

Meltzer Mason Heath

Chartered Accountants practising as insolvency specialists

Refer to: Arron Heath

No. of Company: 1980041

Liquidators' Further Report

Mide Limited (In Liquidation)

For the period 28 August 2008 to 27 February 2009

Introduction

Mide Limited ("Mide") was placed into voluntary liquidation in Auckland on 27 February 2008 when Jeff Meltzer, Arron Heath and Lloyd Hayward of Meltzer Mason Heath were appointed joint and several Liquidators. Mide formed part of the New Zealand Master Franchise of Blue Chip Financial Solutions Limited (now known as Northern Crest Investments Limited). It operated as the trading entity for the Master Franchise.

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 28 August 2008 to 27 February 2009.

Schedule of Receipts and Payments

A schedule of receipts and payments for the period 28 August 2008 to 27 February 2009 is attached.

Asset Realisations

During the period covered by this report the Liquidators were successful in agreeing with the IRD the balance of the GST refund (after taking into account a set-off for unpaid PAYE) that should be refunded to Mide, and a GST refund of \$61,305.19 was received.

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 of the Blue Chip companies to which we have been appointed.



Investigations and Proposed Action

In addition to their statutory duties the Liquidators commenced investigations into the products marketed by Blue Chip companies and licensees, promotional material produced by Blue Chip in relation to the products and the documents entered into by investors when purchasing the products. The aim of these investigations was to determine whether the products breached any New Zealand legislation, in particular, the provisions of the Securities Act 1978. Senior Counsel was retained to advise the Liquidators on this aspect of the liquidations.

Funding for these investigations was provided from an allocation of funds from the Liquidation Surplus Account (“LSA”). Payments are made from the LSA at the direction of the Official Assignee for New Zealand for payment of the costs of proceedings in a liquidation after the commencement of the liquidation, legal or other expert advice, or the costs of any expert witness. The Liquidators are grateful for the assistance provided from the LSA.

Counsel’s initial view, as advised to the Liquidators, is that there has been an apparent breach of the securities legislation. This does not mean that an actual breach has been proved or that liability has been established against the companies in liquidation and/or persons involved with the management and control of the companies.

As the next step in this process, the Liquidators are applying to the Court under section 284 of the Companies Act 1993 for directions as to whether, in fact, there is a breach of the securities legislation and if so, the effect of the breach on investors’ sale and purchase and other agreements. If the Court decides there have been breaches of the securities legislation, it will then be necessary for the liquidators to investigate the liability or otherwise of persons involved in the management and control of the companies and whether or not any advisors to the companies may also be liable.

The Liquidators are severely constrained by the limited funding available. The available funding is sufficient only to make an application to the Court for directions. If, as a result of the application, the direction is that the securities legislation has been breached, further funding will need to be obtained to progress investigations and actions against those that may be liable.

Without a successful outcome to any proceedings that may be commenced by the Liquidators, it is apparent that no funds will be available within the companies in liquidation for distribution to investors and trade creditors.

Various investor groups have commenced, or are about to commence, proceedings in relation to several apartment developments in Auckland. Those proceedings are focused on cancelling sale and purchase agreements and recovering deposits paid. Those deposits are held in the apartment developers’ solicitors trust accounts.

The investor groups’ proceedings will not benefit those earlier (i.e. prior to 2006) investors in Blue Chip products who purchased units in developments and agreed to release their deposits to Blue Chip in return for payment of some form of compensation - the developments did not proceed and the investors were not refunded their deposits. However, the Liquidators’ application (which could be heard at the same time as the investor groups’ proceedings) may not only facilitate the outcome of those proceedings but will also seek to identify possible areas of recovery that may benefit the earlier investors together with trade creditors.

Creditors may be aware from media reports that criminal charges have been laid by the National Enforcement Unit (“NEU”) of the Companies Office against Blue Chip’s co-founder, Mark Bryers. Some of the charges relate to complaints made by the Liquidators. Further charges may be made against Mr Bryers and also other persons associated with the Blue Chip operation. The Liquidators are assisting the NEU with providing information in relation to requests made by them.

The Official Assignee, and other persons, have been appointed liquidators of further Blue Chip companies. Most, if not all companies, including the companies being liquidated by ourselves are bereft of assets, except for intercompany advances, the value of which are doubtful, if not worthless. The assistance for investors proposed following the liquidations in 2008 has not eventuated and is unlikely to do so.

The initial hearing date for the investor groups’ proceedings is in May 2009. Creditors will be updated on the progress of the Liquidators’ Court application in the next Liquidators’ report.

Outstanding Matters

The Liquidators continue to liaise with Government agencies and to provide information as and when requested. There is little likelihood of any further asset realisations being achieved as the value of intercompany advances made by Mide is currently assessed at Nil. The Liquidators have identified and embarked on a course of action that may produce funds for creditors at some time in the future. However, creditors should note that availability of funding for any legal proceedings that may be contemplated is a major issue confronting the Liquidators and there is no certainty that funding will be obtained to commence proceedings.

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

Dated this 12th day of March 2009

A L Heath
Liquidator

Mide Limited (In Liquidation)

Receipts and Payments

For the period 28 August 2008 to 27 February 2009

		\$
Balance Brought forward		892.25
Receipts		
Pre-liquidation GST Refund	61,305.19	
Interest	491.85	
GST Refunds	<u>73.13</u>	
		<u>61,870.17</u>
Payments		
Bank Fees	25.00	
Legal Fees	1,682.17	
GST Paid	<u>114.38</u>	
		<u>(1,821.55)</u>
Balance Carried Forward		<u><u>60,940.87</u></u>

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