

**Blueprint Management Holdings Pty Limited
ACN 130 328 228**

**Blueprint Management Group Pty Limited
ACN 082 076 051**

**Customcall Pty Limited
ACN 086 168 523**

**Financial Advice Centre Pty Limited
ACN 086 168 541**

(All Administrators Appointed)

**(“The Blueprint Group”)
 (“The Companies”)**

**Report by Administrators Pursuant to
Section 439A(4)(a) of
The Corporations Act 2001**

John MELLUIISH and Steven SHERMAN

2 July 2009



FERRIER HODGSON

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Glossary of Terms

Abbreviation	Description
ABN	Australian Business Number
ACN	Australian Company Number
Act	The Corporations Act 2001
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
DOCA	Deed of Company Arrangement
ERV	Estimated Realisable Value
GEERS	General Employee Entitlements Redundancy Scheme
SGC	Superannuation Guarantee Charge
Statement	Directors' Statement about the Companies' Business, Property, Affairs and Financial Circumstances

Listing of Annexures

Annexure 1	Administrators' Remuneration Report
Annexure 2	Summary of Receipts & Payments to 30 June 2009
Annexure 3	Liquidation Dividend Estimate for Individual Companies'
Annexure 4	Informal Proof of Debt Form
Annexure 5	Proxy Form (Form 532)
Annexure 6	Notice of Meeting (Form 529)

1. Executive Summary

On Friday 5 June 2009 my partner, Steven Sherman, and I were, pursuant to Section 436A of the Corporations Act, appointed Administrators of the following Companies’:

- Blueprint Management Holdings Pty Limited (“BMH”)
- Blueprint Management Group Pty Limited (“BMG”)
- Customcall Pty Limited (“CC”)
- Financial Advice Centre Pty Limited (“FAC”)

Creditors ratified our appointment as Administrators at the first meeting of creditors held on 18 June 2009. A Committee of Creditors was formed.

Immediately following my appointment, I took control of the Companies’ assets and ceased all trading. All employees were terminated at this time. Subsequent to this a limited amount of trading has resumed to allow for the negotiations of a possible purchase of the business and the collection of some outstanding debtors.

The second meeting of creditors is convened for Friday 10 July 2009, and will be held at the Royal Automobile Club of Australia, 89 Macquarie Street, Sydney NSW 2000 at 10:00am.

There is no proposal for a Deed of Company Arrangement (“DOCA”) at this stage. I have advertised the business for sale and distributed a brief Information Memorandum to interested parties. To date, I have not received an offer to purchase either the assets of the Companies’ or any of the Companies’ themselves that would allow for an improved return to creditors than liquidation. In the absence of a proposal for a purchase via a DOCA, my opinion is that, for the reasons set out in this report, the Companies’ should be wound up.

To the extent that any dividend will be available for distribution, priority creditors would be the only likely beneficiaries. Absent an unforeseen and excessive realisation, unsecured creditors will not receive any dividend payment in liquidation.

At this stage, there are no funds available to satisfy outstanding employee entitlements. In the event that the Companies’ are placed into liquidation, employees will be eligible to make application to the Commonwealth Government GEERS scheme whereby the significant majority of their outstanding entitlements will be met.

2. Introduction

2.1. Appointment of Administrators and First Meeting of Creditors

Creditors attended a first meeting of creditors held at the Royal Automobile Club on 18 June 2009. At that meeting, creditors ratified our appointment as Administrators of the Companies’.

Creditors elected the following representatives to a committee of creditors:

Committee of Creditors	Representative
1. Westpac Life Insurance Services Limited	Chris Bromhead
2. Employees	Charles Weiser

2.2. Second Meeting of Creditors

Pursuant to Section 439A of the Act, the second meeting of creditors of the Companies' is convened for Friday 10 July 2009 at the Royal Automobile Club of Australia, 89 Macquarie Street, Sydney NSW 2000 at 10:00am.

At the second meeting, creditors will decide the Companies' future by voting for one of the following options:

That the administration should end and control of the Companies' revert to its directors; **or**,

That the Companies' should enter a Deed of Company Arrangement; **or**,

That the Companies' should be wound up.

2.3. Purpose of Report

Section 439A(4) of the Act explains the purpose of an Administrator's report in providing that the notice (of second meeting) must be accompanied by a copy of:

- (a) *A report by the Administrator about the Company's business, property, affairs and financial circumstances; and*
- (b) *A statement setting out the Administrator's opinion about each of the following matters:*
 - *Whether it would be in the creditors' interests for the Company to execute a Deed of Company Arrangement; and*
 - *Whether it would be in the creditors' interest for the administration to end;*
 - *Whether it would be in the creditors' interest for the Company to be wound up;*
 - *His or her reasons for those opinions and provide such other information known to the Administrators as will enable the creditors to make an informed decision about each of the above matters; and*
- (c) *If a Deed of Company Arrangement is proposed – a statement setting out details of the proposed deed.*

2.4. Declaration of Independence, Relevant Relationships and Indemnities

The Administrators provided a Declaration of Independence, Relevant Relationships and Indemnities to creditors with their first circular to creditors and also tabled the declaration at the first meeting of creditors.

There has been no change in the declaration since that time.

Steve Sherman and I are partners of Ferrier Hodgson. Ferrier Hodgson is Australia's and the Asia-Pacific's largest independent corporate restructuring practice with 47 partners and over 440 staff throughout Australia and Asia. Ferrier Hodgson does not provide accounting, audit, legal or taxation services.

Steve Sherman is a Chartered Accountant and Official Liquidator with over 20 years experience in corporate insolvency.

I am also a Chartered Accountant, Official Liquidator and member of the Insolvency Practitioners Association with over 20 years experience in corporate insolvency.

Further information regarding Ferrier Hodgson and the Administrators can be obtained from the firm's website at www.ferrierhodgson.com.

2.5. Summary of Receipts and Payments

A summary of the Administrators' receipts and payments for the period Friday, 5 June 2009 to 30 June 2009 is attached as **Annexure "2"**.

3. Companies' Information

3.1. Statutory Information

A search of the ASIC database revealed the following information.

3.1.1. Incorporation Date and Registered Office

The ASIC search discloses the Companies' incorporation dates as follows:

- BMH – 27 March 2008
- BMG – 24 March 1998
- CC – 5 February 1999
- FAC – 5 February 1999

The registered office for all Companies' is Level 12, 383 Kent St, Sydney NSW 2000.

3.1.2. Companies' Officers

The ASIC database discloses the Companies' officers over the past 12 months to be:

BMH

Name	Role	Appointment Date	Cessation Date
Trevor Folsom	Director	27/03/2008	Current

Charles Weiser	Director	03/06/2008	Current
Alan Watman	Director	03/06/2008	Current
Neil Gamble	Director	18/08/2008	Current
Lisa Delahunty	Secretary	03/06/2008	Current
Symon Simmons	Secretary	03/06/2008	11/12/2008

BMG

Name	Role	Appointment Date	Cessation Date
Trevor Folsom	Director	24/03/1998	Current
Charles Weiser	Director	05/07/2007	Current
Lisa Delahunty	Secretary	03/06/2008	Current
Symon Simmons	Secretary	25/11/2005	11/12/2008

CC

Name	Role	Appointment Date	Cessation Date
Trevor Folsom	Director	05/02/1999	Current
Charles Weiser	Director	18/06/2007	Current
Lisa Delahunty	Secretary	03/06/2008	Current
Symon Simmons	Secretary	25/11/2005	11/12/2008

FAC

Name	Role	Appointment Date	Cessation Date
Trevor Folsom	Director	05/02/1999	Current
Alan Watman	Director	15/12/2006	Current
Charles Weiser	Director	18/06/2007	Current
Lisa Delahunty	Secretary	03/06/2008	Current
Symon Simmons	Secretary	25/11/2005	11/12/2008

3.1.3. Shareholders

The ASIC database discloses the Companies' shareholders to be:

BMH

Shareholders	Shares Held	Class
Amplitudo Pty Limited	248	Class A
Jsec Pty Limited	63	Class A
Michael Adams	190	Class A
Kenneth Fryer	63	Class A

Andrew Pogson	63	Class A
ANZ Banking Group Limited	18,700,000	Ordinary
ANZ Specialist Asset Management Limited	11,000,000	Ordinary
ANZ Business Equity Fund Limited	300,000	Ordinary
Bubblydays Pty Limited	14,131,096	Ordinary
Yesterdaze Pty Limited	14,131,096	Ordinary
HEB Australian Investments Pty Limited	7,065,548	Ordinary
Blueprint Management Nominees Pty Limited	1,700,000	Ordinary
TOTAL	67,028,367	

BMG

Shareholders	Shares Held	Class
Blueprint Management Operations Pty Limited	1	Ordinary

CC

Shareholders	Shares Held	Class
Blueprint Management Group Pty Limited	100	Ordinary

FAC

Shareholders	Shares Held	Class
Blueprint Management Group Pty Limited	100	Ordinary

3.1.4. Registered Chargeholder

ANZ Fiduciary Services Pty Limited (“the Chargee”) holds the following securities:

Registered Fixed and Floating Charge Number 1632591

The charge is held over all the assets and undertakings of the BMH. The charge was created on 2 May 2008 and registered with ASIC on 12 May 2008.

Registered Fixed and Floating Charge Number 1639806

The charge is held over all the assets and undertakings of BMG. The charge was created on 16 May 2008 and registered with ASIC on 27 May 2008.

Registered Fixed and Floating Charge Number 1639804

The charge is held over all the assets and undertakings of CC. The charge was created on 16 May 2008 and registered with ASIC on 27 May 2008.

Registered Fixed and Floating Charge Number 1639802

The charge is held over all the assets and undertakings of FAC. The charge was created on 16 May 2008 and registered with ASIC on 27 May 2008.

All of these charges secure a debt owing by Blueprint Management Operations Pty Limited (“BMO”), a Company over which administrators are not appointed, but is a wholly owned subsidiary of BMH, the sole shareholder in BMG and, by virtue of BMG’s ownership of CC & FAC, exercises control over these Companies’. Both BMO and BMH entered a facilities agreement with the Australian and New Zealand Banking Group Pty Limited (“ANZ”) and Westpac Banking Corporation Pty Limited (“Westpac”) on 2 May 2008. The facilities provided commitment to funding of up to \$51.5 million for use by the Companies’.

According to the Companies’ records, the debt and interest owed to Westpac and ANZ as at Friday 5 June 2009 is approximately \$42,554,907, made up of principal of \$41,767,000 and interest of \$787,907.

I advise that the Chargee did not exercise their rights on appointment to take control of all the assets and undertakings of any of the Companies’.

3.2. Companies’ History

Background

The Blueprint Group was founded in 1996 by Trevor Folsom and Creel Price. Over time, the Companies’ became a market leader in outsourced call centre services, specialising in making outbound sales calls to customers of financial institutions and utility providers.

Over recent years the business has moved towards a “performance pricing” model with its customers such that Blueprint is now predominantly rewarded by customers for the sales it secures and away from a remuneration model where it is paid for its “time and materials” incurred in relation to work performed for customers.

The Companies’ employed approximately 350 staff. Two hundred staff were employed by CC, 150 by FAC and 4 by BMG. The actual number of personnel on site was more likely to equal 500 with the inclusion of labour hire workers. The Companies’ occupied 5 floors (Levels 2, 3, 11, 12 & 14) at 383 Kent Street Sydney 2000.

The main trading of the business is conducted by CC and FAC, who predominately sell credit cards and insurance on behalf of clients. The businesses also conducted short-term campaigns from time-to-time, and provided sales assistance to various utilities providers. FAC holds an Australian Financial Services Licence (“AFSL”), which authorises the business to provide financial advice to customers and market and sell financial products, specifically life insurance packages. The customers of each of the trading businesses include several major finance, insurance and utilities providers.

May 2008 Sale Transaction

A significant restructuring of the Blueprint Group occurred in May 2008, when ANZ Private Equity acquired a material stake (roughly 42%) of the business. For the purposes of this transaction, the business was given an implied value of approximately \$108 million. As well as an injection of equity, an amount of debt funding was also introduced, provided jointly by ANZ and Westpac.

The effect of this transaction was that the previous owners received, and withdrew from the business, \$75.5 million. This amount was funded by a \$30 million equity injection, coupled with \$41.5 million in borrowings. The balance was made up of a dividend paid on acquisition.

For the purposes of this restructuring, BMH was established as a holding company for the group, and BMO was established as a wholly owned subsidiary of BMH. The senior debt to ANZ and Westpac, as well as all the share capital of BMG, was borrowed by BMO. Therefore, to present the group at a consolidated level, the appropriate entity to focus on is BMH.

The breakdown of ownership in BMH post the sale transaction is as follows:

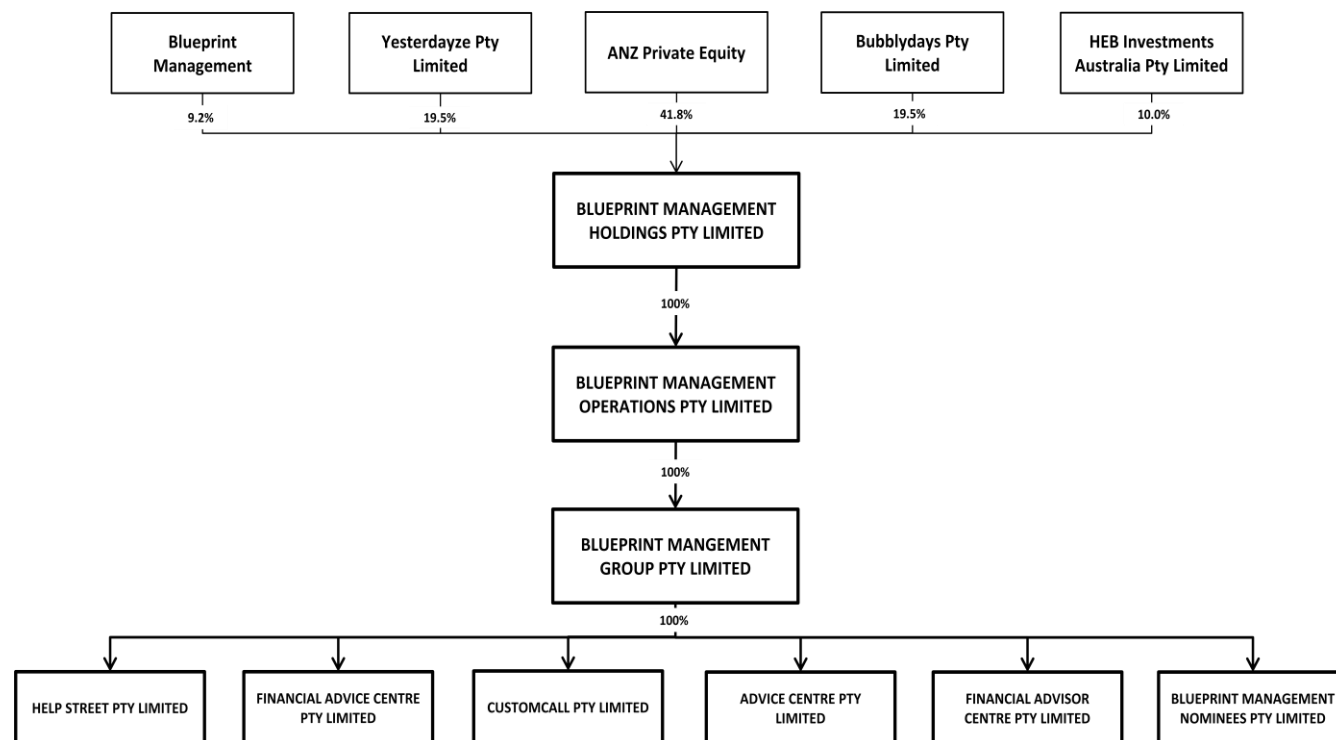
SHAREHOLDER	%
Bubblydays Pty Limited (Trevor Folsom)	19.5
Yesterdayze Pty Limited (Creel Price)	19.5
HEB Investments Australia Pty Limited	10.0
Management	9.2
ANZ Private Equity	41.8
TOTAL	100

A presentation of the consolidated balance sheets of the Blueprint Group, pre-sale and post-sale, are shown below. The significant movements relate to the injection of over \$40 million in debt, and the introduction of more than \$95 million in goodwill and intangibles to the balance sheet based on the purchase price.

Balance Sheet	Pre-acquisition	Post-acquisition
Assets		
Current Assets	10,863,048	12,437,088
Non-Current Assets	4,130,569	15,477,474
Goodwill, Trademarks & Client Relationships		95,080,672
Total Assets	14,993,617	122,995,234
Liabilities		
Current Liabilities	7,124,888	7,124,888
Non-Current Liabilities	4,939,768	10,429,455
Bank debt	-	40,113,150
Total Liabilities	12,064,656	57,667,493
Net Assets	2,928,961	65,327,741
Equity	2,928,961	65,327,741

Post Sale

The post sale structure of the business is as follows:



Following the sale transaction, the business experienced significant falls in revenue as a result of a number of external pressures, in particular the stresses that were placed on Blueprint's clients as a result of the Global Financial Crisis. Whilst a concerted effort was made by management to react to this situation, notably the number of employees and contract workers being reduced from approximately 700 in June 2008 to approximately 500 at the date of my appointment, expenses continued to increase as a percentage of revenue.

In addition to this, at the date of my appointment the Companies' had executed a Heads of Agreement to relocate the business premises at the expiry of its lease in December 2009, to a non-CBD location that would provide savings in excess of \$100 per square metre or \$500,000 per annum.

The business began seeking additional support from the banking syndicate in December 2008, specifically with respect to short-term funding as well as a renegotiation of covenants which it was clear the business would breach. The response from lenders was positive but would depend on an injection of fresh equity into the business. This was followed by months of intermittent negotiation, during which the banks' position remained essentially unchanged and all parties awaited an ANZ Private Equity proposal on a capital restructure. During this time, management issued a series of reforecasts, each worse than the former.

3.3. Decision to Appoint Administrators

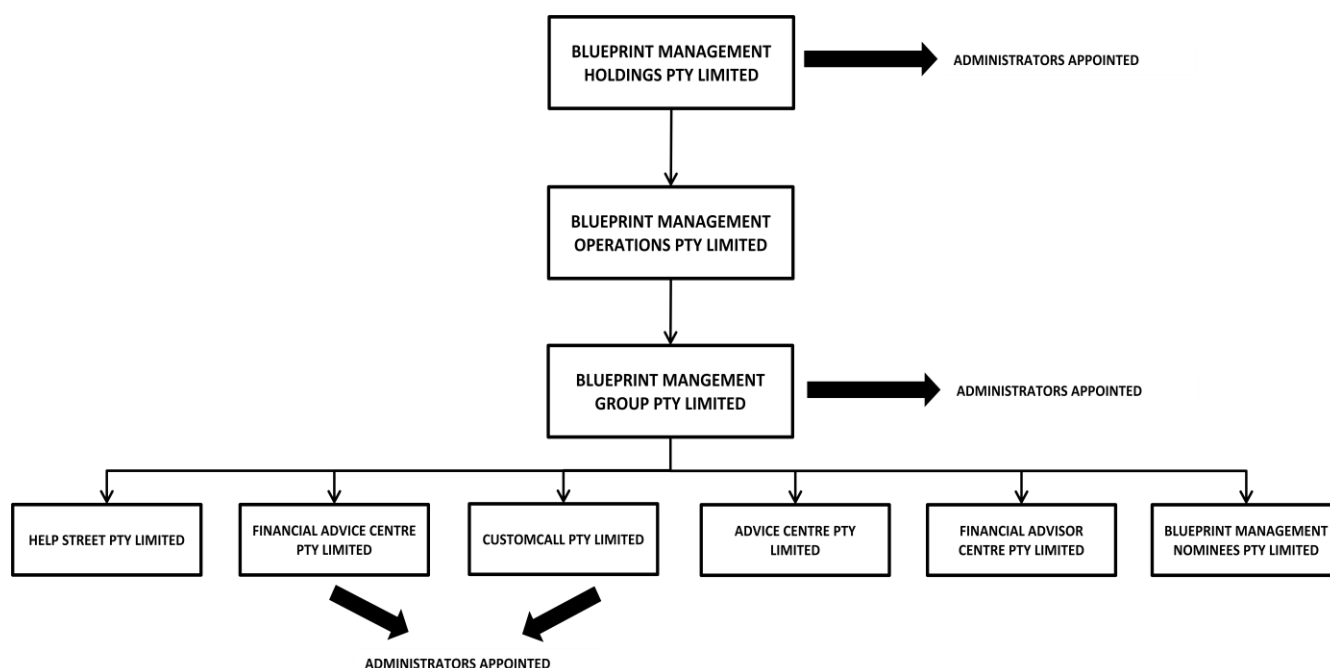
Banking covenants were reported as breached in the December 2008 compliance statement, submitted to the banking syndicate on February 19 2009. Covenants were again breached in the March 2009 quarter. Whilst the March interest component was paid, the accompanying principal repayment of \$575,000 was rolled over, by agreement, to the end of April 2009, then again to the end of May 2009 and again to 30 June 2009. As noted above, these delays were brought about due to the

understanding that a proposal for the recapitalisation of the business would be forthcoming from ANZ Private Equity.

On Friday 22 May 2009, ANZ Private Equity informed a meeting of the BMH Board and representatives from the banking syndicate that no further equity would be contributed to the business. Accordingly, the Companies' requested the banks financial support for an accelerated sale process to commence immediately.

On 4 June 2009, the banks indicated they were not prepared to extend any emergency funding in support of a sale process. As a result of this, the directors again sought advice as to the Companies' financial position over the period to the end of June 2009. The financial position of the Companies' was also discussed with the major secured creditor.

Following these discussions, the directors resolved to appoint Administrators on Friday 5 June 2009. As noted in the previous structure diagram, there are eight Companies' in the Blueprint Group. Administrators are appointed over the following Companies' only:



3.4. Activities Since Appointment

Shutdown

Immediately after appointment I entered into discussions with both the lenders and the shareholders to determine whether funding would be available to continue to trade. Following a negative response from both parties I had no option but to shut down trading, including the termination of all employees.

Sale/Trading

In the week following my appointment, as some debtor receipts were collected, a limited amount of trading was recommenced in order to preserve client relationships, with a view to selling the business quickly. This also assisted in the collection of a number of major debtors.

In this period, the former shareholders made an offer to acquire the business via a Deed of Company Arrangement (“DOCA”), subject to the support and consent of the lenders. The support was not forthcoming.

Subsequently, the business was advertised for sale in the Australian Financial Review on Tuesday 23 June. Eight responses to the advertisement were received. Whilst some parties remain interested in the business as a whole, including the retention of the AFSL, a sale of this type appears problematic and, as such, a sale of the remaining plant and equipment appears the most likely outcome.

Below is a summary of the trading position to date:

	\$
Trading Revenue	139,508
Salaries	(56,288)
Superannuation	(6,963)
PAYG withheld	(15,560)
Equipment Lease Expenses	(42,554)
Rent	(11,812)
Administration & Marketing Expenses	(1,620)
Telecommunication Expenses (est.)	(9,000)
Electricity Expenses (est.)	(9,000)
Profit/(Loss)	(13,289)

Employees

As previously stated, all employees of the Companies’ had their positions made redundant on appointment.

I have reported to employees on various occasions the possibility of their employee entitlements being paid under the GEERS scheme. As discussed in our earlier correspondence, the entitlement to claim under the GEERS scheme is conditional on the Companies’ entering Liquidation.

It is envisaged that the Administrators will be able to comment further, through written correspondence, on the likelihood of GEERS claims if creditors vote to place the Companies’ into liquidation. I advise that under section 556 of the Corporations Act 2001, directors, a spouse of a director and relatives of directors are considered excluded employees and only have an ability to claim a maximum of \$2,000 in unpaid wages and \$1,500 in annual leave.

If a DOCA is executed by the Companies’, or an individual company, employees in these entities are not entitled to make a claim under GEERS scheme. The conditions of the DOCA would likely set aside funds for the satisfaction, in part or full, of outstanding employee entitlements.

Whilst at this stage no DOCA proposal has been received, should any DOCA be presented to me it will require provision for the full satisfaction of employee entitlements as a condition of my recommendation of its acceptance to creditors.

4. Historical Financial Information

4.1. Preparation of Financial Statements

The Companies’ financial statements were prepared up to 30 June 2008. Ernst and Young audited the financial statements up to the year ended 30 June 2008. The Companies’ had recently taken the

decision to change auditors, appointing Grant Thornton to the role for the financial year ended 2009. I am advised that Grant Thornton had undertaken minimal work prior to my appointment.

The Companies' also prepared various management accounts and reports on a monthly basis. These have been completed up to 31 May 2009 and form the basis of my assessment of the financial position of the Companies' at the date of appointment. I do not believe there was any material difference in the financial position of the Companies' between 31 May 2009 and 5 June 2009.

I note that there is some difficulty in presenting a continuous consolidated position over the periods due to the change in ownership discussed above. Through the assistance of the Companies' Financial Controller, Caspar Deman, I have used a combination of audited financial statements and management accounts, which incorporate some audit adjustments, to present the following financial information. Whilst I am not able to confirm the accuracy of this information, I have no reason to believe it is incorrect.

At section 6.2.3 of this report, I comment on the adequacy of the Companies' books and records.

4.2. Profit and Loss Statement and Preliminary Analysis

Set out below is a summary of the Companies' profit and loss statement for the past three (3) financial years together, the third being the eleven months to 31 May 2009, with my preliminary analysis. I have presented the financials of the business at consolidated group level as best as can be summarised.

THE BLUEPRINT GROUP - SUMMARY OF CONSOLIDATED POSITION

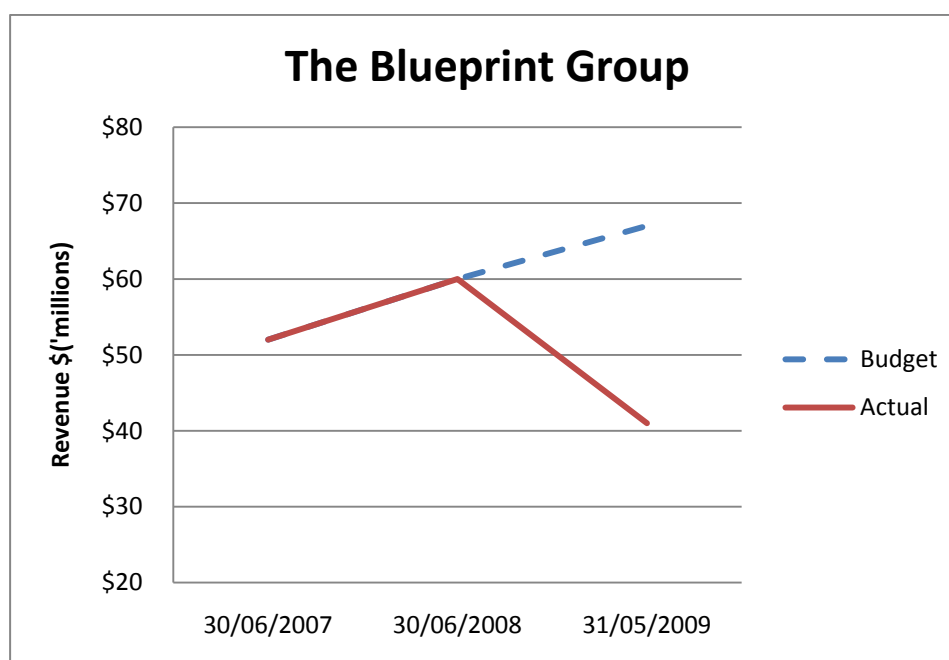
Profit and Loss Summary	30 June 2007 \$	%	30 June 2008 \$	%	11 Months to 31 May 2009 \$	%
Sales	51,897,100		60,150,258		41,081,112	
Gross Profit	21,377,069	41.2	25,508,184	42.4	13,600,724	33.1
Other Income	-		-		-	
Total Income	21,377,069	41.2	25,508,184	42.4	13,600,724	33.1
Expenses	15,528,322	30.0	20,122,809	33.5	23,416,622	57.0
Net Profit/(Loss)	5,848,747	11.5	5,385,376	9.0	(9,815,898)	(23.9)

As seen above, there was a sharp decline in revenue during the 2009/10 financial year, down nearly \$20 million on the previous year, equating to a 31.7% fall. It is also clear that expenses did not reduce in kind, remaining slightly above the previous year's figure of \$20 million but swallowing 23.5% more of income, up to 57% as compared to 33.5% in the previous year. This type of reversal of position clearly put significant stresses on the business and necessitated considerable structural changes to the Companies' cost base to allow it to remain viable.

It should be noted that expenses in the years ended 30 June 2008 include amortisation and transaction related costs of \$3.26 million, and expenses in the year 30 June 2009 incorporates approximately \$7.2 million amortisation of goodwill and other intangibles.

The original budget for FY2009 forecast revenue of \$74 million (growth of roughly 25% on the prior year) generating an operating profit (excluding amortisation of goodwill and other intangible assets) of \$14.9 million. This assumed that the business would continue to grow revenues from its existing

customer base, and also acquire new clients throughout the course of the year. The following graph illustrates the variance in forecast to actual, as well as comparing the previous year's results.



In reality, economic conditions and the Global Financial Crisis meant that revenue initially flattened in the first quarter of the year, and then started to fall markedly against the previous year in the second quarter. This manifested in a number of ways, namely:

- clients removing their business entirely
- clients cutting back budgets
- clients selling insurance products targeting lower premiums, leading to lower revenues on performance priced campaigns without a complementary reduction in the cost base
- potential clients deferring business

Some of the specific, and material, reversals were:

- August 2008: St Andrews cancelled all business, resulting in lost revenue of approximately \$125,000 per month;
- November 2008: inet cancelled all business, resulting in lost revenue of approximately \$325,000 per month;
- December 2008: Austar cancelled all business and American Express cancelled the FPO campaign, resulting in lost revenue of approximately \$300,000 and \$80,000 per month respectively; and
- January 2009: American Express cancelled B2B campaign as at the end of March 2009, resulting in lost revenue of approximately \$400,000 per month.

The initial budget also included revenues from tentatively identified new clients of \$10.2 million, none of which materialised.

In December 2008 an extensive cost reduction program was undertaken, removing a layer of operational management, a number of account managers and staff in support services including IT, Training, Business Services, Compliance and Payroll. The annualised salary savings were \$3 million.

A further round of headcount reductions were undertaken in February 2009, removing annualised salaries of \$1.3 million.

Despite these, and other previously identified efforts to reduce costs, the Companies' were not able to adjust the calibration of the business structure quickly enough to avoid a severe deterioration in the trading results of the business. Neither was it able to avoid breaching banking covenants that were calculated on the original budget, which forecast a 25% increase in top-line revenue.

4.3. Balance Sheet and Preliminary Analysis

A summary of the Companies' balance sheet for the past three (3) financial years is set out below together with my preliminary analysis:

THE BLUEPRINT GROUP - SUMMARY OF CONSOLIDATED POSITION

Balance Sheet	30 June 2007 \$	30 June 2008 \$	31 May 2009 \$
Assets			
Current Assets	13,257,733	13,194,205	664,220
Non-Current Assets	2,680,429	4,329,212	4,716,716
Goodwill and other Intangibles	-	105,769,017	98,321,678
Total Assets	15,938,162	123,292,434	103,702,614
Liabilities			
Current Liabilities	5,750,486	12,913,791	2,983,169
Non-Current Liabilities	1,882,671	6,771,341	8,019,917
Bank Debt	-	38,952,650	40,586,785
Total Liabilities	7,633,157	58,637,782	51,589,871
Surplus/(Deficiency)	8,305,005	64,654,652	52,112,743

Upon review of the chart above, it is clear that the net asset position of the business is kept positive by the inclusion of nearly \$100 million in goodwill and other intangibles. Should these intangibles be taken out of the balance sheet, as it is appropriate to do at this stage, a \$46.2 million deficiency is the result.

There has been a significant reduction in current assets due to a near \$4 million turnaround in the cash position, from positive \$1.3 million at 30 June 08 to negative \$2.6 million at 31 May 09. This is approaching the maximum overdraft limit of \$2.8 million. Also, debtors of \$8.6 million were recorded at 30 June 2008, whereas this figure was down to \$1.03 million at 31 May 2009.

5. Statement by Directors

5.1. Summary

Section 438B of the Act requires the directors to give an Administrator a statement about the Companies' business, property, affairs and financial circumstances. I received the directors' Statement on 26 June 2009.

In the Statement, the directors detailed the Companies' assets and liabilities at book value and ERV. The following table summarises the assets and liabilities described in the directors' Statement. The four Companies' have been consolidated for the purposes of presentation in this report. Below the consolidated statement is a table splitting out the assets and liabilities, as declared by directors, for each company. The directors have declared that the figures are accurate as at 31 May 2009.

CONSOLIDATED POSITION

Statement as at 31 May 2009	Report Reference	Cost or Net Book Value	Directors' ERV	Administrators' ERV	
				High	Low
		\$	\$	\$	\$
Assets:					
Interest in Land		-	-	-	-
Sundry Debtors	5.1.1	71,414,711	2,008,135	1,286,875	689,408
Cash on Hand		-	-	-	-
Cash at Bank	5.1.2	109,194	109,194	-	-
Stock on Hand		-	-	-	-
Work in Progress	5.1.3	-	-	-	-
Plant & Equipment	5.1.4	3,216,096	50,000	158,600	19,465
Motor Vehicles		-	-	-	-
Deposits & Investments		-	-	-	-
Other Assets	5.1.5	1,721,060	-	-	-
Sub Total		76,461,061	2,167,329	1,445,475	708,873
Assets Subject to Specific Charges	5.1.6	-	-	158,600	19,465
Less Amounts owing under Charges		(-)	(-)	(158,600)	(19,465)
Total Available Assets		76,461,061	2,167,329	1,286,875	689,408
Liabilities:					
Less: Priority Creditors					
- Employee Entitlements Payable in Advance of Secured Creditors	5.1.7	(1,557,956)	(1,557,956)	(3,191,071)	(3,191,071)
- Secured Creditors	5.1.8	(42,554,907)	(42,554,907)	(42,396,307)	(42,535,442)
- Partly Secured Creditors	5.1.9	(-)	(-)	(-)	(-)
Total Priority Creditors		(44,112,863)	(44,112,863)	(45,598,917)	(45,738,052)
Contingent Assets		-	-	-	-
Contingent Liabilities		(-)	(-)	(-)	(-)
Available to Unsecured Creditors		32,348,198	(41,945,534)	(44,312,042)	(45,048,644)
Ordinary Unsecured Creditor Claims	5.1.10	(2,069,488)	(2,069,488)	(1,931,214)	(1,931,214)
Estimated Surplus/(Deficiency)		30,278,710	(44,015,022)	(46,243,256)	(46,979,858)

DIRECTORS ERV OF ASSETS & LIABILITIES BY COMPANY

Statement as at 5 June 2009	BMH	BMG	CC	FAC	Total
	\$	\$	\$	\$	\$
Assets:					
Sundry Debtors	-	-	1,820,016	188,119	2,008,135
Cash at Bank	-	43,084	21,964	44,146	109,194
Plant & Equipment	-	-	50,000	-	50,000
Other Assets	-	-	-	-	-
Sub Total	-	43,084	1,891,980	232,265	2,167,329
Liabilities:					
Employee Entitlements	-	90,394	904,821	562,741	1,557,956
Secured Creditors ¹	42,554,907	42,554,907	42,554,907	42,554,907	42,554,907
Unsecured Creditors	-	93,586	799,900	1,176,002	2,069,488
Sub Total	42,554,907	42,738,887	44,259,628	44,293,650	46,182,351
Suplus/(Deficiency)	(42,554,907)	(42,695,803)	(42,367,648)	(44,061,385)	(44,015,022)

¹ Whilst each company guarantees this amount via their respective registered charges, the debt remains the same across the group as a whole.

I comment on the Statement as follows:

5.1.1. Sundry Debtors

The significant majority of the book value of debtors (\$65,327,739) is made up of a debt owed to BMH by its subsidiary BMO, which is now obviously unrecoverable. There is also an amount of \$2,510,779 owed to BMG by BMO. These amounts are obviously not recoverable. The remainder of this balance is made up as follows:

	\$
Prepayments	464,089
Prepaid tax	125,838
Deposit paid on planned new premises	100,000
Trade debtors (billed and unbilled)	2,882,206
TOTAL	3,572,113

With the exception of trade debtors that I comment on separately below, I do not expect to recover any funds from the above debtors apart from a refund of \$94,000 (deposit less legal costs) on the deposit paid on the execution of a Heads of Agreement to lease the planned new premises in Pymont.

My review of the Companies' trade debtors' ledger as at 5 June 2009 totalled \$1,571,971. An 'aged' analysis follows. The reasons for the variance with the figure above are due to a significant amount of debtors that were paid in the period from 31 May to 5 June, in particular by Westpac. However, the majority of this difference (approximately \$950,000) appears due to lower than estimated amount of unbilled time as a result of the reduced trading week experienced due to my appointment on Friday 5 June 2009.

	0-30 Days \$	30-60 Days \$	60-90 Days \$	90+ Days \$	Total \$
Total	1,406,029	100,269	34,126	31,547	1,571,971
Percentage of Total	89%	6%	2%	2%	100%

I performed a detailed review of each debtor balance and consider adjustments are required as follows:

\$343,810 relates to two debtors who are also creditors of the Companies' and may be entitled to set off.

Debts collected since my appointment total \$545,408.

I estimate further debt recoveries of between \$50,000 and \$650,000 calculated as follows:

	High (\$)	Low (\$)
Opening Debtors' balance	1,571,971	1,571,971
Less: Debtors collected to date	(545,408)	(545,408)
Less: Debtors entitled to set off	(343,810)	(343,810)
Less: Debtors disputed or doubtful	(35,286)	(632,753)
Estimate of further debt recoveries	647,467	50,000

5.1.2. Cash on Hand and Cash at Bank

The Companies' operated four bank accounts with the ANZ. I froze all accounts on appointment and requested all credit funds be transferred to new Administration bank accounts. However, ANZ claimed set-off rights in respect of the account balances at appointment (with the exception of BMH) pursuant to the Facilities Agreement dated 2 May 2008 between ANZ and BMH & BMO. As previously discussed, BMG, CC and FAC are obligors under this agreement. Balances that were claimed by ANZ are as follows:

Balance as at 9 June 2009	\$
Customcall Pty Limited (Administrators Appointed)	406,255
Blueprint Management Group Pty Limited (Administrators Appointed)	39,498
Financial Advice Centre Pty Limited (Administrators Appointed)	359,934
Blueprint Management Holdings Pty Limited	44
TOTAL	805,731

It is my understanding that the difference in balances between the Directors' statement and the figure received by the bank is due to a number of debtor collections that were received subsequent to 31 May 2009, which is the date the statements are made up to. I note there were also significant collections (approximately \$400,000) in the days following my appointment which, as mentioned above, have been claimed by ANZ. I intend to obtain legal advice as to the banks' right to claim these monies.

In addition to the above credit accounts, an overdraft facility was also in operation at the date of appointment. This facility formed part of the working capital component of the senior debt provided by the banking syndicate, being \$4 million; \$1.2 million of these funds were utilised as bank guarantees for the premises and other leased assets, with the remaining for \$2.8 million available for an overdraft. The balance on the overdraft at the date of my appointment was approximately \$2.7 million.

5.1.3. Work in Progress

The directors reported no Work in Progress as at the date of appointment of Administrators. My staff reviewed the status of all Work in Progress and an amount of unbilled time was identified for the week leading up to appointment. Following appointment, an effort was made to raise invoices in respect of all this outstanding time. These amounts are dealt with in the debtors analysis at Section 5.1.1.

5.1.4. Plant and Equipment

I engaged independent auctioneers and valuers to value plant and equipment. A summary appears below:

Asset Description	Market Value for Existing Use \$	Estimated Auction Value \$
Office Furniture, Computers and other related equipment	158,600	19,465

5.1.5. Other Assets

The Statement disclosed other assets (not included in other categories) that were held by BMG in its subsidiaries as follows:

Investments	Cost \$	Realisable \$
Financial Advice Centre Pty Limited	8,001	-
Customcall Pty Limited	1,713,059	-
TOTAL	1,781,060	-

5.1.6. Assets Subject to Specific Charges

The directors did not disclose any assets subject to specific charges. However, the charges registered over the Companies' state claims over fixed charge assets. At this stage, I am uncertain as to which assets are secured by the fixed charge and those that are subject to the floating charge. It is my view that only plant and equipment is covered by the fixed charge, however, I will take further advice and liaise with the chargee in this regard.

5.1.7. Employee Claims

I examined the Companies' employee records and estimate the priority debts owed to employees as follows:

Employee Entitlements	Total Employee Entitlements \$	Non Priority Excluded Amount \$	Net Priority Entitlements \$
Wages and Expenses	352,596	5,212	347,384
Superannuation	327,989	-	327,989
Annual Leave	679,454	9,040	670,414
Long Service Leave	197,917	-	197,917
Maternity Leave	11,538	-	11,538
Redundancy	685,992	-	685,992
Pay in Lieu of Notice	1,134,453	173,077	961,376
Total	3,389,939	187,329	3,202,610

Employee claims are afforded priority of repayment pursuant to section 556 of the Act.

The Act provides that “Excluded Employees”, which includes Company directors and their spouses, are each restricted to a total maximum priority claim of \$2,000 for unpaid wages and \$1,500 for annual leave entitlements.

Amounts owed to Excluded Employees that exceed the statutory cap for wages and superannuation and annual leave/long service leave, and all payments owing in respect of retrenchment, being redundancy and payment in lieu of notice, rank for dividend with all other unsecured creditors.

The large variance between the quantum of employee entitlements outstanding declared by directors and the amount shown above is due to the directors statement not including superannuation, redundancy and pay in lieu of notice. Whilst this is a material difference, the ASIC provided form that the directors were required to complete was deficient in terms of specifically requesting these amounts.

5.1.8. Secured Creditors

ANZ Fiduciary Services Pty Limited holds a registered fixed and floating charge over each of the Companies’, as detailed at Section 3.1.4 of this report. As previously discussed, these charges protect the rights of ANZ and Westpac as senior lenders to the Companies’ as set out in the Facilities Agreement dated 8 May 2008.

At Friday 5 June 2009, the Companies’ owed Westpac and ANZ approximately \$42,554,907 in principal and interest.

In accordance with the provisions of Section 450A(3) of the Act, I notified ANZ Fiduciary Services of the appointment and advised of their right to enforce their security within 10 business days. They declined to exercise this right.

As previously noted, the borrower in this arrangement is BMO and, accordingly, the debt does not actually exist as a liability in any of the Companies’ financial accounts as it is a contingent liability. For this reason, the directors have not included the debt in their statement of affairs. However, the charges registered over each of the Companies’ secures the assets of those Companies’, including their shareholdings, and I have included this secured debt in the statement.

Nonetheless, I shall seek advice as to the cross-collateralisation arrangements that are in place across the Companies' in respect of the senior debt, specifically which assets are secured by the fixed charge and those that are secured by the floating charge. As illustrated in the summary of the directors' statement, this affects the priority of payment, notably in relation to employee entitlements. At this stage, I have included the total owed to the banking syndicate in the secured creditors section.

5.1.9. Ordinary Unsecured Creditors

The directors' RATA splits unsecured creditors in the following manner:

Type	\$
BMG ordinary unsecured creditors	93,586
FAC ordinary unsecured creditors	126,002
CC ordinary unsecured creditors	559,900
Sub Total (ordinary unsecured)	779,488
Westpac Highflyers	240,000
Comminsure Deposit	350,000
Westpac Clawback March-June	700,000
Total	2,069,488

Accounting for informal proofs of debt received to date and the Companies' records, I estimate the Companies' liability to ordinary unsecured creditors at \$641,214. The change is due to a number of creditors being paid in the ordinary course in the week leading up to my appointment, as well as some revisions in the creditors ledger to account for previous amounts already paid and offsets. Accordingly, the total amount owing to unsecured creditors according to my investigations is \$1,931,214. This figure is subject to the receipt and adjudication of final proofs of debt from creditors.

The \$240,000 debt to Westpac Highflyers is in relation to a prepayment of funds used as an awards program for employees working on Westpac campaigns. The funds were not deposited in a separate account and no formal security arrangement was in place. Accordingly, the outstanding amount is an unsecured debt against the Companies'.

5.1.10. Omissions from Statement

Save for my previous comments regarding specific disclosures in the Statement, there are no material omissions from the directors' Statement.

5.2. Explanation for Current Financial Position

The directors' explanations for the Companies' current financial position are essentially two-fold.

On the one hand they cite the accelerated loss of revenue being caused by the Global Financial Crisis. This had a direct affect on the two biggest sources of income for the business, causing insurance premiums to reduce, and also resulted in the tightening of controls on applications for credit cards. Due the previously mentioned "performance pricing" model of the business, as opposed to a more traditional time and cost charge system, this had a direct affect on top-line revenue without any immediate requisite reduction in expenses.

In addition to this, all directors point to the stresses placed on the Companies' due to the onerous debt that was carried as a result of the sale transaction that was detailed earlier and the restrictive covenants that came with it.

Following the sale, the business was burdened with the following approximate costs on an annual basis:

- Interest of approximately \$4.8 million (reducing as principal is repaid over five years); and
- Debt amortisation beginning at \$575,000 per quarter, increasing to \$1.6 million in the final quarter, an average of \$4.15 million per year.
- Totalling **\$8.95 million** in financing costs per year.

From a Profit and Loss perspective, the Companies' were also burdened with an annual amortisation of goodwill and other intangibles of approximately \$7 million per year.

My preliminary view is that the Companies' failed because of:

- Excessive gearing
- Accelerated decline in revenue
- Cross collateralisation of debt across previously ungeared Companies'

6. Statutory Investigations

6.1. Nature and Scope of Review

The Act requires an administrator to carry out preliminary investigations into a Company's business, property, affairs and financial circumstances.

Investigations centre on transactions entered into by a Company that a liquidator might seek to void or otherwise challenge where the Company is wound up. Investigations allow an administrator to advise creditors what funds might become available to a liquidator such that creditors can properly assess whether to accept a DOCA proposal or resolve to wind up the Company.

Funds recovered would be available to the general body of unsecured creditors including secured creditors but only to the extent of any shortfall incurred after realising their security.

A liquidator may recover funds from each type of voidable transaction detailed in this report. A Deed Administrator does not have recourse to these voidable transactions. A liquidator may also recover funds through other avenues, for example, through action seeking compensation for insolvent trading.

An administrator is not obliged to carry out investigations to the same extent as a liquidator. A liquidator may require many months of investigation and conduct public examinations before forming a concluded view on recovery action.

I investigated matters to the extent possible in the time available. The dividend estimate in a liquidation scenario set out in Section 7.2 of this report reflects the outcome of my investigations.

The Administrators' knowledge of the Companies' affairs comes principally from the following sources:

- Communications with the Companies' major creditors regarding the nature and amount of the debts owed. Those creditors confirmed that the details disclosed by the Companies' are substantially correct.
- The directors' Statement and a detailed questionnaire concerning the Companies' affairs prepared by the directors.
- Discussions with the directors and their advisors, in particular the Financial Controller of the Blueprint Group, Caspar Deman.
- An independent appraisal of the value of the Companies' property, plant and equipment obtained upon my instructions.
- A search of the ASIC records relating to the Companies' and any related entities.
- An examination of the Companies' books and records including its financial statements and management accounts.

6.2. The Companies' Solvency

6.2.1. Overview

Proving a company's insolvency is an important element in the recovery of funds by a liquidator through the voiding of certain transactions or through other legal action, such as seeking compensation from directors for insolvent trading.

Establishing insolvency is a complex matter due in part to the complexity of corporate financial transactions and the lack of clear prescriptive legal authority on proof of insolvency. Notwithstanding, there are two primary tests used in determining a company's solvency, at a particular date; namely:

- Balance sheet test; and
- Cash flow or commercial test.

The Courts have widely used the cash flow or commercial test in determining a company's solvency at a particular date.

Section 95A of the Act also contains a definition of solvency. That definition reflects the commercial test in stating that a person is solvent if *"the person is able to pay all the person's debts as and when they become due and payable"*.

However, the commercial test is not the sole determinant of solvency. Determining solvency derives from a proper consideration of a company's financial position in its entirety and in the context of commercial reality. Relevant issues include, but are not limited to, the following:

- The degree of illiquidity. A temporary lack of liquidity is not conclusive;
- Regard should be had to:
 - cash resources; and
 - monies available through asset realisations, borrowings against the security of assets or equity/capital raising.
- All a Company's assets might not be relevant when considering solvency. For example, where a Company proposes selling assets which are essential to its business operations, the proceeds of those assets should not be taken into account.
- The voluntary and temporary forbearance by creditors not to enforce payment terms; and

- It is not appropriate to base an assessment of whether a Company can meet its liabilities as and when they fall due on the prospect that a Company might trade profitably in the future.

In summary, it is a Company's inability using such resources as are available to it through the use of its assets, or otherwise, to meet its debts as they fall due, which indicates insolvency.

6.2.2. Preliminary Determination

Set out below is a summary of my preliminary investigations and my preliminary determination as to the Companies' solvency.

Review of the Companies' bank facilities

As previously disclosed the Companies' were operating an overdraft facility with a limit of \$2.8 million. At the date of my appointment, the balance of this account was approaching this limit at approximately \$2.7 million. However, cash at bank at 9 June 2009 was \$805,731. As noted earlier, roughly \$400,000 was deposited by debtors following my appointment.

Aged Payables Review

In order to consider whether the group could meet creditor obligations as and when they fall due, an analysis of the aged payables was undertaken. The table below sets out an analysis of the aged payables as at 5 June 2009.

	Current \$000's	30 Days \$000's	60 Days \$000's	90+ Days \$000's	Total \$000's
Trade Creditors as at (date)	601,642	109,698	1,870	(71,996)	641,214
Percentage of Total	94%	17%	0.3%	(11%)	100%

It is apparent that the significant majority of creditors are being paid within terms. Further to this, the negative balance shown for debts over 90 days is due to a bill of \$90,000 to the law firm Cosoff Cumdore Cox being previously recorded in error, and subsequently reversed. The remainder of the balance that is payable in excess of 90 days predominately relates to outstanding amounts to Optus that have been contested by the Companies'.

Accordingly, the evidence indicates that creditors were being paid as they fell due and my review of the banking records show that no material non-payment of creditors was occurring leading up to the appointment of Administrators. The profile of ordinary creditor payments does not indicate the possibility of insolvent trading. Nonetheless, should the Companies' be placed into liquidation a more detailed insolvent analysis will be conducted by the proposed liquidators. Consequently, if the Companies' traded while insolvent, there is a potential to recover funds that have been paid to suppliers within (at least) the previous six months prior to the perceived insolvency of the Companies'.

Further to this, my review of the Companies' records do not indicate that any creditors took action against the Companies' to recover outstanding payables.

Finance Commitments Review

The Facilities Agreement in relation to the senior debt owed to Westpac and ANZ required repayments of principal instalments and interest each quarter. As previously discussed, banking covenants were reported as breached in the December 2008 compliance statement, submitted to the banking syndicate on 19 February 2009. Covenants were again breached in the March 2009 quarter. Whilst the March interest component was paid, the accompanying principal repayment of \$575,000 was rolled over to the end of April 2009, then again to the end of May 2009 and again to 30 June 2009.

These payments were extended by agreement with the lenders, however, interest was accruing on the outstanding amounts.

Accordingly, a payment of approximately \$1.8 million was due by 30 June 2009, being the rolled over principal repayment of \$575,000 and interest of approximately \$1.2 million. Whilst it is clear that the Companies' would not be in a position to make this payment, they were operating under the reasonable assumption that they had the support of the banking syndicate, and that the payment would likely be waived in an effort to resolve the Companies' trading issues.

This assumption appeared reasonable leading up to the expected recapitalisation from ANZ Private Equity, as well as the probable support from the lenders for an accelerated sale of the business as a going concern, until their withdrawal of support on 22 May 2009 and 4 June 2009 respectively.

Profitability, Cashflow and Working Capital

As previously discussed in this report, the business experienced a sharp decline in revenue during the second quarter of the 2008/09 financial year. Nonetheless, the collection of debtors could possibly have supported day-to-day trading past 5 June 2009, however, there was no capacity to meet the upcoming finance commitments and other major liabilities on the horizon without an arrangement being reached with the banking syndicate that would have given directors comfort that a default for non-payment would not be issued.

Net Assets

It has been illustrated earlier in this report that the major asset listed on the balance sheet is approximately \$100 million in goodwill and other intangibles. These amounts came about following the sale transaction, which has been discussed previously at length, whereby the business was valued at roughly \$108 million. The significant decline in revenue in the 12 months since this transaction has more than likely had a severe negative effect on these intangible measures of the value of the Blueprint Group.

Whilst there is no longer any value placed on intangible assets, it is unclear whether the goodwill of the business would have deteriorated to a point where the Companies' would have been considered balance sheet insolvent (i.e. the value of liabilities, in particular the bank debt, exceeding the value of assets) prior to the appointment of Administrators.

Payment of Statutory Commitments including Superannuation Guarantee Charge

Based on my preliminary review of the Companies' records, all statutory commitments were paid up to date, including monthly GST liabilities and quarterly superannuation contributions. The outstanding superannuation owed to employees is in respect of amounts payable for the quarter ended 30 June 2009

Conclusion

Based on the above analysis, it is my preliminary view that the Companies' was more likely than not insolvent on 4 June 2009. It is at this date that the banking syndicate communicated to the Companies' that they would not provide any emergency support to fund an immediate sale process.

A liquidator would need to conduct further investigations, and possibly conduct public examinations of relevant parties, to ultimately determine whether or not the Companies' became insolvent at that time or earlier.

6.3. Insolvent Trading

6.3.1. Directors' Liability

Section 588G of the Act imposes a positive duty upon Company directors to prevent insolvent trading. If a director is found guilty of an offence in contravening Section 588G, the Court may order him or her to pay compensation to the Company equal to the amount of loss or damage suffered by its creditors.

The Court may also impose upon the directors one of two types of civil penalty orders. The first can include a fine not exceeding \$200,000 or an order prohibiting directors from participating in the management of a Company. The second, where there is criminal intent and a conviction, can include imprisonment for 5 years in addition to a fine.

ASIC usually applies for civil penalty orders while applications for compensation payable to the Company are usually made by a liquidator, or in specified circumstances, a creditor. The substantive elements of Section 588G are:

- A person must be a director of a Company at a time when the Company incurs a debt;
- The Company must be insolvent at that time or becomes insolvent by incurring the debt;
- The director must have reasonable grounds for suspecting that the Company is insolvent or would so become insolvent by incurring the debt;

Summarised below are the defences contained in Section 588H:

- The directors had reasonable grounds at the time the debt was incurred to expect the Company to be solvent and would remain solvent even after the debt was incurred;
- The directors relied on another person to provide information about whether or not the Company was solvent;
- The directors were ill or for some other good reason did not take part in the management of the Company;
- The directors took reasonable steps to prevent the incurring of the debt.

A liquidator must form an opinion as to the date the Company became insolvent and determine the debts incurred from that date; thereby quantifying the loss to the Company.

Based on my analysis at Section 6.2 of this report, I indicated the likely date of insolvency of the Companies' was 4 June 2009, and that the directors would have had reasonable grounds for suspecting so.

In their defence, the directors could argue:

- No substantial debts were incurred beyond 22 May 2009 when directors were advised that ANZ Private Equity would not be participating in a recapitalisation of the Companies';
- They sought advice on 26 May 2009 and again on 4 June 2009, which led to the appointment of administrators;
- A reasonable expectation that shareholder funding would continue prior to 22 May 2009; and
- A reasonable expectation that the Companies' were or would remain solvent due to support from the banking syndicate that was revoked on 4 June 2009.

Again, a liquidator would likely seek legal advice on these issues and conduct further investigations, possibly before reaching a final conclusion.

6.3.2. Presumption of Insolvency – Inadequate Books and Records

Failure to keep or retain adequate books and records in accordance with Section 286 of the Act provides a rebuttable presumption of insolvency under Section 588E of the Act. A liquidator can rely on the presumption of insolvency in litigation including:

- Compensation claims arising from insolvent trading; and
- Recovery of voidable transactions from related entities.

The presumption cannot be relied upon in the recovery of unfair preferences from an unrelated entity.

My preliminary view is that the Companies' maintained adequate books and records in accordance with Section 286. Accordingly, the presumption of insolvency under Section 588E would not be available.

6.4. Voidable Transactions

6.4.1. Unfair Preferences

A payment to a creditor is preferential if it is made at a time when the Company is insolvent and it results in the recipient receiving a greater return than they would receive if the payment were set aside and the creditor lodged a claim in the liquidation.

Should a liquidator establish any such unfair preference payments, these amounts may be recouped thereby increasing the funds available to ordinary unsecured creditors. If a creditor disgorges an unfair preference payment to a liquidator, the creditor is entitled to prove for dividend. Therefore, whilst recovering an unfair preference increases the pool of funds available to creditors, it also increases total creditor claims.

My preliminary investigation into the Companies' affairs does not reveal any unfair preference payments.

6.4.2. Uncommercial Transactions

A transaction is an uncommercial transaction if it is made at a time when the Company is insolvent and it may be expected that a reasonable person in the Company circumstances would not have entered into the transaction having regard to:

- The benefits or detriment to the Company of entering into the transaction;
- The prospective benefits to other parties to the transaction upon entering into it.

Should a liquidator establish any such uncommercial transactions, those transactions may be set aside thereby increasing the funds available to ordinary unsecured creditors.

My preliminary investigations do not disclose any transactions of an uncommercial nature which may lead to recoveries by a liquidator in the event that the Companies' are wound up.

6.4.3. Unfair Loans

Section 588FD provides that a loan to a Company is unfair if the interest and charges are exorbitant. In considering whether interest and charges are extortionate, regard must be had to:

- Risk the lender is exposed to;
- Value of security;
- Term;
- Repayment schedule; and
- Amount of loan.

Based on my investigations to date, the Companies' were not party to any unfair loans.

6.4.4. Unreasonable Director-related Transactions

Pursuant to Section 588FDA of the Act, a transaction is an unreasonable director-related transaction of the Company if:

- The transaction is a payment, transfer of property, issue of securities or incurring of an obligation by the Company; and,
- Made by the director or close associate of the director;
- That a reasonable person in the Company's circumstances would not have entered into having regard to the benefit or detriment to the Company or other parties.

Should a liquidator establish any such transactions, they may be set aside thereby increasing the funds available to unsecured creditors.

My preliminary investigations do not reveal any unreasonable director related transactions.

6.4.5. Obstruction of Creditors' Rights

Section 588FE of the Act provides for the voiding of transactions designed to defeat, delay or interfere with creditors rights.

My investigations do not disclose any such transactions.

6.5. Director Duties

Based on preliminary investigations, I have not identified any breaches by the directors of their statutory or fiduciary duties.

6.6. Other Matters Arising from Investigations

6.6.1. Falsification of Books

Pursuant to Section 1307 of the Act, it is an offence for a person to engage in conduct that results in the concealment, destruction, mutilation or falsification of any securities of or belonging to the Company or any books effecting or relating to affairs of the Company.

If a breach is proven, Part 9.4 of the Act provides for criminal penalties only. Therefore, any breaches of Section 1307 will not result in recovery of funds by a liquidator.

My preliminary investigations do not reveal any evidence of falsification of books.

6.6.2. False or Misleading Statements

Pursuant to Section 1308 of the Act, a Company must not advertise or publish a misleading statement regarding the amount of its capital. It is an offence for a person to make or authorise a statement that, to the person's knowledge, is false or misleading in a material particular.

If a breach is proven, Part 9.4 of the Act provides for criminal penalties only. Therefore, any breaches of Section 1308 will not result in recovery of funds by a liquidator.

My preliminary investigations do not reveal any evidence of any false or misleading statements.

6.6.3. False Information

Pursuant to Section 1309 of the Act, it is an offence for an officer or employee to make available or give information to a director, auditor, member, debenture holder, or trustee for debenture holders of the Company that is to the knowledge of the officer or employee:

- (a) False or misleading in a particular manner; or,
- (b) Has omitted from it a matter the omission of which renders the information misleading in a material respect.

If a breach is proven, Part 9.4 of the Act provides for criminal penalties only. Therefore, any breaches of Section 1309 of the Act will not result in any recovery by a liquidator.

My preliminary investigations do not reveal any evidence of any false information.

7. Possible Recoveries from Legal Action

As part of the previously discussed restructure that took place as a result of the sale transaction in May 2008, an Implementation Deed was entered into as part of the documentation of the transaction between Creel Price, Trevor Folsom and HEB Australian Investment Pty Limited ("the Vendors") and the new investors.

That Implementation Deed provided that various parties, including the Vendors, gave certain warranties to Blueprint Management Holdings Pty Limited as to various matters relating to the business. The Administrators are aware that notifications of two separate claims against the Vendors were made by Blueprint Management Holdings Pty Limited in May of 2009.

Each of those claims allege that there were inaccuracies in certain information and/or accounts provided at the date of settlement of the transaction that allegedly breached the warranty provisions of the Implementation Deed.

It is claimed that Blueprint Management Holdings Pty Limited has suffered loss and damage as a consequence in the following amounts:

- In respect of the first notice, \$1,040,601; and
- In respect of the second notice, \$10,920,000.

The solicitors acting for the Vendors have provided a detailed response denying that the Vendors have any liability under the notices.

At this stage the Administrators have not undertaken a detailed review of those potential claims and therefore cannot comment on the likelihood of them succeeding. Given the sums involved (\$3.1 million priority, and \$42.6 million secured creditors), even if a claim results in a full recovery of the approximately \$12 million claimed, no money will be available for distribution to unsecured creditors. For the claims to be pursued, appropriate litigation funding will need to be obtained.

8. Creditors' Options, Dividend Estimates & Cost Estimates

Pursuant to Section 439A(4)(b) of the Act, I am required to provide creditors with a statement setting out my opinion on whether it is in the creditors' interests for the:

- Administration to end;
- Companies' to be wound up; or
- Companies' to execute a DOCA.

There is no proposal for a DOCA. Accordingly, creditors have the option of resolving that the administration end or resolving that the Companies' be wound up.

In forming my opinion, I considered an estimate of the dividend creditors might expect, and the likely costs, under each option.

8.1. Administration to End

Creditors may resolve that the administration should end if it appears the Company is solvent or, for some other reason, control of the Company should revert to its directors.

Based on my preliminary investigations and analysis of the Companies' financial information, the Companies' are insolvent. There appears no valid commercial reason why control of the Companies' should revert to its directors.

If the administration were to end, there is no mechanism controlling an orderly realisation of assets and distribution to creditors. I am unable to say what the Companies' might ultimately pay creditors or what costs it might incur.

Therefore, my opinion is that it is not in the creditors' interests for the administration to end.

8.2. Winding up of Companies'

Based upon the information in this report, where the Companies' are wound up, I estimate a dividend to creditors as follows (I attach a summary estimate for each individual company as **Annexure "3"**):

CONSOLIDATED POSITION

Estimated Liquidation Dividend	High (\$)	Low (\$)
Fixed Charge Assets		
Land	-	-
Plant & Equipment	158,600	19,465
Vehicles	-	-
Other	-	-
Less Realisation Costs	-	-
Administrators'/Liquidators' Fees & Disbursements relating to Fixed Charge Asset Realisations	(20,000)	(20,000)
Commission	(10,000)	(5,000)
Advertising	()	()
Sundry	(10,000)	(5,000)
Legal	(10,000)	(5,000)
Net Realisations from Fixed Charge Assets	108,600	(15,535)
Less Secured Creditor's Fixed Charge Claim	(108,600)	(-)
Surplus/(Deficiency) after Secured Creditor's Fixed Charge Claim	-	(15,535)
Floating Charge Assets		
Cash	-	-
Debtors	1,286,875	689,408
Stock	-	-
Less Realisation Costs	()	()
Commission	()	()
Advertising	()	()
Sundry	()	()
Legal	()	()
Trading surplus/(Deficit)	-	(25,000)
Net Realisations from Floating Charge Assets	1,286,875	664,408
Less Priority Claims		
Administrators' Fees and Disbursements	(203,014)	(203,014)
Liquidators' Fees and Disbursements	(200,000)	(200,000)
Legal	(60,000)	(100,000)
Employee Entitlements		
• Wages/Superannuation	(675,373)	(675,373)
• Annual Leave	(670,414)	(670,414)
• Long Service Leave / Maternity Leave	(209,456)	(209,456)
• Redundancy	(685,992)	(685,992)
• Pay in Lieu of Notice	(961,375)	(961,375)
Total Priority Claims	(3,665,624)	(3,705,624)
Net Funds Available to Secured Creditor After Priority Claims	(2,378,749)	(3,041,216)
Less Secured Creditor's Claim	(42,446,307)	(42,554,907)
Total Funds Available after Priority Claims & Secured Creditor's Claim	(44,825,056)	(45,596,123)
Total Voidable Transaction & Other Recoveries (as per summary at section 8.9)	-	-
Less Recovery Costs	(-)	(-)
Total Funds Available to Ordinary Unsecured Creditors	(44,825,056)	(45,596,123)
Known Unsecured Creditor Claims	(1,931,214)	(2,069,488)
Estimated Dividend to Ordinary Unsecured Creditors	Nil	Nil

The above analysis provides a high and low estimate of the realisable value of the assets if the Companies' were wound up.

Under either scenario, there would be no return to unsecured creditors due to:

- The amount owed to the secured creditor;
- Extent of employee claims; and
- Costs of administration/liquidation.

Employees may be entitled to claim their entitlements (other than superannuation) under the Federal Government's GEERS.

9. Administrators' Opinion

As stated in section 7.1 above, the option of the administration ending is clearly not viable and, to date, no satisfactory offer to purchase either the Companies' or the assets of the Companies' has been presented to me. Should an attractive offer be received subsequent to this report being issued and prior to the Second Meeting of Creditors on 10 July 2009, I will present the offer to creditors at this meeting and, if appropriate, propose that the meeting be adjourned to allow for formal negotiations for the sale to be entered into.

At this stage, I recommend to creditors that each of the Companies' be wound up.

10. Administrators' Remuneration Report

The Administrators have incurred fees and expenses in the conduct of the Voluntary Administrations of the Companies' in accordance with the hourly rates made available in our initial circular to creditors dated 9 June 2009.

Pursuant to Section 446E of the Act, I enclose as **Annexure "1"** the Administrators' Remuneration Report. At the second meeting of creditors, I intend seeking approval of the remuneration set out in the remuneration report. Details of disbursements incurred are also included in the remuneration report. Also attached is an Information Proof of Debt Form (**Annexure "4"**), Notice of Second Creditors Meeting (**Annexure "5"**) and Proxy Form (**Annexure "6"**).

Actual time charged in relation to the Administrations for the period 5 June 2009 to 26 June 2009 totals **\$169,015.50** (exclusive of GST). Full details of the remuneration incurred for this period are attached as Annexure 1.

In addition to actual remuneration incurred, I have included in my Remuneration Report an estimate of **\$44,000** (exclusive of GST) for additional costs that will necessarily be incurred in relation to progressing the Administrations for the period 27 June 2009 to 10 July 2009, as well as an estimate of **\$210,000** (exclusive of GST) for costs that will necessarily be incurred to proceed with and complete the liquidation of the Companies'.

Creditors will be asked at the Second Meeting of Creditors to consider, and if thought appropriate, approve the fees of the Administrators for the entire period of 5 June 2009 to the completion of the Companies' winding up. The proposed resolutions which creditors will be asked to consider and vote on are as follows (a separate resolution is required for each company):

BMH

*"That the remuneration of the Administrators, as set out in the Administrators' remuneration report dated **1 July 2009** for the period **5 June 2009** to **26 June 2009** be fixed and paid in the sum of **\$1,718.50** plus any applicable GST and, for the period from **27 June 2009**, to the end of the administration period **10 July 2009** be fixed and paid to a maximum amount of **\$2,000.00**, plus any applicable GST"*

*"That the remuneration of the Liquidators, as set out in the Administrators' remuneration report dated **1 July 2009** for the period from **10 July 2009** to the conclusion of the Liquidation be approved up to the sum of **\$15,000.00** plus any applicable GST but subject to upward revision by resolution of creditors, and that the Liquidators be authorised to make periodic payments on account of such accruing remuneration."*

BMG

*"That the remuneration of the Administrators, as set out in the Administrators' remuneration report dated **1 July 2009** for the period **5 June 2009** to **26 June 2009** be fixed and paid in the sum of **\$10,511.00** plus any applicable GST and, for the period from **27 June 2009**, to the end of the administration period **10 July 2009** be fixed and paid to a maximum amount of **\$3,000.00**, plus any applicable GST"*

*"That the remuneration of the Liquidators, as set out in the Administrators' remuneration report dated **1 July 2009** for the period from **10 July 2009** to the conclusion of the Liquidation be approved up to the sum of **\$15,000.00** plus any applicable GST but subject to upward revision by resolution of creditors, and that the Liquidators be authorised to make periodic payments on account of such accruing remuneration."*

FAC

*"That the remuneration of the Administrators, as set out in the Administrators' remuneration report dated **1 July 2009** for the period **5 June 2009** to **26 June 2009** be fixed and paid in the sum of **\$20,250.00** plus any applicable GST and, for the period from **27 June 2009**, to the end of the administration period **10 July 2009** be fixed and paid to a maximum amount of **\$11,500.00**, plus any applicable GST"*

*"That the remuneration of the Liquidators, as set out in the Administrators' remuneration report dated **1 July 2009** for the period from **10 July 2009** to the conclusion of the Liquidation be approved up to the sum of **\$80,000.00** plus any applicable GST but subject to upward revision by resolution of creditors, and that the Liquidators be authorised to make periodic payments on account of such accruing remuneration."*

CC

*"That the remuneration of the Administrators, as set out in the Administrators' remuneration report dated **1 July 2009** for the period **5 June 2009** to **26 June 2009** be fixed and paid in the sum of **\$136,534.00** plus any applicable GST and, for the period from **27 June 2009**, to the end of the administration period **10 July 2009** be fixed and paid to a maximum amount of **\$27,500.00**, plus any applicable GST"*

*"That the remuneration of the Liquidators, as set out in the Administrators' remuneration report dated **1 July 2009** for the period from **10 July 2009** to the conclusion of the Liquidation be approved up to the sum of **\$100,000.00** plus any applicable GST but subject to upward revision by resolution of creditors, and that the Liquidators be authorised to make periodic payments on account of such accruing remuneration."*

11. Receipts and Payments from 5 June 2009 to 30 June 2009

As at the date of this report, there have been a number of receipts and payments in the Administration of the Companies'. Attached as **Annexure "2"** is a summary of receipts and payments to date in each company.

12. Further Queries

I will advise creditors in writing, if practicable, of any additional matter that comes to my attention after the dispatch of this report that, in my view, is material to creditors' deliberations.

In the meantime, should creditors have any queries, please do not hesitate to contact Anthony Murphy on (02) 9286 9817 or James Champion de Crespigny on (02) 9286 9964.

DATED this 1st day of July 2009.

A handwritten signature in black ink, appearing to read 'John Melluish', written in a cursive style.

John Melluish
Administrator