

**Receivers' First Report on the State of Affairs of
Great North Management Limited (In Receivership)**

Pursuant to Section 23 of the Receiverships Act 1993

Company Number: 680216

10 July 2006

Registrar of Companies
Companies Office
Private Bag 92061
Auckland Mail Centre
AUCKLAND

10 July 2006

Dear Sir/Madam

Great North Management Limited (In Receivership)
– “the Company”

Please find attached our report in relation to the Company pursuant to Section 23 of the Receiverships Act 1993.

Yours sincerely
Great North Management Limited (In Receivership)

Colin McCloy
Receiver

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1 Introduction

- We, Colin Thomas McCloy and John Anthony Waller, Chartered Accountants of Auckland, were appointed receivers of Great North Management Limited (“the Company”) by National Finance 2000 Limited (In Receivership) (“NatFin”) on 10 May 2006.
- We were appointed under the terms of a General Security Agreement (GSA) dated 2 March 2006 giving NatFin a security interest over all of the assets, property and undertakings of the Company.
- Subsequently, on 11 May 2006, we were appointed receivers of the Company by the Bank of New Zealand (“the Bank”), who had a higher ranking security interest, dated 8 April 2005, over all of the assets, property and undertakings of the Company.
- This report has been prepared by us in accordance with and for the purpose of Section 23 of the Receiverships Act 1993 (“the Act”). 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 receiverships.
- In compiling this report we have relied on the accuracy of all relevant information provided by the management of the Company. Whilst all care and attention has been taken in compiling this report, we do not accept any liability whatsoever arising from this report.
- All information contained in this report is for the confidential use of the parties to which it is provided in accordance with Sections 26 and 27 of the Receiverships Act 1993, and is not to be disseminated or passed to any other person without our prior written authority or in accordance with law.

- We reserve the right (but will be under no obligation) to review this report in the light of any information which now exists but becomes known to us after the date of this report.

2 Events leading to our appointment

- The Company had suffered significant losses and had liabilities in excess of its assets.
- Receivers were appointed under NatFin’s security at the request of the Company’s director.

3 Events following our appointment

- Upon appointment, we attended the Company’s premises, located in Albany, to secure the assets and records pending determination of the most appropriate method of realisation.
- The Company’s offices were retained for a short period to enable the Company’s accountant to continue preparing information for the receivers and to facilitate payroll services.

4 Particulars of debts and liabilities outstanding at the date of receivership and requiring to be satisfied from the property in receivership

- The reported liabilities of the Company immediately prior to the date of receivership are summarised in the table below.

Great North Management Limited	
Reported Liabilities	
Draft Unaudited (\$000's)	As at 09-May-06
Secured Liabilities	
Bank	165
National Finance 2000 Limited	1,055
Other	1,104
	2,160
Preferential Creditors	
Unpaid wages	6
Employee leave entitlements	21
GST Payable	567
	593
Unsecured Creditors	
Trade creditors	342
Related party creditors	3,524
Shareholder current account	134
	4,001
Total Reported Liabilities	6,754

Source: Unaudited financial statements and management information

4.1 Secured Creditor claims

- BNZ had provided the Company with overdraft and credit card facilities. Prior to the date of receivership the outstanding balance of these facilities was \$165k.

- NatFin had advanced funds to the Company for the purpose of purchasing of motor vehicle inventory. Prior to the date of receivership reported outstanding advances totalled \$1.1m.
- A third party had provided financing facilities to the Company for the purchase of motor vehicle stock in Japan. At the date of receivership the reported outstanding balance of this facility was \$1.1m.

4.2 Preferential Creditor Claims

- Preferential claims as at 9 May 2006 have been calculated based upon the Company's payroll records. Due to contractual issues, the position of employees with respect to the entity under which these entitlements fall is yet to be finalised.
- We note that the position in respect of the Inland Revenue Department ("IRD") is yet to be finalised. GST returns had not been filed for a number of months prior to the appointment of receivers. The receivers are in discussions with the IRD regarding the un-filed returns in order to clarify the position.

4.3 Unsecured liabilities

- The majority of unsecured creditor amounts reported are balances outstanding between the Company and other related entities. The majority of these entities are now in either receivership or liquidation.
- All known creditors of the Company as at the date of receivership, as per the Company records, were sent a letter confirming the receiverships and requesting submission of a creditor claim form. As further creditors are identified this documentation is distributed as required.

5 Particulars of assets and proposals for the disposal of receivership property

- The reported assets of the Company immediately prior to the date of receivership are summarised in the table below.

Great North Management Limited	
Reported Assets	
Draft Unaudited (\$'000's)	As at 09-May-06
Fixed Assets	103
Inventory	179
Related party debtors	7,540
Related party advances	407
Other	113
Total Reported Assets	8,342

Source: Unaudited financial statements and management information

5.1 Fixed Assets

- The table below shows a summary of each fixed asset category.

Great North Management Limited	
Fixed Assets	
Draft Unaudited (\$'000's)	As at 09-May-06
Signage	16
Office furniture/equipment	33
Plant and equipment	15
Computer hardware/software	40
Total Reported Assets	103

Source: Unaudited financial statements and management information

- The majority of the computer hardware/software category of assets relates to licensed software for which it is unlikely significant value can be obtained.

- The signage category comprises banners utilised by the car sales yards of related entities, now in receivership. It is unlikely any value can be obtained for these assets.
- The remaining fixed assets present at the Company's premises and located elsewhere were secured upon appointment and have/will be sold via an auction process.

5.2 Motor Vehicle Stock

- The reported value of inventory (\$179k) indicated a significant number of vehicles were held by the Company prior to receivership. However, only four vehicles have been located to date that may fall within the Company's ownership.
- The receivers are investigating to determine whether the inventory balance relates to specific vehicles or is the result of stock errors. At the date of this report investigations were ongoing.
- A third party has claimed specific security over 170 vehicles which were no longer in the possession of the Company at the date of receivership. Furthermore the third party has also claimed a general security interest in approximately 249 vehicles in the possession of related entities.
- Pending resolution of the legal issues surrounding the vehicle inventory, it is difficult to estimate likely realisations from the Company's inventory.

5.3 Other Assets

- As with unsecured liabilities, the majority of the other assets of the Company relate to balances outstanding between the Company and other related entities, now in receivership or liquidation. Accordingly, significant recoveries are not anticipated from these balances.
- As at the date of this report we have not become aware of any other assets of significance.

6 Amounts likely to be available for payment to creditors other than creditors of the Company having statutory preferential claims

- Unfortunately, as we believe the realisations from the receivership will be insufficient to meet the secured liabilities of the Company, there are unlikely to be any amounts available for payment to unsecured creditors from the assets in receivership.

7 Other matters

- The directors and management of the Company co-operated fully in making available the information required by the receiver to complete this report.
- Should creditors or other stakeholders have any queries arising from this report please contact us in writing via our private bag or facsimile addresses.