

Meltzer Mason Heath

Chartered Accountants practising as insolvency specialists

Refer to: Arron Heath

No. of Company: 1101331

Liquidators' Further Report

Blue Sky Holdings Limited (In Liquidation)

For the period 13 February 2011 to 12 August 2011

Introduction

Blue Sky Holdings Limited ("Blue Sky Holdings") was placed into voluntary liquidation in Auckland on 12 February 2008 when Jeff Meltzer, Arron Heath and Lloyd Hayward of Meltzer Mason Heath were appointed joint and several Liquidators.

Blue Sky Holdings was part of the Blue Chip Group and was involved in joint ventures with investors. Although not a Blue Chip subsidiary Blue Sky Holdings was dependent on the Blue Chip Group (and later, the New Zealand franchise group) for funding to meet its joint venture obligations.

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 from 13 February 2011 to 12 August 2011.

Action to Date

Blue Sky Holdings as Trustee of the Auckland Residential Property Trust is involved in two leaky building claims, both of which arose prior to the Liquidators' appointment. Funding for work on the claims appears to have been provided pre-liquidation by other companies in the Blue Chip Group and post-liquidation by Blue Sky Holdings' solicitors on a contingency basis. One claim has been settled during the period covered by this report, for a sum sufficient only to partially recover costs incurred. The other claim will proceed to a High Court quantum hearing early in 2012.

Receipts and Payments

A receipts and payments statement for the period 13 February 2011 to 12 August 2011 is attached.

Asset Realisations

Proceeds from a Blue Sky Holdings bank account were received during a prior period but have been reflected in the receipts and payments for the period covered by this report.

Jeff Meltzer

Karen Mason

Arron Heath



Dividends

There have been no dividends paid during the period covered by this report. The Liquidators remain of the view that no dividends will be available for creditors. However, this view may alter if the quantum hearing in 2012 results in a significant amount awarded in favour of the company.

The following sections of this report incorporate comments relating to all of the Blue Chip companies to which we have been appointed.

The non-availability of adequate funding to enable the Liquidators to commence proceedings for breach of duty by directors and/or in relation to advice given to the Blue Chip Group regarding its products continues to be of concern to the Liquidators. Limited funding has enabled work to continue; however, more work is required before the Liquidators' position in relation to potential proceedings can be finalised.

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.

The Blue Chip Group parent company, Northern Crest Investments Limited (formerly Blue Chip Financial Solutions Limited) was placed in liquidation by the High Court on 2 June 2011. Although the Northern Crest liquidators are also hampered by lack of funds they have been successful in having the New Zealand liquidation recognised in Australia and therefore are able to access documents and information located there.

There may be areas where liquidators of the various Blue Chip Companies can co-operate for the benefit of the Blue Chip creditors. Meetings and discussions have taken place with the Northern Crest liquidators and their legal advisors with a view to establishing areas where assistance and/or information can be mutually provided.

The Liquidators reiterate their previously advised view that it is unlikely that creditors will receive a dividend from the liquidations. The continuing difficulties encountered in obtaining funding have resulted in the Liquidators having to reassess their approach to the liquidations and possible recovery actions that may benefit creditors.

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.

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

Dated this 29th day of August 2011

A. Heath.

A L Heath
Liquidator

Blue Sky Holdings Limited (In Liquidation)

Receipts and Payments

For the period 13 February 2011 to 12 August 2011

	\$	\$
Balance Brought Forward		316.75
Receipts		
Bank Account Proceeds	2,720.88	
Settlement Proceeds	<u>8,000.00</u>	
		10,720.88
		<u>11,037.63</u>
Payments		
Liquidators' Remuneration	9,219.02	
Liquidators' Disbursements	134.80	
GST Paid	<u>1,403.08</u>	
		(10,756.90)
Balance Carried Forward		<u><u>280.73</u></u>

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