

Meltzer Mason Heath

Chartered Accountants practising as insolvency specialists

Refer to: Arron Heath

No. of Company: 1279229

Liquidators' Further Report

Blue Chip New Zealand Limited (In Liquidation)

For the period 16 October 2010 to 15 April 2011

Introduction

Blue Chip New Zealand Limited was placed into voluntary liquidation in Auckland on 15 April 2008 and Jeffrey Meltzer, Arron Heath and Lloyd Hayward of Meltzer Mason Heath were appointed joint and several Liquidators.

In accordance with section 255 of the Companies Act 1993 the Liquidators are obliged to report to all creditors and shareholders on the conduct of the liquidation during the preceding six months. This report covers the period 16 October 2010 to 15 April 2011.

Schedule of Receipts and Payments

A schedule of receipts and payments for the period 16 October 2010 to 15 April 2011 is attached.

Asset Realisations

No assets were realised during the period covered by this report.

Dividends

There have been no dividends paid during the period covered by this report.

The following sections of this report incorporate comments relating to all the Blue Chip Companies being liquidated by Meltzer Mason Heath.

Based on the opinion obtained from Queen's Counsel, the Liquidators are seeking funding to commence proceedings for breach of duty by directors and/or in relation to advice given to the Blue Chip Group regarding its products. As at the date of this report, discussions were continuing with several possible funders.

The Liquidators understand that the present position in the investor group proceedings is:

1. The Supreme Court has overturned the Court of Appeal decision that investors' loan agreements with GE Custodians Limited to purchase Blue Chip Group apartments or properties were oppressive. The Court said it would be unfair to hold the finance company

Jeff Meltzer

Karen Mason

Arron Heath



responsible for the investors' predicament. The outcome of this litigation is unfortunate for affected investors but the Court found that the finance company had no knowledge of any matter which would make the investors' loan contracts oppressive.

2. The Court of Appeal has dismissed appeals brought by Blue Chip investors who signed sale and purchase agreements for units in three central Auckland apartment buildings. To have their sale and purchase agreements cancelled, the investors had to prove that Blue Chip's agents breached the Fair Trading Act, and that those agents were acting for Blue Chip and for the developers. However, the Court of Appeal found that the sale and purchase agreements were independent contracts between the developers and the investors and were not tainted by any illegality in relation to agreements between Blue Chip and the investors.

Also, during the period covered by this report, the Serious Fraud Office advised that it had completed its Blue Chip Group investigation and, based on the available evidence, did not intend to lay charges as insufficient evidence existed for a criminal prosecution.

Although discussions are continuing with potential funders, the Liquidators' view that it is unlikely that creditors will receive a dividend from the liquidations remains unchanged. As reported previously the Liquidators' view is that whether creditors will receive any dividend from the liquidations depends on whether proceedings can be issued against directors and others and that, in turn, is dependent on whether funding is available. The Liquidators will issue a media release if funding is obtained with details being posted on the Meltzer Mason Heath website.

Creditors are reminded that not all Blue Chip companies will be involved in any proceedings that may be issued. Only the creditors of those Blue Chip companies that are involved have any prospect of receiving a dividend.

Outstanding Matters

The Liquidators consider it unlikely that any further work on the liquidations that will lead to recoveries for the benefit of creditors will be possible unless funding can be obtained. Although preliminary discussions have been held with several litigation funding organisations the Liquidators are not confident that a funding arrangement can be agreed. The Liquidators will continue negotiations with the funding organisations; however, in the current economic climate, and given the risks associated with legal proceedings generally, the ability to obtain funding remains uncertain.

Please contact Arron Heath of this office should you require any further information.

Dated this 21st day of April 2011



A L Heath
Liquidator

Blue Chip New Zealand Limited (In Liquidation)

Receipts and Payments

For the period 16 October 2010 to 15 April 2011

	\$	\$
Balance brought forward		27,456.89
Receipts		
Interest	526.44	
GST Refunds	659.59	
	<hr/>	1,186.03
		<hr/>
		28,642.92
Payments		
Liquidators' Remuneration	2,112.50	
Liquidators' Disbursements	42.25	
Bank Fees	0.50	
Record Storage and Destruction	1,069.40	
GST Paid	483.62	
	<hr/>	(3,708.27)
		<hr/>
Balance carried forward		<u>24,934.65</u>

Notes: The funds held are subject to further costs of winding up.