plan of Liquidation

6.1 The realizable assets of the Company can be classified into 6 (six) main categories as follows:

- i. Cash at CIBC
- ii. Accounts Receivable
- iii. Inventory
- iv. Vehicles
- v. Fixtures, Fittings and Equipment
- vi. Pension fund assets (Contingent asset)

6.2 In order to maximize returns for creditors, the Liquidator proposes the following methods be considered to realise these assets;

### A. Cash at CIBC – Estimated Realisable Value - Variable

This is the easiest asset to secure and manage as the Liquidator has gained control of the account. The Liquidator should ensure these funds are kept in a reputable commercial bank with adequate deposit insurance. CIBC meet that criteria so the Liquidator should continue to maintain that banking relationship for the duration of the liquidation as it is time consuming and therefore costly to move the funds to a different commercial bank.

### B. Accounts Receivable – Estimated Realisable Value - \$75,000

Efforts have already been made to obtain payment from customers who owe TIL for services or products provided prior to the commencement of liquidation. As at the commencement of liquidation Management provided the Liquidator with an Accounts Receivable listing that showed a total amount owing of \$189,851. Of this total \$85,287 were over 90-days past due and \$27,949 were for amounts less than \$500. Due to the cash flow issues the Company had been experiencing Management had been making a concerted effort to collect their Receivables with varying results. As at the date of this report the Liquidator has managed to get in \$1,647 of this receivable balance since the commencement of liquidation. As many of the amounts owed are very old or relatively

small (<\$500) the Liquidator should be mindful of the time costs and corresponding expense involved in pursuing smaller debts for a net loss to the liquidation estate. Legal action against certain debtors should only be considered if the Liquidator is advised by counsel he has a very strong case, the amounts owed are of sufficient quantum and any judgements that may be won are considered recoverable.

C. Inventory – Estimated Realisable Value - \$100,000 to \$125,000

The Company's inventory is the main asset available to the Liquidator. Inventory can be split into two distinct categories; (1) retail products and (2) products used by electrical contractors and repair businesses. Each inventory class requires a different sales process. With respect to the retail products the Liquidator proposes the implementation of a 2 to 3 day liquidation sale that is widely advertised to the public with deep discounts in order to sell as many of the retail items as possible. Any remaining retail items can be offered on a wholesale basis to any suitable retail outlet that the Liquidator can identify. A sale to the public would not be suitable for inventory that is generally purchased by electrical contractors and repair companies. For these items the Liquidator recommends they are sold on a wholesale basis to other retail or wholesale outlets who are pre-selected and have expressed an interest in buying in bulk. Sales of these items would go to the highest bidder with offers backed by non-refundable deposits for those whose bid is successful.

D. Vehicles – Estimated Realisable Value - \$40,000

The Company owned a fleet of 7 (seven) vehicles as at the commencement of liquidation. Per the Company's insurance policy the insurable value of these vehicles is \$52,933 and per the financial statements the depreciated value of the vehicles is \$48,549 as at January 8, 2019. The Liquidators estimate of realizable value is \$40,000. The proposed sales process for these vehicles will be to allocate a day where the vehicles are available for inspection by appointment only with a sealed bid auction process with a non-refundable deposit should a bid be successful. The non-refundable deposit would be earnest money to dissuade buyers who aren't serious or lack the financial capacity to complete the deal. Winning bids would be given 72-hours to come up with the balance of the purchase price,

E. Fixtures, Fittings and Equipment – Estimated Realisable Value - \$5,000

These items consist of office furniture, sales displays, hardware (after memory wipe), printers, copiers, unused filing cabinets etc. Proposed sales process would be to estimate a suitable asking price and place these items on display when the main liquidation sale is running.

F. Pension Fund Assets – Estimated Realisable Value - \$30,000

Subject to direction received from legal counsel the necessary advertising steps would be followed in order to ensure maximum opportunity for the former staff to be notified of their right to claim these pension funds. Additionally, assistance of Management and former staff will be utilized to try and locate these individuals through more direct means.

6.3 Creditors

A. Preferential creditors

Appendix 6 details the estimated claim by the staff for termination pay which forms the majority of this class of creditors. Other possible preferential creditors will be Inland Revenue for VAT liabilities due by the Company for the period October 1, 2018 to January 8, 2019. The Liquidator would request guidance from the Courts as to how these claims be processed.

B. Unsecured Creditors

Based on the Liquidators estimate of the estimated receipts and subsequent available funds to disburse in the winding up the Company (see Section 5) there will be no assets left to distribute to this class of creditor. In order to save on costs and maximize returns for the preferential creditors the Liquidator proposes he seeks the approval of the courts to minimize time spent responding to these creditors and permission to forego running a formal claims process for this creditor group as would usually be required.

## 7. Conclusion

- 7.1 Given that the Directors have at this date not provided a Declaration of Solvency within the required 28-days of the commencement of the liquidation the Liquidator will immediately make an application to the court for a Supervision Order.
- 7.2 The Liquidator will follow all statutory steps required to complete this process.
- 7.3 The Liquidator is willing to put his name forward for consideration as the Official Liquidator with the intention of following the planned liquidation process outlined in Section 6.

# Appendix 1

## Appendix 2

## Appendix 3

## Appendix 4

## Appendix 5

## Appendix 6

## Appendix 7