

Receivers' Third Report on the State of Affairs of

**Great North Management Limited (In Receivership and In Liquidation)
Payless Cars Limited (In Receivership and In Liquidation)
Payless Cars (North Shore) Limited (In Receivership and In Liquidation)
Payless Cars (Ormiston) Limited (In Receivership and In Liquidation)
Payless Cars (Papakura) Limited (In Receivership and In Liquidation)**

Pursuant to Section 24 of the Receiverships Act 1993

Company Numbers: 680216
690129
1573994
1665235
1539673

July 2007

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

PricewaterhouseCoopers
PricewaterhouseCoopers Tower
188 Quay Street
Level 22 Reception
Level 8 Mail Centre
Private Bag 92162
Auckland
New Zealand
www.pwc.com/nz/NF2000
Facsimile: +64 9 355 8013

July 2007

Dear Sir/Madam

Great North Management Limited (In Receivership and In Liquidation)
Payless Cars Limited (In Receivership and In Liquidation)
Payless Cars (North Shore) Limited (In Receivership and In Liquidation)
Payless Cars (Ormiston) Limited (In Receivership and In Liquidation)
Payless Cars (Papakura) Limited (In Receivership and In Liquidation)
- together "the Companies"

Please find attached our report in relation to the Companies pursuant to Section 24 of the Receiverships Act 1993.

Yours sincerely
For the Companies



Colin McCloy
Receiver

Contents

	<i>Page</i>
1 Introduction	4
2 Events following our appointment	4
3 Particulars of debts and liabilities outstanding and requiring to be satisfied from the property in receivership	5
4 Particulars of assets and disposals of receivership property	6
5 Receipts and payments	7
6 Other matters	7
Appendix I – Restrictions	

1 Introduction

- We, Colin Thomas McCloy and John Anthony Waller, Chartered Accountants of Auckland, were appointed receivers of Great North Management Limited, Payless Cars Limited, Payless Cars (North Shore) Limited, Payless Cars (Ormiston) Limited and Payless Cars (Papakura) Limited (together “the Companies”) by National Finance 2000 Limited (In Receivership) (“NatFin”) on 10 May 2006.
- We were appointed under the terms of General Security Agreements (GSAs) dated 2 March 2006, 1 December 2004, 1 December 2004, 2 March 2006 and 1 December 2004 respectively, giving NatFin a security interest over all of the assets, property and undertakings of the Companies.
- On 11 May 2006, we were appointed receivers of Great North Management Limited (“GNML”) by the Bank of New Zealand (“the Bank”), who had a higher ranking security interest than that of NatFin, dated 8 April 2005, over all of the assets, property and undertakings of GNML. Subsequently, the Bank’s security interest was transferred to a guarantor after satisfaction of GNML’s obligations.
- This report has been prepared by us in accordance with and for the purpose of Section 24 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.
- This report is subject to the restrictions set out at Appendix I. In particular, all information contained in this report is provided in accordance with Sections 26 and 27 of the Receiverships Act 1993. Furthermore, in preparing this report we have relied upon and not independently verified or audited information or explanations provided to us.

2 Events following our appointment

- Upon appointment, we attended the Companies’ premises to secure the assets and records, pending determination of the most appropriate method of realisation.
- The Companies operated four car yards at various Auckland locations. Immediately following our appointment, the motor vehicle inventory of the Companies was transferred to the largest yard, located in Albany. These premises were retained for a period to facilitate the realisation of the motor vehicle inventory.
- On 9 October 2006, Bernard Montgomerie and Stuart Cunningham were appointed liquidators of each of the Companies by way of a shareholders’ resolution under section 241 of the Companies Act 1993.

3 Particulars of debts and liabilities outstanding and requiring to be satisfied from the property in receivership

- The reported liabilities of the Companies are summarised in the table below (excluding ongoing interest and costs).

Payless Group Reported Liabilities Management Unaudited As at 9 May 2006						
	GNML \$000's	PCNSL \$000's	PCOL \$000's	PCPL \$000's	PCL \$000's	Total \$000's
Secured Liabilities						
Bank overdraft	165	-	-	-	-	165
National Finance 2000 Limited	1,055	2,155	907	367	82	4,566
Other	1,104	-	-	-	-	1,104
	<u>2,324</u>	<u>2,155</u>	<u>907</u>	<u>367</u>	<u>82</u>	<u>5,835</u>
Preferential Creditors						
Unpaid wages	6	3	3	1	1	14
Unpaid commission	-	7	3	-	1	11
Employee leave entitlements	18	18	10	6	6	58
GST payable	567	-	-	-	-	567
	<u>591</u>	<u>28</u>	<u>16</u>	<u>7</u>	<u>8</u>	<u>650</u>
Unsecured Creditors						
Bank overdraft	-	3	-	-	-	3
Trade creditors	342	136	128	195	138	939
Related party creditors	3,524	6,032	2,487	1,075	634	13,751
Related party advances	-	131	-	62	-	193
Shareholder current account	134	-	-	2	-	136
	<u>4,000</u>	<u>6,302</u>	<u>2,615</u>	<u>1,334</u>	<u>772</u>	<u>15,022</u>
Total Reported Liabilities	<u>6,915</u>	<u>8,485</u>	<u>3,538</u>	<u>1,708</u>	<u>862</u>	<u>21,507</u>

Source: Unaudited financial statements and management information

3.1 Secured Creditor claims

- NatFin had advanced funds to the Companies for the purpose of purchasing motor vehicle inventory. Prior to the date of receivership reported outstanding advances totalled \$4.6m.

- We believe the realisations from the receiverships will be insufficient to meet the secured liabilities of the Companies.

3.2 Preferential Creditor Claims

- Preferential claims as at 9 May 2006 were calculated based upon the Companies' payroll records. Preferential employee entitlements, relating to wages, unpaid commission and leave, were paid prior to Christmas 2006, subject to resolution of issues with certain employees.

- We have been unable to locate a number of employees, who therefore have not been paid their preferential entitlement.

- We note that the GST position of the Companies is yet to be finalised. The receivers are in discussions with the Inland Revenue Department ("IRD") regarding GST returns that were not filed prior to receivership.

3.3 Unsecured liabilities

- Unsecured creditor amounts reported consist primarily of balances outstanding between the Companies (for vehicle sales) and to other related entities. The majority of these entities are now in receivership and/or liquidation.
- All known creditors of the Companies as at the date of receivership, as per the Companies' 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.
- Realisations from the receiverships will be insufficient to meet the secured liabilities of the Companies. Therefore, there are unlikely to be any amounts available for payment to unsecured creditors from the assets in Receivership.

4 Particulars of assets and disposals of receivership property

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

Payless Group						
Reported Assets						
Management Unaudited	GNML	PCNSL	PCOL	PCPL	PCL	Total
As at 9 May 2006	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Fixed Assets	103	310	53	8	1	476
Cash at bank	-	10	4	1	2	16
Inventory	179	2,065	779	375	113	3,511
Related party debtors	7,540	3,973	2,657	537	557	15,265
Related party advances	407	-	31	-	10	448
GST receivable	-	327	107	81	35	551
Other	113	139	39	18	32	341
Total Reported Assets	8,342	6,825	3,670	1,020	750	20,607

Source: Unaudited financial statements and management information

- The majority of the Companies' reported assets have now been realised.

4.1 Fixed Assets

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

Payless Group						
Fixed Assets						
Draft Unaudited	GNML	PCNSL	PCOL	PCPL	PCL	Total
As at 9 May 2006	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Leasehold improvements	-	211	43	2	1	257
Signage	16	64	8	3	-	90
Office furniture/equipment	33	13	3	2	0	51
Land and buildings	-	10	-	-	-	10
Plant and equipment	15	9	-	-	-	24
Computer hardware/software	40	3	-	1	0	44
Total Reported Assets	103	310	53	8	1	476

Source: Unaudited financial statements and management information

- The Companies' fixed assets comprised primarily leasehold improvements, signage on the Companies' various sites and computer software, for which little value was realisable.
- The fixed assets present at the Companies' sites were secured upon appointment and have been sold via an auction process, along with various consumable inventories. Gross receipts (excl GST) to date are \$64k, with auction costs of \$22k, giving net receipts of \$42k. No further material realisations are anticipated.

4.2 Motor Vehicle Stock

- At 10 May 2006 approximately 400 cars were held at the Companies' sites, the vast majority of which were relocated to the Albany car yard.
- A third party claimed specific security over 170 vehicles, of which 151 were in the possession of the Companies at the date of receivership, and a general security interest in the remaining approximately 249 vehicles. It was agreed that the third party should sell the 151 vehicles over which it claimed a specific security; and that we as receivers should sell the remaining vehicles.
- Retail operations were undertaken at the Albany site until such time as it became uneconomical to continue, after which the remaining vehicles were sold via auction.
- There were a small number of vehicles that should have been in the Companies' possession at the date of receivership. These have been reported stolen.
- Realisations from the Companies' inventory, prior to the costs of sale, were \$1.2m, a substantial discount to the \$3.3m book value of the inventory.

4.3 Other Assets

- As with unsecured liabilities, the majority of the other assets of the Companies relate to balances outstanding between the Companies (for vehicle sales) and to other related entities. The majority of these entities are now in receivership and/or liquidation. Accordingly, recoveries are not anticipated from these balances.
- GST refunds of \$551k are reported as assets of the Companies. Returns were not filed for a number of months prior to the appointment of receivers, and we continue to discuss the outstanding returns with the IRD in order to clarify and finalise the position. Until these discussions are complete, we are unable to estimate the likely recoveries from the reported GST position.
- As at the date of this report we have not become aware of any other assets of significance.
- All of the Companies have now ceased trading and all sites have been vacated.

5 Receipts and payments

- The table below sets out the receipts and payments for the Companies from 10 May 2006 to 9 May 2007.

Payless Group						
Receipts & Payment Summary	GNML	PCNSL	PCOL	PCPL	PCL	Total
From 10 May 2006 to 9 May 2007	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Receipts						
Cash on hand at appointment	3	10	5	3	3	23
Pre receivership debtors	-	13	2	-	-	15
Sale of motor vehicle stock	18	677	303	168	59	1,225
Sale of fixed assets/consumables	20	30	6	5	3	64
Other income	0	14	5	3	0	21
Interest Received	1	24	11	6	2	44
Advance from related party	1	33	6	3	1	46
Total Receipts	43	801	337	188	69	1,439
Payments						
Administrative expenses	0	12	5	3	1	22
Bank charges	0	0	0	0	0	1
Net GST paid	-	4	-	-	-	4
Legal expenses	2	57	26	14	5	104
Direct costs of motor vehicle stock sales	4	101	35	33	13	186
Direct costs of asset/consumable sales	7	10	2	2	1	22
Operating expenses	0	4	2	1	0	7
Distribution to preferential creditors	21	27	15	7	8	78
Premises costs	0	4	2	1	0	7
Receivers' time and disbursements	8	193	95	55	27	378
Resident withholding tax paid	0	0	0	0	0	0
Security	0	6	3	2	1	11
Staffing costs	0	18	8	5	2	33
Utilities	0	4	2	1	0	7
Total Payments	43	439	195	124	59	860
Net Funds On Hand as at 9 May 2007	0	362	142	64	10	579

6 Other matters

- Should creditors or other stakeholders have any queries arising from this report, please contact us in writing via our private bag, facsimile addresses, or via the website.

Appendix I

Restrictions

- All information contained in this report is provided in accordance with Sections 26 and 27 of the Receiverships Act 1993.
 - The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise.
 - We have not independently verified the accuracy of information provided to us, and have not conducted any form of audit in respect of the Companies. Accordingly, we express no opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.
 - The statements and opinions expressed in this report are based on information available as at the date of the report.
 - We reserve the right, but will be under no obligation, to review or amend our Report, if any additional information, which was in existence on the date of this Report was not brought to our attention, or subsequently comes to light.
- In addition the following should be noted:
 - Certain numbers included in tables throughout this report have been rounded and therefore do not add exactly.
 - Unless otherwise stated all amounts are stated in New Zealand dollars.