

FINDLAY AGENCIES LIMITED (IN RECEIVERSHIP)

Receivers' First Report on the State of Affairs

Pursuant to Section 23 of the Receiverships Act 1993

Company Number 238838

Introduction

Kevin David Pitfield and Gareth Russel Hoole were appointed joint receivers of Findlay Agencies Limited (In Receivership) ("the Company") by S H Lock (NZ) Limited, on 1 October 2009 under the powers contained within a General Security Agreement dated 4 February 1999.

This report has been prepared by the receivers in accordance with and for the purpose of Section 23 of the Receiverships Act 1993 ("the Act").

Restrictions and Disclaimers

The report 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.

In compiling this report the receivers 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, the receivers, Staples Rodway Limited, its employees and its agents do not accept any liability whatsoever arising from this report.

This report is not intended for general circulation and all information contained in it is for the confidential use of the parties to whom it is provided in accordance with Sections 26 and 27 of the Act. This report is not to be disseminated or passed on to any other party without the receivers' prior written authority or as may be required by law.

The financial particulars included in this report have been prepared from the Company's records and information supplied to the receivers by the Company and its director. In preparing the particulars the receivers have not carried out anything in the nature of an audit or other verification procedure.

The receivers reserve the right (but will be under no obligation) to review the contents of this report and, if considered necessary, to revise the report in light of any information which becomes known to the receivers at a subsequent date.

Events Leading To Appointment

The Company had been experiencing difficulty in projecting future sales and were not achieving the quantity of expected sales. The demand for wholesale shoes and clothing also reduced due to the generally depressed economic conditions experienced in New Zealand in the preceding

eighteen months. As a result inventory began to accumulate thereby restricting the available cashflow of the business. Because of the nature of the stock held, it became increasingly difficult to sell the accumulated stock once new season stock arrived.

The Company was also experiencing difficulty in collecting their accounts receivable. The combination of these two factors caused significant cashflow constraints for the Company resulting in them to being unable to meet their debt obligations as they fell due.

Particulars of the Assets Comprising the Property in Receivership

The property in Receivership comprises all of the assets and undertakings of the company. At the date of the appointment of the receivers, those assets comprised:

- Inventory – Approximate realisable value \$300,000
- Accounts receivable – Book value \$320,000
- Fixed Assets – Approximate auction value \$12,000

Particulars of Debt and Liabilities Currently Outstanding and Requiring to be Satisfied from the Property In Receivership

- | | |
|--|--------------------|
| • Due to S H Lock (NZ) Limited secured by priority ranking General Security Agreement | \$202,985
(NZD) |
| • Due to S H Lock (NZ) Limited secured by cross guarantee supported by priority ranking General Security Agreement | \$74,237
(AUS) |
| • Due to Bank of New Zealand secured by second ranking General Security Agreement | \$274,087 |
| • Due to former staff in respect of holiday and redundancy pay and ranking as a preferential debt pursuant to the 7 th Schedule of the Companies Act 1993 | \$0.00 |
| • Due to Inland Revenue Department and ranking as preferential debt pursuant to 7 th Schedule of the Companies Act 1993 | \$0.00 |
| • Due to unsecured creditors (approximately) | \$426,939 |

Ricoh New Zealand Limited (‘Ricoh’) also held a security interest in a photocopier belonging to the Company. The receivers attempted to arrange to have the debt owed to Ricoh and the security interest assigned to another company. This was unsuccessful and Ricoh now intend to uplift the photocopier.

Proposals for the Conduct of the Receivership

The receivers will endeavour to sell the inventory on hand and to collect the accounts receivable. The receivers are hopeful that the sale of inventory and collection of accounts receivable will recover enough funds to repay the cost of the receivership and the secured creditor. The receivers will only resort to the sale of fixed assets of the Company if these measures do not

yield sufficient funds to repay the receivership costs and the secured debt owed to their appointor.

Proposals for Disposal of Receivership Property

At the time of preparation of this report, negotiations between the receivers and a potential purchasers of the Bjorn Borg branded inventory held by the Company were at an advanced stage. The receivers have also held a two day stock clearance two day sale and will continue to seek alternative channels to market the inventory.

Amounts Likely to be Available for Payments to Unsecured Creditors

The receivers cannot determine whether any amounts are likely to be available to unsecured creditors at this stage of the receivership.

Information Provided By the Company

The Director of the company co-operated in making available the information required by the receivers to complete this report.

Dated this 21st day of December 2009.



Gareth Russel Hoole
RECEIVER



Kevin David Pitfield
RECEIVER