

RECEIVERS' REPORT ON THE STATE OF AFFAIRS
of
SOUTHBURY CORPORATION LIMITED (IN RECEIVERSHIP)

1 Introduction

On 3 November 2010 Kerryn Downey and William Black were appointed jointly and severally as Receivers and Managers (“Receivers”) of all present and after acquired property of Southbury Corporation Limited (“SCL” or “the Company”) as charged by the General Security Agreement (“GSA”) dated 31 December 2009 in favour of ANZ National Bank Limited as assigned to South Canterbury Finance Limited (In Receivership) (“SCF”), together with a General Security Agreement granted by SCL in favour of SCF.

We set out below our first six monthly report on the state of the affairs of SCL as at 2 May 2011 and the conduct of the receivership during the reporting period 3 November 2010 to 2 May 2011 as required by Section 24 of the Receiverships Act 1993.

2 Disclaimer

This report has been prepared by us in accordance with Section 24 of the Receiverships Act 1993.

It 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 pursuant to Sections 26 and 27 of the Receiverships Act 1993. In compiling this report we have relied on the accuracy of all relevant information obtained from the Company, together with information supplied by the directors and/or management.

The Receivers do not accept responsibility or liability for any losses occasioned to any party as a result of the circulation, publication, reproduction, or use of this report.

3 Events leading up to our appointment

South Canterbury Finance Limited (In Receivership) issued demand for repayment of monies due under loan facilities advanced by and assigned to SCF. The demand was not satisfied and Receivers were subsequently appointed.

4 Receivers' trading

SCL is an investment vehicle, its primary asset is a 100% shareholding in SCF.

SCL is not an operating entity and does not have any employees.

As Receivers, our focus has been on securing the Company's books and records, identifying all assets of the Company, and investigating historic transactions of the Company.

5 Property disposed of since date of appointment/Proposals for disposal for receivership property

No assets have been disposed of to date. SCL's major assets comprise a loan to its parent company Southbury Group Limited (In Receivership) and its 100% shareholding in SCF.

The Receivers of SCF are running separate sale processes for SCF's core finance company business and for the individual non-core subsidiaries and investments. The other investments held by SCF will be realised over time as the overall SCF Group receivership realisation strategy is implemented. Realisations from these processes will determine the returns ultimately available to SCL, if any.

6 Amounts owing to the General Security Holder

At the date of our appointment \$103,908,343 was owed to SCF and remains outstanding. Interest continues to accrue on this amount.

7 Security interests

From our search of the Personal Property Securities Register we note that as at the date of our appointment, and at this reporting date, SCF holds four registered financing statements against the Company.

Details of SCF's security interests are attached as Appendix 2 to this report.

8 Preferential creditors

According to the records of the Company, there are no preferential creditors as at the date of our appointment.

9 Unsecured creditors

According to the records of the Company, there are no unsecured creditors as at the date of our appointment.

10 Ordinary shareholders

Until the sales process for SCF is complete, we are unable to confirm the likely recovery (if any) for SCL's sole shareholder, which is Southbury Group Limited (In Receivership).

11 Receipts and payments

We attach, as Appendix 1, a summary of receipts and payments for the six month period: 3 November 2010 to 2 May 2011.

13 Other matters

We are aware of a number of concerns raised by investors and other parties in respect of the activities of the South Canterbury Finance Group prior to the appointment of Receivers. We are aware of the possibility that SCL may have been a party to some of these transactions.

Potential breaches of legislation that are identified during the course of the receivership will be reported to the relevant regulatory authorities. Due to the ongoing nature of the investigations, we are unable to provide details regarding individual issues or our findings since doing so could prejudice any subsequent proceedings which may be taken.



Kerryn M Downey
Receiver and Manager



William G Black
Receiver and Manager

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Appendix 1

Southbury Corporation Limited (In Receivership)
Summary of receipts and payments from 3 November 2010 to 2 May 2011

	NZ \$
Receipts	
Bank balance as at the date of appointment	4,913
Intercompany loan advance	60,000
<i>Total Receipts</i>	<u>64,913</u>
Payments	
Bank Fees	61
Receivers fees	57,270
Legal fees	5,008
<i>Total Payments</i>	62,339
Balance as at 2 May 2011	<u><u>2,574</u></u>

Appendix 2

Southbury Corporation Limited (In Receivership)

Other security interests - Personal Properties Securities Register as at 3 November 2010

<i>Registration date</i>	<i>Secured Party</i>	<i>Collateral Type</i>
30 Sept 2009	South Canterbury Finance Limited	All Present and After Acquired Personal Property
27 Nov 2009	South Canterbury Finance Limited	All Present and After Acquired Personal Property
24 Dec 2009	South Canterbury Finance Limited	Investment Securities
24 May 2010	South Canterbury Finance Limited	All Present and After Acquired Personal Property