

**RECEIVERS' SECOND REPORT ON THE STATE OF AFFAIRS
of
SOUTHBURY GROUP 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 Group Limited (“SGL” or “the Company”) as charged by the General Security Agreement dated 31 December 2008 granted in favour of South Canterbury Finance Limited (In Receivership), and the General Security Agreement dated 20 December 2007 granted in favour of ANZ National Bank Limited, assigned to South Canterbury Finance Limited (In Receivership).

We set out below our first six monthly report on the state of the affairs of SGL as at 2 May 2011 and the conduct of the receivership during the 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) (“SCF”) 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 Particulars of assets and liabilities

Accounts for SGL as at the date of receivership were unavailable at the date of our first Receivers’ report. Subsequently, the directors provided draft accounts at the date of receivership. SCF staff have made a small number of adjustments to these accounts for movements in balances that could not be verified, to present the balance sheet position as at 3 November 2010. We attach an unaudited statement of assets and liabilities at 3 November 2010 as Appendix 1 to this report.

We have omitted from this report our realisation estimates of the assets, as we believe that their inclusion could materially prejudice the exercise of our functions, and in particular, our duty to obtain the best price reasonably obtainable for the Company’s assets. We have not conducted an audit on these accounts and accordingly we are unable to confirm their accuracy.

5 Receivers' trading

SGL is an investment holding company with investments in and loans to various entities. SGL's major asset is 100% ownership of the share capital in Southbury Corporation Limited (In Receivership).

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

As Receivers, our focus has been on securing the Company's records and understanding and obtaining support for the assets, including investments held by SGL. A significant amount of the Receivers' time has been spent on reviewing and understanding transactions flowing through this company that related to wider SCF group refinancing and asset transfers within the group.

6 Property disposed of since date of appointment/proposals for disposal of receivership property

No assets have been disposed of to date. SGL's equity investments will be realised over time as the overall SCF Group realisation strategy is implemented.

The Receivers will endeavour to recover all loans advanced by SGL to various entities.

7 Amounts owing to the General Security Holder

At the date of our appointment, 3 November 2010, \$84,715,141 was owed to SCF and remains outstanding. Interest continues to accrue on this amount.

8 Security interests

From our search of the Personal Property Securities Register, we note that as at the date of our appointment, 10 financing statements have been registered against the Company. There have been no changes to registered security interests in the intervening period. Details of the parties and their security interests are attached as Appendix 2 to this report.

At this stage in the receivership it is too early to assess with any degree of certainty the likely outcome with respect to the claims of the secured creditors.

9 Preferential creditors

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

10 Unsecured creditors

At this stage in the receivership, it would appear that it is extremely unlikely there will be any funds available to meet the claims of the unsecured creditors.

11 Ordinary shareholders

At this stage in the receivership it would appear that it is extremely unlikely there will be any funds available for the shareholders of SGL.

12 Receipts and payments

We attach, as Appendix 3 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 with respect to certain transactions among SGL, Southbury Corporation Limited (In Receivership) and SCF prior to the appointment of Receivers. We are aware of the possibility that SGL 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 Group Limited (In Receivership) (Unaudited) Statement of Assets and Liabilities as at 3 November 2010

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ASSETS

Cash and cash equivalents	739
Sundry Debtors	366,555
Loan advances	5,703,514

INVESTMENTS

Capital Contribution -South Canterbury Finance Limited (In Receivership)	20,937,973
Shares in Southbury Corporation Limited (In Receivership)(at cost)	160,567,100
Shares in Biogene Holdings Limited (at cost)	5,500,000
Sundry Shares (at cost)	5,084,073

TOTAL ASSETS	<u>198,159,954</u>
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LIABILITIES

Creditors and accruals	(166,900)
Loan South Canterbury Finance Limited (In Receivership)	(84,725,354)
Loans Other	(16,610,702)
Loan Southbury Corporation Limited (In Receivership)	(18,084,069)
Shareholder Loans	(71,489,042)
TOTAL LIABILITIES	<u>(191,076,067)</u>

NET ASSETS	<u><u>7,083,887</u></u>
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Source: SCF management

Important Note and Disclaimer:

The above schedule has been prepared from information provided by the Company. This information has not been verified. The Receivers have not carried out an audit of the information supplied and do not accept any responsibility for the accuracy or completeness of the information. The Receivers do not accept any responsibility on any ground whatsoever, including liability in negligence, to any person.

Appendix 2

Southbury Group 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>
26 Mar 2004	South Canterbury Finance Limited	All Present And After Acquired Personal Property
14 Mar 2008	South Canterbury Finance Limited	All Present And After Acquired Personal Property
18 Mar 2008	South Canterbury Finance Limited	Investment Securities
18 Mar 2008	South Canterbury Finance Limited	Investment Securities
18 Mar 2008	South Canterbury Finance Limited	Investment Securities
18 Mar 2008	South Canterbury Finance Limited	Investment Securities
21 Dec 2009	South Canterbury Finance Limited	All Present And After Acquired Personal Property, Documents of Title, Intangibles, Investment Securities, Money, Negotiable Instruments
24 Dec 2009	South Canterbury Finance Limited	Investment Securities
27 Aug 2010	Allan James Hubbard (In Statutory Management), Hubbard Management Funds, Margaret Jane Hubbard (In Statutory Management)	All Present And After Acquired Personal Property
27 Aug 2010	Aorangi Securities Limited (In Statutory Management)	All Present And After Acquired Personal Property

Appendix 3

Southbury Group 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	738
Intercompany loan advance	160,000
GST Refund	22,011
Refund of Legal Fees	7,313
<i>Total Receipts</i>	<u>190,062</u>
Payments	
Bank Fees	137
Receivers fees	131,440
Legal fees	50,652
<i>Total Payments</i>	<u>182,229</u>
Balance as at 2 May 2011	<u><u>7,833</u></u>