

**RECEIVERS' FIRST 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 report on the state of the affairs of SGL as required by Section 23 of the Receiverships Act 1993.

**2 Disclaimer**

This report has been prepared by us in accordance with Section 23 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. We have not independently verified the accuracy of information provided to us, nor have we conducted an audit in respect of the Company. We express no opinion on the reliability, accuracy, or completeness of information provided to us and upon which we have relied.

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 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 initial focus has been on securing the Company's records and understanding and obtaining support for the assets, including investments held by SGL.

**5 Proposals for disposal of receivership property**

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.

**6 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.

**7 Other 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. Details of the parties and their interests in the Company are attached as Appendix 1 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**

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 unsecured creditors.

**10 Ordinary shareholder**

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 shareholders of SGL.

**11 Particulars of the assets and liabilities**

We have been provided with draft accounts for SGL at 30 June 2010 as prepared by SGL director, Allan Hubbard. However, upon examination these accounts were assessed as being incomplete and unreliable.

At the Receivers' request, Allan Hubbard is currently working (with the assistance of HC Partners Limited, Chartered Accountants), to provide accounts as at the date of receivership, 3 November 2010.

Unfortunately, as at the date of this report, the accounts at 3 November 2010 have not been finalised. Accordingly, we are unable to include an accurate statement of assets and liabilities as at the date of receivership with this report.

**12 Information provided by the Company**

Refer to comments in paragraph 11 above.

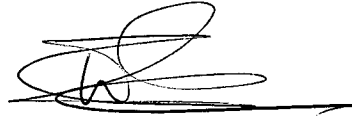
**13 Other matters**

We are aware of a number of concerns raised by investors and other parties in 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

C/- McGrathNicol  
Level 17, 34 Shortland Street, Auckland  
PO Box 91644, Auckland, 1142

20 December 2010

**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