



22 November 2012

***Ross Asset Management (In Receivership)***  
***Bevis Marks Corporation Limited (In Receivership)***  
***Dagger Nominees Limited (In Receivership)***  
***McIntosh Asset Management Limited (In Receivership)***  
***Mercury Asset Management Limited (In Receivership)***  
***Ross Investment Management Limited (In Receivership)***  
***Ross Unit Trusts Management Limited (In Receivership)***  
***United Asset Management Limited (In Receivership)***  
***Chapman Ross Trust (In Receivership)***  
***Woburn Ross Trust (In Receivership)***  
***Mr David Robert Gilmour Ross (In Receivership)***  
***together “the Ross Group” or “the Group”***

Dear Investor

***1.0 Introduction and appointment of receivers and managers and initial reporting***

As previously advised to you, John Fisk and David Bridgman of this Firm were appointed receivers and managers of the Ross Group by the High Court on 6 November 2012 following an application made by the Financial Markets Authority (“FMA”). We have previously reported to you on 8 November 2012 and on 13 November we reported to the High Court in compliance with the five working day requirements to provide such a report.

On 15 November 2012 a full copy of our report was posted on our website:

[www.pwc.co.nz/rossassetmanagement](http://www.pwc.co.nz/rossassetmanagement)

For those investors who have not yet been able to access this report we urge you to do so, however, we now attach for ease of reference a copy of the Executive Summary section from that report.

We are now pleased to be able to provide a further report to investors as follows. This report is subject to the restrictions set out in Appendix I.





## ***2.0 Appointment as Receivers and Managers of additional Ross Group entities***

Our initial investigations revealed a number of entities / names holding assets on behalf of the Group and its investors which were not subject to the original orders of the High Court. Accordingly we sought additional orders of the Court to be appointed receivers and managers of the following entities, or assets held in their names.

Ace Investments Limited  
Ace Investment Trust Limited  
Ace Investment Trust  
Vivian Investments Limited  
Vivian Investments  
Ross Unit Trust  
Ross Unit Trust Limited

We are continuing to notify relevant parties of our appointment to these entities and ensuring any assets held by them come under our control.

## ***3.0 Ongoing actions of the receivers, managers and advisors***

### ***3.1 Verification of investor balances***

In response to our first letter to you on 8 November 2012 we are now receiving replies from investors outlining their understanding of their investments with the Ross Group along with details of contributions and withdrawals. We expect to continue to receive responses over the next 1-2 weeks and are collating and analysing this information to determine what we believe will be the most accurate position. As previously noted, we are likely to write to individual or all investors again requesting further specific details.

A number of investors have also provided additional information to us which has been of much assistance to our investigations and we thank those of you have assisted in this manner.

### ***3.2 Confirmation as to the Ross Group's assets***

With the assistance of the FMA and our Advisors, along with information provided by investors, and an ongoing analysis of the Group's records we continue to build up our understanding of the known assets of the Ross Group. We are continuing to investigate additional assets (shares and cash) held by the Ross Group.

Details of the current value of assets identified to date are shown in the table on the next page.



**Ross Group  
Preliminary Portfolio Valuation**

Assets in Broker Accounts:

|                                   |                |
|-----------------------------------|----------------|
| United Asset Management Limited   | \$270,546.13   |
| Ross Asset Management Limited     | \$4,028,101.54 |
| Dagger Nominees Limited           | \$1,329,961.97 |
| Bevis Marks Corporation Ltd       | \$130,521.68   |
| McIntosh Asset management Limited | \$36,601.65    |
| Mercury Asset Management Limited  | \$66,824.40    |
| Ace Investment Trust Limited      | \$26,321.53    |
| Ross Unit Trusts Limited          | \$57,834.39    |
| Vivian Investments Limited        | -\$7,772.04    |

**Total** \$5,938,941.24

Add registry holdings in Group names found by 21/11/12 [ongoing work] \$1,907,307.20

Sub-total for Ross Group \$7,846,248.44

Add broker accounts in RAM client names [as currently known] \$2,559,222.88

Add registry holdings direct in RAM client names [as currently known] \$193,913.62

Sub-total for RAM clients [not otherwise in group] \$2,753,136.50

Add broker accounts in related party names [as currently known] \$71,138.76

Add registry holdings direct in related party names [as currently known] \$343,693.23

Sub-total for related parties [not otherwise in group] \$414,831.99

**Grand Total** \$11,014,216.93

Whilst this is an increase of approximately \$0.8 million on the amount detailed in our report of 13 November 2012, it is still substantially less than the aggregate amount of \$449.6 million as shown in investors' individual portfolios as at 30 September 2012. We expect the amount to increase further but regrettably, based on the current information we have, we do not expect any increases to be significant, unless our inquiries of Mr Ross identify significant additional assets.

It should be noted that many of the shares identified to date are held in smaller publically listed companies that can have a high level of price volatility or that may be infrequently traded. As a result of these factors, there remains a degree of uncertainty over the timing and level of any final realisations from the holdings. It is possible that the final sale value of the portfolio may be somewhat less than the figure stated above and may not be realisable for some time.



### **3.3 Other Investigations**

Our other investigations centre primarily on reconciling the funds flow through the Group with a particular focus on transactions in the last two years and also on identifying and preserving assets held by Mr Ross in his personal capacity.

We have been advised by Mr Ross's lawyers that Mr Ross has been receiving treatment in hospital for the past three weeks. During this time he has been unable to assist us with our investigation. They have advised that he has now been released from hospital and has undertaken to co operate fully with the investigation.

There are a number of other investigations we are considering but we need to be mindful of the potential cost of these and the likely benefit in terms of being able to make additional recoveries for investors. In addition some of these investigations are likely to be best undertaken within a liquidation of the Ross Group, which we address further below.

### **4.0 Next steps**

The receivers have formed the view, and advised the Court in our report of 13 November, that a liquidation of those companies in the Ross Group entities which held investor funds and assets in support of those funds is in our view the logical next step. We intend making liquidation applications in respect of those Ross Group companies in the very near future. Those applications will be advertised and called in open Court. In addition we will advise all investors when they are to be heard.

Mr Ross, his family trusts, and other entities currently subject to current Court orders, should in our opinion remain in receivership.

Liquidation does not signal an end to the current search for recoveries and is separate to the investigation being conducted by the FMA and Serious Fraud Office. Liquidation will open up more avenues and powers for recoveries and enable commencement of the process of repayment of available assets to investors. Having gained an extensive understanding of the Ross Group while acting in the limited role of court-appointed receivers we anticipate asking the Court to appoint us as liquidators to continue the work that has been commenced.

The receivers believe that liquidation is the next step in the process for the following reasons:

- The receivers' current role is a very limited one. We have been appointed to locate, hold, and preserve assets. This includes management with the aim of preservation. We have no ability to make a general distribution or to take significant steps (e.g. selling all the securities) in order to prepare for a distribution of assets.
- A liquidation will allow greater investor input into the process. There will be an initial creditors' meeting for each company which will allow for open dialogue. The receivers anticipate that there will also be a liquidation committee (ideally of no more than five people) who will be able to represent investors' views and make recommendations to the liquidators. There is currently no formal procedure for this to occur. Investors will be able to have greater input, through the liquidation committee, on a range of important matters including: whether or not to undertake recovery action against third parties; and the range of possible distribution models for the assets recovered.
- The liquidators will continue the investigations which they have commenced as receivers. That is, both to ascertain whether there are any further assets which have not been discovered and to recreate the cash flows and financial position of the Ross Group over the past few years to determine as accurately as possible what has happened. We know that the investors will require more answers on this than we have been able to provide in the limited time since our appointment.



- As receivers our powers to commence recovery action against third parties in order to attempt to increase the amount of funds that may be available for distribution to investors are limited to those provided by the Court. More extensive powers are needed now. A liquidator will be much better placed to do this and will have additional statutory powers to effect recoveries. Some of those statutory powers have a limited “relation back” period of only two years which is triggered by the timing of liquidation. It is important that this be triggered sooner rather than later to ensure that possible rights and claims against some third parties are not lost.
- The receivers believe that the costs of managing the preserved assets should be minimised by moving now to the liquidation stage.

The assets discovered to date are not generating significant income and are also concentrated across a number of low value and potential high risk equity investments in several different financial markets. The sooner the task of preservation can be moved to one of recovery will mean that a number of costs can be crystallized and concluded and recovery for the benefit of investors commenced.

Nonetheless, we reiterate that based on the various inquiries to date, the ultimate recovery to investors is uncertain and it is too early to say when a first distribution may be made and what the amount of the distribution might be to each investor until the issues noted herein have been progressed to the next stages. Should any investors have specific knowledge of where stocks are held, we would welcome receiving any such information.

If you have any queries, please submit your enquiry through the on-line form via our website at:

[www.pwc.co.nz/rossassetmanagement](http://www.pwc.co.nz/rossassetmanagement)

Alternatively, contact us through the dedicated phone line, (04) 462 7040 or by writing to our mailing address, with all correspondence marked for the attention of Randall Gravit. We will endeavour to respond to all enquiries as quickly as possible.

Yours faithfully

A handwritten signature in black ink, appearing to be 'John Fisk', written over a horizontal line.

John Fisk  
Receiver and Manager

A handwritten signature in black ink, appearing to be 'David Bridgman', written over a horizontal line.

David Bridgman  
Receiver and Manager



## ***Appendix 1 – Restrictions***

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.

This report has been prepared for the investors in the Ross Group. We specifically disclaim any responsibility to any other party seeking to rely upon this report.

This report is not to be copied or released to any other party without our prior written consent for each party requesting its release.

We have not independently verified the accuracy of information provided to us, and have not conducted any form of audit in respect of the Ross Group or related entities. 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.

In addition the following should be noted:

- Certain numbers throughout this report have been rounded and therefore do not add exactly and;
- Unless otherwise stated all amounts are stated in New Zealand dollars.