

**Receivers' Seventh Report on the State of Affairs of
Capital+Merchant Business Investments Limited (In Receivership)
Capital+Merchant Assets Finance Limited (In Receivership)
Capital+Merchant Property Holdings Limited (In Receivership)
- "the Companies"**

Pursuant to Section 24 of the Receiverships Act 1993

| | |
|------------------|---------|
| Company Numbers: | 1604754 |
| | 1613730 |
| | 1613728 |

Reporting Period: 27 August 2010 to 26 February 2011

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

April 2011

Capital+Merchant Business Investments Limited (In Receivership)
Capital+Merchant Assets Finance Limited (In Receivership)
Capital+Merchant Property Holdings Limited (In Receivership) – together “the Companies”

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

Yours faithfully
For the Companies



C T McCloy
Receiver

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1. Introduction

- Colin Thomas McCloy and John Anthony Waller, Chartered Accountants of Auckland, were appointed receivers to each of the Companies by Perpetual Trust Limited (“the Trustee”) on 27 February 2008 under the terms of a security agreement giving the secured party a security interest over all of the assets and undertakings of the Companies.
- On 22 December 2008 John Anthony Waller, Chartered Accountant of Auckland, resigned as receiver and Maurice George Noone, Chartered Accountant of Auckland, was appointed receiver to act jointly and severally with Colin Thomas McCloy.
- We understand that Capital+Merchant Assets Finance Limited and Capital+Merchant Property Holdings Limited have no assets and have never traded and therefore all comments in relation to assets and liabilities relate to Capital+Merchant Business Investments Limited (In Receivership) (“CMBI”).
- 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 receivership.
- 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 Act. Furthermore, in preparing this report we have relied upon and not independently verified or audited information or explanations provided to us.
- This report covers the period 27 August 2010 to 26 February 2011.

2. Particulars of Debts and Liabilities outstanding at the Date of the Receiverships Requiring to be Satisfied from the Property in Receivership

| Class of creditor | Name of creditor | Nature of claim | Note | Amount of claim \$ |
|-----------------------------|---------------------------|---------------------|------|--------------------|
| Secured Debenture Investors | Perpetual Trust Limited | Secured Debentures | 1 | 1,836,034 |
| Preferential creditors | Inland Revenue Department | Unpaid RWT and NRWT | 2 | ? |
| Unsecured creditors | Unknown | | 3 | ? |

Notes

- Principal balance outstanding to **Secured Debenture Investors** at the date of our appointment.*
- The RWT and NRWT tax positions for the Companies are still being investigated at the date of this report.*
- We have not received any unsecured creditors claims to-date, however, it is possible some may exist.*

3. Particulars of Assets Comprising the Property in Receivership and Property Disposed of During the Reporting Period

- Below are the particulars of the CMBI's assets as at the date of our appointment:

| Asset Description | Note | Book Value (\$) |
|----------------------------------|------|-----------------|
| Cash at Bank | 1 | 760 |
| Parent Company Loan | 2 | 131,000 |
| Loan Debtors under our control | 3 | 873,987 |
| Loans transferred to Third Party | 4 | 1,097,851 |
| Total | | \$ 2,103,598 |

Note:

- Cash at bank on appointment that has been transferred into the receivers bank account.
 - A debt owed from its parent company Capital+Merchant Group Limited ("CMG").
 - The book value of the loans under our control
 - The book value of the loans transferred to a third party prior to the receivership.
- The Loan Debtors under our control are made up of 12 loans. To date we have collected \$528k. We have collected 10 loans in full and believe that recoveries will be unlikely on the remaining loans.
 - CMG was placed into liquidation on 5 December 2008. Grant Burns and Richard Agnew of PricewaterhouseCoopers currently act as liquidators of CMG. We have lodged a claim in CMG's liquidation for the amount owing to CMBI.

- Please note that we have omitted certain details concerning the realisation of receivership assets, as we believe that their inclusion would materially prejudice the exercise of our functions and in particular our duty to obtain the best value reasonably obtainable in realising the receivership property.

4. Proposals for Disposal of Remaining Receivership Property

- As previously advised prior to receivership all CMBI's loans were managed by Capital+Merchant Business Finance Limited ("CMBF"). CMBF is now in liquidation with Gareth Hoole and Kevin Pitfield from Staples Rodway appointed as liquidators.
- In conjunction with our legal advisors we are currently considering what (if any) legal action can be taken against various parties in connection with the transfer of the loans and how these actions may be funded.
- We are unable to provide you with any further information in this regard at this stage as it may prejudice any recovery actions we are/or may be taking.

5. Receipts and Payments for the Reporting Period

- We attach, as Appendix II, a statement of receipts and payments for the period of this report.

6. Estimated Return for Secured Debenture Investors

- A distribution of 9% was made to investors on 18 December 2009. Further distributions will be dependent on recoveries from any litigation against parties regarding the transfer of loans to a third party.

7. Amounts Likely to be Available for Payment to Creditors other than Creditors of the Companies having Statutory Preferential Claims

- The process of realising CMBI's assets is obviously not yet complete. However, from our observations to date, and the estimate of funds available for secured debenture investors we believe that there are unlikely to be any funds available for unsecured creditors.

8. Other Matters

- We will endeavour to keep investors updated on a regular basis. In the meantime, should investors or other stakeholders have any queries arising from this report, please contact Su Jin Lau of this office on (09) 355 8852 or in writing via email, facsimile, or private bag address, as follows:

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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. Whilst all care and attention has been taken in compiling this report, we do not accept any liability whatsoever arising from this report.
 - 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.
 - We have relied on forecasts and assumptions prepared by the Companies about future events which, by their nature, are not able to be independently verified. Inevitably, some assumptions may not materialise and unanticipated events and circumstances are likely to occur. Therefore, actual results in the future will vary from the forecasts upon which we have relied. These variations may be material.
- In addition the following should be noted:
 - Certain numbers included in tables throughout this report have been rounded and therefore may not add exactly.
 - Unless otherwise stated all amounts are stated in New Zealand dollars.

Appendix II

Receipts and payment

The table below sets out the receipts and payments for CMBI from 27 August 2010 to 26 February 2011.

| Capital+Merchant Business Investments Limited (In Receivership) | |
|--|----------------|
| Receipts and Payments Summary | |
| For the Period 27 August 2010 to 26 February 2011 | |
| | \$ |
| Receipts | |
| Balance brought forward | 580,748 |
| Cheque account balance | 218 |
| Interest Received | 584 |
| GST refunds / payments | 1,603 |
| Total Receipts | 583,153 |
| Payments | |
| Balance brought forward | 554,083 |
| Bank Fees & Charges | 30 |
| Legal Costs | 1,599 |
| GST payments | 200 |
| Total Payments | 555,912 |
| Distributions not collected | 6,471 |
| Balance at bank as at 26 February 2011 | 33,712 |