

MICHAEL WARD 1969 LIMITED (In Liquidation)

["the Company"]

Trading as Jean Jones

Liquidator's Second Report

Company Number: 47037

Introduction

Bernard Spencer Montgomerie was appointed liquidator of Michael Ward 1969 Limited on 7th May 2009 pursuant to section 241 (2)(a) of the Companies Act 1993. [the Act]

In accordance with section 255 of the Act the liquidator has prepared this report to all creditors and shareholders on the conduct of the liquidation during the preceding six months. This report covers the period 8th May 2009 to 7th November 2009.

Events since Liquidation

Immediately following his appointment the liquidator sought the Company's books and records as a matter of urgency. All administration, financial and accounting functions of the Company had been progressively moved during 2007 from Auckland to Gisborne. This work was shared in Gisborne between in-house staff, an external accountant and an external financial consultant. Attempts to collect the books and records were frustrated by a lack of co-operation despite requirements of the Companies Act. Incomplete records were received in June and further incomplete records in late August after a written complain was made to N.Z. Institute of Chartered Accountants.

Our investigations have revealed at the date of liquidation the Company had no access to bank funding and was totally reliant on expensive second and third tier finance company facilities for working capital. This was provided at great cost.

All of the Company's assets, physical and non-physical, were secured to lenders in complex transactions. In many cases involving finance entities associated with consultants who provided services to the Company.

The number and frequency of the transactions involving assets as collateral had increased markedly from January 2007 onwards.

Stock was taken over by security holders and physical control over manufacturing and retail also moved to the new owners. There is no way to identify raw materials, work in progress or finished goods that might have belonged to the Company. Security holders have provided no assistance.

Legal proceedings are being considered but the physical recovery of goods is beyond reach. Fixed assets have been either seized by security holders or are subject to secured claims, including in some cases, competing claims between lenders, although this process is still being investigated. Non-physical assets have also been caught by the secured lenders. We are scrutinizing dozens of loan documents for validity. The state of the Company's files and unwilling responses from certain lender who have detailed knowledge of the Company's operations has slowed progress.

Summary to Date

Evens prior to 2007 are too remote for useful comment. From 2007 onwards the Company relied on short term expensive funding which was unsustainable.

Highly irregular lending practices used by the principal financier who had intimate knowledge of the Company's business has been uncovered by the liquidator and reported to the appropriate Authorities.

The Company has been the object of a carefully planned and suddenly executed 'grab' of major assets by a group of security holders. There is little prospect of recovery for unsecured creditors or preferential claims.

Receipts & Payments

A receipts and payments schedule for the relevant period is attached.

Ongoing Investigations

Because of the seriousness of matters under investigation and the various investigations that are in progress with many third parties and authorities we are unable to estimate the completion of the liquidation.

We understand that the Inland Revenue has started an investigation into the shortfall and non-payment of PAYE and other taxes. We have provided the IRD with information that we have gained from our investigations.

Dated at Auckland this 12th day November 2009

A handwritten signature in blue ink, appearing to read 'B S Montgomerie', with a long horizontal stroke extending to the right.

B S Montgomerie
Liquidator

Michael Ward 1969 Limited (In Liquidation)

**Receipts & Payments
For the Period 8 May to 7 November 2009**

Receipts:

Sale of Washing Machine & Dryer	20,000.00 -----
Total Receipts	20,000.00 =====

Payments:

Liquidator's fees and costs	20,000.00 -----
Total Payments	20,000.00 -----
Balance	nil