



Receivers' First Report on the State of Affairs of

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

Pursuant to Section 23 of the Receiverships Act 1993

Company numbers:455971

372992

455890

377152

431870

652854

652855

647452



Introduction

We, John Howard Ross Fisk and David John Bridgman, Chartered Accountants of Wellington and Auckland respectively were appointed receivers of certain entities pursuant to orders of the High Court at Wellington dated 6 November 2012, following an application made by the Financial Markets Authority (“FMA”) under the Financial Advisers Act 2008 (subpart 4). The entities to which we were appointed on 6 November 2012 are:

- Ross Asset Management Limited
- Bevis Marks Corporation Limited
- McIntosh Asset Management Limited
- Mercury Asset Management Limited
- Dagger Nominees Limited
- Ross Investment Management Limited
- Ross Unit Trusts Management Limited
- United Asset Management Limited
- Chapman Ross Trust
- Woburn Ross Trust
- Mr David Robert Gilmour Ross

Following our report to the Court as receivers of the Group dated 13 November 2012, the FMA sought and obtained further orders on 14 November 2012 that the orders made by the High Court appointing receivers on 6 November 2012 be extended to include the following possible entities;

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

This was on the basis that David Ross appeared to have trading accounts in these names. These do not appear to be companies incorporated in New Zealand or Australia.

We are being assisted by Richard Bodman and Kris Renouf of First NZ Capital (“the Advisors”) to identify and preserve the assets of the Ross Group consistent with the preservation provisions of the Financial Advisers Act 2008. The effect of our appointment is that we have assumed control of the Ross Group and are provided with various powers to manage the affairs and assets of the Ross Group.

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 receivership.

This report is subject to the restrictions set out at Appendix A. In particular, all information contained in this report is provided in accordance with Sections 26 and 27 of the Act. Furthermore, in preparing this report we have relied upon and not independently verified or audited information or explanations provided to us.



A chart setting out the ownership structure of the Ross Group is attached at Appendix B. The possible entities to which receivers were appointed on 14 November 2012 are not included in this chart as they do not appear to be legal entities so no ownership has been able to be established.

Events leading to our appointment

David Ross was the sole director of all entities and appeared to have sole responsibility for all funds management, research and investment decisions made by him on behalf of clients or by Ross Asset Management Limited. He was supported by two administrative assistants. We understand that David Ross was also the sole party who liaised with investors to attract new contributions and to inform them of the decisions he had made regarding their investment portfolios.

In late October 2012 the FMA began receiving complaints from investors that their requests to withdraw funds from their investment portfolios were not being honoured and some customers were experiencing difficulty contacting Mr Ross. Following an inspection of the offices of the Group by the FMA and Court orders freezing assets being obtained by the FMA on 2 November 2012, John Fisk and David Bridgman of PwC were appointed receivers.

Liquidation of the Ross Group Companies

The following Ross Group Companies were placed into liquidation on 17 December 2012 and John Howard Ross Fisk and David John Bridgman are the appointed joint and several liquidators. The following companies were placed into liquidation by the High Court pursuant to section 241(2)(c) of the Companies Act 1993 (“the Act”).

Company	Time of Appointment
Ross Asset Management Limited (In Receivership & In Liquidation)	1:01pm
Bevis Marks Corporation Limited (In Receivership & In Liquidation)	1:02pm
Mercury Asset Management Limited (In Receivership & In Liquidation)	1:03pm
McIntosh Asset Management Limited (In Receivership & In Liquidation)	1:04pm

The following companies were placed into liquidation by their respective shareholders pursuant to section 241(2)(a) of the Companies Act 1993.

Company	Time of Appointment
Ross Investment Management Limited (In Receivership & In Liquidation)	2:00pm
Dagger Nominees Limited (In Receivership & In Liquidation)	2:01pm
Ross Unit Trusts Management Limited (In Receivership & In Liquidation)	2:02pm
United Asset Management Limited (In Receivership & In Liquidation)	2:03pm

David Ross is a shareholder in each entity. In some instances his shareholding is held jointly with family members.



Debts and Liabilities

The following table shows the particulars of known debts and liabilities of the Group at the date of receivership outstanding and requiring to be satisfied from the property in receivership:

Class of creditor	Note	Name of creditor	Address of Creditor	Date of registration	Nature of Claim	Amount of claim \$000
Secured creditors	1	Mercedes-Benz Financial Services Limited New Zealand ('MBFSNZ')	9 Pacific Rise Mount Wellington Auckland	27 July 2012	Goods-Motor Vehicles	201
Preferential creditors	2	Employees and IRD				20
Trade creditors	3					8
Investors	4					450,000

Notes to Table

- MBFSNZ has a collateral security interest in a motor vehicle registered under United Asset Management Limited (In Receivership & Liquidation) at the date of our appointment. MBFSNZ has repossessed the vehicle and the collateral interest has since been discharged.*
- Outstanding employee wages and holiday pay, which we have calculated to be \$15,920. These are owed by Ross Asset Management Limited (In Receivership & Liquidation). Inland Revenue has not yet filed a claim, however based on the Group Companies' records the amount outstanding will be circa \$3,800. This is also owed by Ross Asset Management Limited (In Receivership & Liquidation).*
- The total claim by trade creditors is based on creditor confirmations received as at the date of this report. The final claim amount may change as further trade creditor claims are received.*
- The total claim by investors is taken from the records of the Ross Group as at the date of the Receivers' appointment, being 6 November 2012. The final claim amount may be subject to change due to further investigations by the Receivers, the receipt of investment confirmations from investors of the Ross Group and any potential rulings from the courts.*

We prepared and sent a total of 1,720 letters to investors on 8 November 2012. The investor details were sourced from the information held within the Group's records. We note a number of investors operated multiple related party portfolios. We have asked investors to confirm their understanding of the amounts and details of their individual investment portfolios. We have also asked for details of investors' net capital contributions (less withdrawals). We continue to receive confirmations from investors and where information provided is unclear we have requested further clarification of the position. As some investors have held portfolios for over 20 years they do not always hold sufficient records to be able to calculate their net capital contributions accurately.



We appreciate this is a difficult time for investors and we have communicated regularly with investors since our appointment. We have set up a dedicated page for Ross Group investors on the PwC website which can be found at www.pwc.co.nz/rossassetmanagement. A large number of enquires have been submitted via the website to date and are being responded to and the website is being updated regularly. FMA has also provided regular updates on its website.

We have set up a dedicated telephone line (04) 462 7040 for investors and are regularly clearing and responding to messages received on this line. A number of investors have written to us and we are responding to their communications as soon as possible.

We are communicating through the media with press releases as required and when deemed appropriate.

Particulars of assets

A significant amount of work has been undertaken since appointment in conjunction with the FMA and the Advisors to urgently verify the Ross Group's assets in New Zealand and overseas. The records of the Group are not of a standard we would expect to see, given the nature of the business, the number of investors and level of funds allegedly under management. Whilst there is an electronic database that tracks the level of investors' funds received, withdrawn and held and a similar system that records investments transacted and held by the Ross Group, the interface between those two databases is not ideal.

The databases are not always updated and reconciled on a regular basis to reflect transactions. Ordinarily we would expect all such transactions to be processed and reconciled daily but that does not appear to be the case. Whilst some transactions are updated daily it appears that others are not updated until the end of a quarter.

Accordingly, we have been required to locate and, in some instances, recreate records. This is not a straight-forward process and continues to take time. Furthermore, we have been informed by the two staff members of the Ross Group that much of the business activity relating to overseas investments was undertaken outside of the Group's offices by Mr Ross and no reliable records exist for these transactions at the Group's offices.

We can confirm that from our inquiries to date, the majority of assets identified so far that are owned by the Group are in the form of shares in New Zealand and overseas entities and cash held in various accounts. According to the records of the Group the total value of investor portfolios at 30 September 2012 was \$449.6 million. "Bevis Marks" is the recorded depository for \$437.6 million worth of stock across 205 different listed securities at 7 November 2012. It must be noted that reference to Bevis Marks is as the purported depository broker, not the registered company Bevis Marks Corporation Limited (Company Number 372992). If the holdings are valid, they must be held through broker / financial institution nominee companies through relationships with the Ross Group. We have not identified any such material holdings actually held by Bevis Marks at this point.

Based on the Group's own records there have been significant net cash outflows to investors in the last five years to the extent that in our opinion the Group has lacked adequate liquidity to meet further withdrawals by investors. Funds withdrawn by investors over the last 5 years have exceeded funds contributed by more than \$60 million. Due to lack of available records we have only been able to complete this reconciliation back until 2000.



Mr Ross' other assets comprise certain real properties which are held in a trustee capacity (see Appendix B), household effects, art work and limited cash. We are still in the process of determining the value of these items. We are still in the process of determining whether David Ross has any beneficial ownership or interest in trust assets or whether any Group funds have been utilised to purchase trust assets.

We are undertaking a reconciliation of the Group's banking records to determine the flow of funds through the various entities and bank accounts over as long a period of time as is reasonably possible. We are considering a series of other avenues of investigations to identify assets of the Group and its trading history. Whether we eventually undertake such investigations will depend upon our assessment of the likely cost and benefit of such investigations with our primary focus being to provide the best outcomes for investors.

Due to the inadequacy of the records a final position on the ownership of shares has not yet been determined. We are continuing to undertake work in an attempt to identify and value these shareholdings. The most recent information on the assets (shareholdings and cash) currently held by or in the name of the Ross Group is as follows:

Ross Group Assets:		
United Asset Management Limited		\$311,474.49
Ross Asset Management Limited		\$3,619,339.56
Dagger Nominees Limited		\$1,529,071.27
Bevis Marks Corporation Ltd		\$156,989.79
McIntosh Asset management Limited		\$37,196.30
Mercury Asset Management Limited		\$95,964.78
Ace Investment Trust Limited		\$152,052.73
Ross Unit Trusts Limited		\$32,149.18
Vivian Investments Limited		\$0.00
Ross Investment Management Limited		\$215,837.84
Ross Investment Managers Limited		\$31,478.22
David Ross		\$70,164.36
Total		\$6,251,718.51
Ross Family (ex David Ross own name holdings):		
		\$410,224.76
RAM clients [not otherwise in group]		
		\$3,161,267.24
TOTAL ASSETS IDENTIFIED		\$9,823,210.51



Notes:

1. Valuation at 15 January 2013.
2. Valuation of illiquid stocks or large holdings by Ross Group (compared to daily turnover) may impact ability to realise at the quoted values.
3. Circa \$230k of stocks (for the Ross Group) is valued based on quotes from brokers (generally from Nov/Dec) so valuation of these stocks may be materially different upon realisation.
4. No valuation has been ascribed to certain investments due to difficulty in valuing.

Proposals for disposal of receivership property

The Court Orders under which the receivers were appointed do not permit the receivers to dispose of the property of the Group, other than in specified circumstances, such as meeting the agreed living and legal expenses of David Ross. However, we have also been appointed liquidators of the Group Companies with the intention of realising the identified assets of the Group Companies as appropriate.

In our capacity as liquidators we have called for creditors and investors to vote on the membership of a liquidation committee. The liquidation committee will assist the liquidators by providing representation for the investor and creditor group and expressing views on key issues to the liquidation, such as the appropriate method for realising assets.

We have been approached by parties interested in purchasing assets of the Group, both shares and other property of David Ross. We are in discussions with them in this regard but have not completed any asset sales to date.

This strategy and the ongoing process of administering and investigating the affairs of the Ross Group needs to be conducted alongside any ongoing inquiries by the Financial Markets Authority and / or other regulatory authorities.

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

The extent of any distribution to unsecured creditors and investors is yet to be determined and will be dependent on any further realisations that can be achieved.

Information provided by the Group

At the date of our appointment as receivers David Ross was hospitalised and could not be spoken to. However, he has since been discharged from hospital and we have met with him and discussed the affairs of the Group. We have also had contact with family members and their legal advisors, all of whom have provided some assistance with our inquiries. We have also been provided with assistance from the two former employees of the Ross Group.



Other Matters

Under the Receiverships Act 1993 the Receivers are obliged to report any known breaches of certain legislation to the Registrar of Companies. In the event we identify any such breaches we will report them and assist in any ongoing investigations which result.

Dated: 16 January 2013

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

John Fisk
Receiver and Manager



Appendix A

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 Group. 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.

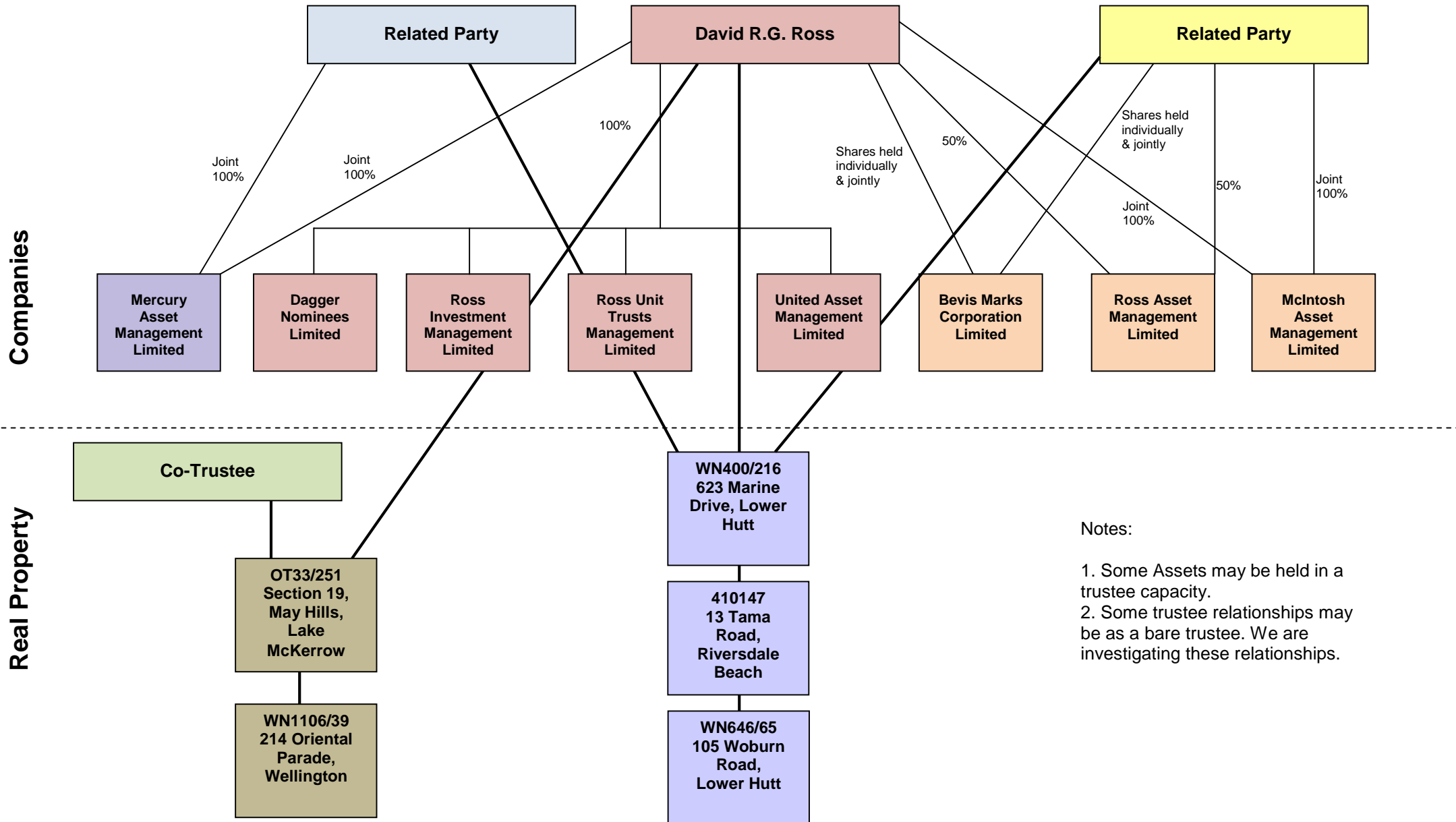
We reserve the right, but will be under no obligation, to review or amend our Report, if any additional information, which was in existence on the date of this Report was not brought to our attention, or subsequently comes to light.

We have relied on forecasts and assumptions prepared by the Group 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 do not add exactly.
- Unless otherwise stated all amounts are stated in New Zealand dollars.

Appendix B - Ross Group Ownership Structure



Joint 100%

Joint 100%

100%

Shares held individually & jointly

50%

Shares held individually & jointly

Joint 100%

50%

Joint 100%