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MBJ:GL:D11
G Luck

8 December 2009

**SAS GLOBAL SEVILLE GROVE LTD ACN 123 755 859
(Administrators Appointed) (Receivers and Managers Appointed)
("the Company")**

CIRCULAR TO CREDITORS

As previously advised, Andrew Saker, Darren Weaver and I were appointed Joint and Several Administrators of the abovenamed company on 11 November 2009 pursuant to Section 436A of the Corporations Act 2001.

On 23 November 2009, the first meeting of creditors was held and our appointment as Joint and Several Administrators was ratified.

A second meeting of creditors has been convened for **Wednesday, 16 December 2009 at the offices of Ferrier Hodgson, Level 26, BankWest Tower, 108 St Georges Terrace, Perth, Western Australia at 10.00am WST** for creditors to determine the future of the company.

For your information and assistance, the following notices, statements and reports are attached.

1. Notice of Meeting.
2. Administrator's report including a report on the Company's business, property, affairs and financial circumstances, the report contains a statement setting out my opinion about each of the following matters and my reasons for those opinions:
 - a. Whether it would be in the creditors' interests for the company to be wound up.
 - b. Whether it would be in the creditors' interests for the administration to end.
 - c. Whether the meeting should be adjourned for a period of up to forty-five (45) business days.
3. Remuneration Report.

ADELAIDE
BRISBANE
MELBOURNE
SYDNEY
HONG KONG
JAKARTA
KUALA LUMPUR
MANILA
MUMBAI
SHANGHAI
SINGAPORE
TOKYO

Affiliated through
Zolfo Cooper
and
Kroll Worldwide
UNITED STATES
UNITED KINGDOM



4. Informal Proof of Debt form for voting purposes. Any Informal Proof of Debt forms submitted for the purposes of the first meeting of creditors and accepted by the Chairperson of that meeting for voting purposes will be valid for this meeting.
5. Instrument of Proxy.

Should you have any questions in relation to this matter, please contact Sean Holmes or Kieran Chu of this office.

A handwritten signature in black ink, appearing to read 'Martin Jones', written over a horizontal line.

MARTIN JONES
Joint and Several Administrator of
SAS Global Seville Grove Ltd

Encl.

CORPORATIONS ACT 2001

**NOTICE OF CONCURRENT SECOND MEETINGS OF
CREDITORS OF A COMPANY UNDER ADMINISTRATION**

**SAS GLOBAL COOGEE LTD ACN 125 069 874
SAS GLOBAL SEVILLE GROVE LTD ACN 123 755 859
SAS GLOBAL MANDURAH LTD ACN 117 669 468
(ALL ADMINISTRATORS APPOINTED) (ALL RECEIVERS AND MANAGERS APPOINTED)
AND
SAS GLOBAL MOSMAN PARK EQUITY LTD ACN 124 508 596
(ADMINISTRATORS APPOINTED)
(collectively referred to as "the Companies")**

NOTICE is given that concurrent meetings of the creditors of the Companies will be held at the offices of Ferrier Hodgson, Level 26, BankWest Tower, 108 St Georges Terrace, Perth, Western Australia on 16 December 2009 at 10.00am (WST).

Although the meetings will legally be separate meetings, we intend to conduct each of the meetings of the companies at the same time and location in order to save costs and allow for an efficient Administration process for all stakeholders, without prejudicing their respective interests.

AGENDA

1. To receive a Statement about the Companies' business, property, affairs and financial circumstances.
2. To receive the reports of the Administrator.
3. Questions from creditors.
4. For creditors of each company to resolve:
 - a. that the company execute a Deed of Company Arrangement; or
 - b. that the administration should end; or
 - c. that the company be wound up; or
 - d. that the meeting be adjourned for up to forty-five (45) business days.
5. To fix the remuneration of the Joint and Several Administrators for each of the companies.
6. If a company is to execute a Deed of Company Arrangement, to fix the remuneration of the Deed Administrators for that company.
7. If a company is wound up, to fix the remuneration of the Liquidators for that company.
8. If a company is wound up, to consider appointing a Committee of Inspection for that company.
9. If a company is wound up, to consider the destruction of the books and records at the conclusion of the winding up for that company.
10. Any other business that may be lawfully brought forward.

Proxies to be used at the meeting should be lodged at the office of the Joint and Several Administrators by 4.00pm on the day prior to the meeting. A creditor can only be represented by proxy or by an attorney pursuant to Corporations Regulations 5.6.28 and 5.6.32 (inclusive) or if a body corporate by a representative appointed pursuant to Section 250D.

In accordance with Regulation 5.6.23(1) of the Corporations Regulations, creditors will not be entitled to vote at this meeting unless they have previously lodged particulars of their claim against the company in accordance with the Corporations Regulations and that clause has been admitted for voting purposes wholly or in part by the voluntary administrator.

DATED this 8th day of December 2009.



MARTIN JONES
Joint and Several Administrator of
SAS Global Coogee Ltd
SAS Global Seville Grove Ltd
SAS Global Mandurah Ltd
SAS Global Mosman Park Equity Ltd

**SAS Global Seville Grove Ltd
ACN 123 755 859
(Administrators Appointed)
(Receivers and Managers Appointed)**



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

Martin Jones

Andrew Saker

Darren Weaver

8 December 2009



FERRIER HODGSON

LEVEL 26, 108 ST GEORGE'S TERRACE PERTH WA 6000

GPO BOX W2537 PERTH WA 6001

TELEPHONE 08 9214 1444 FACSIMILE 08 9214 1400

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Glossary of terms

Abbreviation	Description
ABN	Australian Business Number
ACN	Australian Company Number
Act	The Corporations Act 2001
AGM	Annual General Meeting
ARA	Armadale Redevelopment Authority
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
DEC	Department of Environment and Conservation
DET	Department of Education and Training, Government of WA
DOCA	Deed of Company Arrangement
ERV	Estimated Realisable Value
GEERS	General Employee Entitlements Redundancy Scheme
IM	Information Memorandum dated 13 February 2007 and issued by the Company
IPA	Insolvency Practitioners Association of Australia
M	Millions
NAB	National Australia Bank Limited
LVR	Loan to Value Ratio
the Property	Property located at Lots 10 (volume 1917 folio 163) and 11 (volume 1218 folio 643) Gilliam Drive, Seville Grove
R&M	Receivers and Managers
ROE	Return on Equity
SGC	Superannuation Guarantee Charge
Statement	Directors' Statement about the Company's Business, Property, Affairs and Financial Circumstances
the Company	SAS Global Seville Grove Ltd
SGPGPL / Project Manager	SAS Global Property Group Pty Ltd ATF SAS Global Property Group Unit Trust No 2
WA	Western Australia
WaterCorp	Water Corporation
WAPC	Western Australian Planning Commission

Listing of annexures

Annexure 1	Administrators' Remuneration Report
Annexure 2	IPA - Creditor Information Sheet – Offences, Recoverable Transactions and Insolvent Trading
Annexure 3	Declaration of Independence Relevant Relationships and Indemnities

1. Executive summary

We advise that Andrew Saker, Darren Weaver, and Martin Jones were appointed Joint and Several Administrators of the Company on 11 November 2009. Creditors ratified our appointment as Administrators at the first meeting of creditors held on 23 November 2009. A Committee of Creditors was not formed at this meeting.

Brian McMaster and Mark Mentha of KordaMentha were appointed Joint and Several Receivers and Managers ("R&M") on 19 November 2009 by the NAB pursuant to the duly registered fixed and floating charged in favour of the NAB.

At the date of our appointment, the Company owned 4 hectares of land located at Gillam Road, Seville Grove. A combination of debt and equity was used to fund the acquisition of this property.

Creditors will determine the Company's future at a second meeting of creditors convened for, **Wednesday 16 December 2009** and will be held at **the offices of Ferrier Hodgson, Level 26, 108 St Georges Terrace, Perth 6000, Western Australia at 10.00am WST.**

We have carried out investigations into the Company's affairs to assist in formulating our opinion as to what is in the creditors' best interests. At the date of this report, no DOCA proposal has been received, and accordingly no resolution to execute a DOCA will be put to creditors. Should this situation change, creditors will be advised at or prior to the meeting.

The main issues arising from my investigations into the Company's affairs are:

- The delay in the subdivision approval caused the timeframe of the Project to be extended; and
- Subsequent to the breach of loan covenants to the NAB, the company sought to raise further working capital without any success, leaving it with no other alternative but to resolve to appoint Administrators on 11 November 2009.

We note that, during the course of the Administration, we have made preliminary enquiries into the Company's affairs and the various transactions the Company has entered into, however any future appointed liquidator would be required to conduct a more comprehensive investigation and consider action in respect of recoveries (if any).

We are of the opinion that, for the reasons set out in this report, the Company should be wound up and we advise that the ultimate return to ordinary unsecured creditors will be dependent on the ultimate sale price achieved on the Property.

2. Introduction

2.1 Purpose of appointment and this report

As noted above, Andrew Saker, Darren Weaver, and Martin Jones were appointed Administrators of the Company on 11 November 2009, pursuant to Section 436A of the Act.

The purpose underlying an Administrator's appointment is to allow for independent control and investigation of an insolvent company's affairs. During the administration period, creditors' claims are put on hold. We are required to provide creditors with information and recommendations to assist creditors to decide upon the Company's future.

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:*
 - (i) *Whether it would be in the creditors' interests for the company to execute a Deed of Company Arrangement;*
 - (ii) *Whether it would be in the creditors' interest for the administration to end;*
 - (iii) *Whether it would be in the creditors' interest for the company to be wound up;*

and also setting out:

 - (iv) *His or her reasons for those opinions; and*
 - (v) *Such other information known to the Administrator as will enable the creditors to make an informed decision about each matter covered by subparagraph (i), (ii) or (iii); and*
- (c) *If a Deed of Company Arrangement is proposed – a statement setting out details of the proposed deed.*

In the available time, we have undertaken the investigations detailed in section 7 of this report. These investigations have enabled us to form an opinion about the Company's future. Our opinion is set out in section 10 of this report.

2.2 First meeting of creditors and committee of creditors

Creditors attended a first meeting of creditors held on 23 November 2009 at the offices of Ferrier Hodgson, Level 26, St George's Terrace, Perth, Western Australia at 10.00am WST. At that meeting, creditors ratified our appointment as Administrators of the Company. Creditors resolved not to appoint a Committee of Creditors.

2.3 Second meeting of creditors

Pursuant to Section 439A of the Act, the second meeting of creditors of the Company is convened for **Wednesday, 16 December 2009 at the offices of Ferrier Hodgson, Level 26, 108 St Georges Terrace, Perth 6000, Western Australia at 10.00am WST**. At the second meeting, creditors will decide the Company's future in voting on one of the following options:

- That the administration should end and control of the Company revert to its directors; **or**
- That the Company should be wound up; **or**
- That the Company execute a DOCA.

Creditors are also able to resolve that the meeting be adjourned for a period up to 45 business days.

2.4 Non-disclosure of certain information

There are sections of this report wherein we considered it inappropriate to disclose certain information to creditors. Such information includes valuation of the property, identity and nature of the interested parties and their interest and commercially sensitive prospective financial information (for example, projections/forecasts).

We fully recognise the need to provide creditors with complete disclosure of all necessary information relating to the company. However, we believe some information is the subject of too high a level of uncertainty to be capable of providing relevant information to creditors at this stage.

2.5 Declaration of independence, relevant relationships and indemnities

Prior to our appointment we undertook a proper assessment of the risks to our independence. This assessment identified no real or potential risks to our independence. We were not aware of any reasons that would prevent us from accepting this appointment. A copy of our DIRRI that was tabled at the first meeting of creditors is attached at **Annexure 3**.

3. Company information

3.1 Statutory information

A search of the ASIC database revealed the following information:

3.1.1 Incorporation date and registered office

The Company's incorporation date is 2 February 2007. The Company's registered office is listed as 7 Ventnor Avenue, West Perth, Western Australia 6005.

3.1.2 Company officers

As at the date of our appointment, the Directors and officers were as follows:

Name	Role	Appointment Date	Cessation Date
Anthony John Beamish	Director	02/02/2007	Current
Philip Anthony Meagher	Director	02/02/2007	Current
Sam Rizzo	Director	25/03/2009	Current
Umberto Bruno Gianotti	Director	19/03/2009	25/03/2009
Kenneth Wayne Wybrow	Director	02/02/2007	25/02/2009
Anthony John Beamish	Secretary	02/02/2007	Current

A search of the National Personal Insolvency Index maintained by the Insolvency Trustee Service, Australia, shows that the Company's directors are not bankrupt or subject to a Personal Insolvency Agreement under Part X of the Bankruptcy Act 1966.

We note that Mr Rizzo has recently contacted our office and advised that he did not consent to be a Director of this company and until very recently was not aware of his appointment as a director of the Company. Mr Rizzo maintains that during the period of his "alleged" appointment, he has:

- not been involved in management of the company, though he may have provided contract planning services to some of the companies within the SAS group;
- not held himself out as being a director of the Company; and
- not received any director's fees from the Company.

Our investigations into the matter are still continuing.

3.1.3 Shareholders

The Company is an unlisted public company limited by shares. Given the privacy issues surrounding the share register, we consider it appropriate not to report details of the same here.

3.1.4 Registered chargeholder

The NAB holds a registered Fixed and Floating Charge (ASIC number 1427842) over the assets and undertakings of the Company. The charge was created on 8 March 2007 and registered with ASIC on 12 March 2007.

In addition, the Property is secured by way of a specific mortgage over the Property.

The debt owed to NAB as at 11 November 2009 is approximately \$4.4M.

We undertook a review of the bank's charge and determined it to be, prima facie, valid.

In accordance with the provisions of Section 450A(3) of the Act, we notified the NAB of the appointment of Administrators and advised of their right to enforce their security within 13 business days after our appointment.

As previously advised, the NAB appointed Mark Mentha and Brian McMaster of KordaMentha as Joint and Several Receivers and Managers over the company 19 November 2009.

3.1.5 Winding up Applications

There were no winding up applications outstanding as at the date of our appointment.

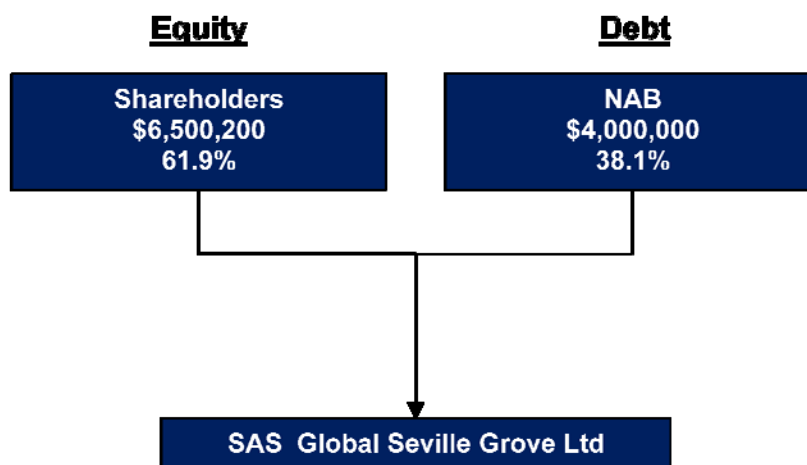
3.2 Company history

Incorporated on 2 February 2007 in Western Australia as a unlisted public company limited by shares, the Company's registered office at the date of our appointment is 7 Ventnor Avenue, West Perth, WA.

The Company was incorporated for the sole purpose of purchasing and developing a 4.1 hectare property on Gillam Drive, Seville Grove, Western Australia (which is approximately 24 km southeast of Perth). It was the Company's intention to develop/add value to the Property by gaining approvals to subdivide the Property and then reselling it or begin constructing on the subdivided land and selling the individually created lots.

The Company obtained funding in the form of equity raised from public share offerings, issued through an Information Memorandum dated 13 February 2007 with a combination of debt facility to fund the acquisition of the Seville Grove property. The total acquisition price of the property was approximately \$8.47M (including GST).

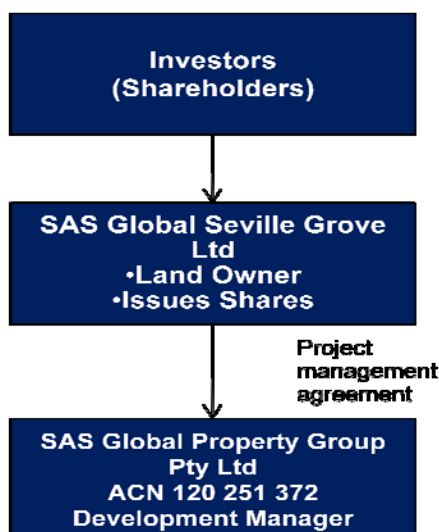
For ease of reference, we table below a diagram showing the initial funding structure for the Company:



Development work to date on the Seville Grove property has resulted in the approval of a 127-lot subdivision which is ready for construction to start. However, given the significant reduction in value of the Property from the May 2009 valuation, the Company has been in breach of the loan covenants set by the NAB. As a result, the Company does not have the necessary funding available to progress the Seville Grove project.

The Company has no employees and via a management agreement appointed SPGPL as development manager for the project. SPGPL would then engage accountants, lawyers, consultants and other suitable qualified person for administrative support.

The Company's structure and agreements is summarised in the diagram below.



In section 7.5 of this report, we have summarised a chronology of major events for the Company.

3.3 Decision to appoint Administrators

Please refer to the chronology in section 7.5 of this report for a comprehensive detail of events surrounding the appointment of Administrators.

In view of the Company's financial position at 11 November 2009 and the lack of funding alternatives available, the directors' formed the view that the Company was likely to become insolvent and the directors then resolved to appoint Administrators to the Company.

On, Wednesday, 11 November 2009, Martin Jones, Darren Weaver and Andrew Saker were appointed as Joint and Several Administrators of the Company.

For further information, please see section 5.2 on the cause of failure of the Company.

4. Historical financial information

4.1 Preparation of financial statements

The Company's financial statements were prepared up to 30 June 2009. Moore Stephens audited the financial statements up to the year ended 30 June 2009.

The Company also engaged JGC Accounting and Financial Services Pty Ltd to prepare various management accounts and reports on a monthly basis.

At section 7.9 of this report, we comment on the adequacy of the Company's books and records.

4.2 Profit and loss statement and preliminary analysis

Set out below is a summary of the Company's profit and loss statement for the past three (3) financial years and to the end of October 2009 together with my preliminary analysis.

Profit and Loss Summary	30-Jun-07	30-Jun-08	30-Jun-09	31-Oct-09
	\$	\$	\$	\$
Sales Revenue	Nil	Nil	Nil	Nil
Interest Received	10,717	41,606	9,968	2,120
Total Revenue	10,717	41,606	9,968	2,120
Operating Expenses				
Write down of property	-	-	(6,175,311)	-
Administrative Expenses	(16,921)	(39,900)	(63,599)	(47,083)
Depreciation & Amortisation	(3,000)	(9,189)	(9,189)	(151)
Property Development Expenses	-	-	-	(147,749)
Total Operating Expenses	(19,921)	(49,089)	(6,248,099)	(194,983)
Net Profit	\$ (9,204)	\$ (7,483)	\$ (6,238,131)	\$ (192,863)

In respect of the above, we make the following comments:

- The Company did not record any sales revenue or profit since the date of incorporation to the date of our appointment as its yet to generate any development opportunities / activities which might attract any source of income;
- The write down of property in June 2009 was due to the accounting treatment for the valuation received in May 2009;
- Administrative expenses includes legal and professional fees, accounting expenses and bank charges;
- The Property Development Expenses incorporates all fees and expenses in relation to the development of the land in Seville Grove including but not limited to interest charges, rates and taxes and consultancy fees; and
- Income tax liabilities have not been taken into consideration in the above analysis.

For completeness, we note that the accounts above for the year ending 30 June 2007, 30 June 2008 and 30 June 2009 are based upon the accounts audited by Moore Stephens. The accounts for the period ending 31 October 2009 are based upon unaudited accounts as prepared by JGC. Accordingly, we express no comment in relation to the accuracy thereof.

4.3 Balance sheet and preliminary analysis

Set out below is a summary of the Company's balance sheet for the past three (3) financial years and to the end of October 2009 together with my preliminary analysis.

Balance Sheet	30-Jun-07	30-Jun-08	30-Jun-09	31-Oct-09
	\$	\$	\$	\$
Assets				
Current assets	674,803	303,247	268,003	3,880,793
Non-current assets	8,711,744	9,274,361	3,724,567	21,472
Total assets	9,386,547	9,577,608	3,992,570	3,902,265
Liabilities				
Current Liabilities	(3,543)	4,195,000	4,848,093	4,950,651
Non Current Liabilities	4,000,000	-	-	-
Total Liabilities	3,996,457	4,195,000	4,848,093	4,950,651
NET ASSETS	5,390,090	5,382,608	(855,523)	(1,048,386)
Equity				
Contributed Equity	5,399,295	5,399,295	5,399,295	5,399,295
Accumulated (Losses)	(9,204)	(16,687)	(6,254,818)	(6,447,681)
Total Equity	\$ 5,390,091	\$ 5,382,608	\$ (855,523)	\$ (1,048,386)

In respect of the above, we make the following comments:

- The substantial decrease in non-current assets from 2008 to 2009 was a result of the write down of the property in accordance with the applicable accounting standards;
- As at the 31 October 2009, the Company had sourced an unsecured loan from SGPGPL in the amount of \$497,649; and
- As at the end of the 2008 and 2009 financial years, the Company was in breach of its loan covenants as its total bank debt exceeds 55% of the market value of the property, giving rise to a breach of the LVR which was not rectified. Accordingly this interest bearing liability has been reclassified as a current liability.

For completeness, we note that the accounts above for the year ending 30 June 2007, 30 June 2008 and 30 June 2009 are based upon the accounts audited by Moore Stephens. The accounts for the period ending 31 October 2009 are based upon unaudited accounts as prepared by JGC. Accordingly, we express no comment in relation to the accuracy thereof.

5. Statement by directors

5.1 Summary

Section 438B of the Act requires the directors to give an Administrator a statement about the Company's business, property, affairs and financial circumstances. We received the directors' Statement on 27 November 2009.

In the Statement, the directors detailed the Company's assets and liabilities at book value and ERV.

The following table summarises the assets and liabilities described in the Directors' Statement.

Statement as at 11 November 2009	Report Reference	Cost or Net Book Value	Directors' ERV	Administrators' ERV High	Administrators' ERV Low
		\$	\$	\$	\$
Assets:					
Cash at bank	5.1.1	Nil	Nil	Nil	Nil
Sub total		Nil	Nil	Nil	Nil
Assets subject to specific charges	5.1.2	3,700,000	3,700,000	NVA	NVA
Less amounts owing under charges	5.1.2	(4,400,000)	(4,400,000)	(4,400,000)	(4,500,000)
Available to unsecured creditors		(700,000)	(700,000)	NVA	NVA
Ordinary unsecured creditor claims	5.1.3	(211,326)	(211,326)	(704,068)	(704,068)
Estimated Surplus/(Deficiency)		\$ (911,326)	\$ (911,326)	NVA	NVA

The Administrators have not audited the Company's records or the book values. The Administrators have provided estimated realisable values with respect to the Company's liability position only. The Administrators have not disclosed their estimated realisable value for assets for reasons detailed below.

The above schedule should not be used to determine the likely return to creditors as a number of realisable values are based on the Company's records and remain subject to the review of the Administrators and, in particular:

- The Administrators are not in a position to confirm (or otherwise) the estimated realisable values ("ERV") as the Administrators have not commissioned any valuations given the appointment of the R&M.
- The value of creditor claims remains subject to change as further claims may be received and require further adjudication.
- The abovementioned estimated position does not provide for possible trading losses, capital costs or the professional costs associated with the Administration process.

In respect of the above, we make the following comments:

5.1.1 Cash at bank

The statement does not disclose any cash at bank. For completeness we note that the Company operated three (3) bank accounts with the NAB.

The bank account balances as at 11 November 2009 are summarised below:

Bank Account	Amounts (\$)
Business Cheque Account	(243,796)
Business Cash Maximiser	107
Business Cash Maximiser (as at 30/10/09)	49,710
Total	\$(193,979)

The credit balances in the bank accounts are likely to be subject to the NAB's right of set-off, thus there is unlikely to be any cash at bank available to ordinary unsecured creditors.

5.1.2 Assets subject to specific charges and amounts owing to the secured creditor

The Statement discloses the property at Seville Grove as subject to a specific charge.

The Property is secured by a combination of the following:

- First registered mortgage (K116565) over the Property; and
- Fixed and floating charge over the Company's asset and undertakings.

The total debt owed to NAB as at 11 November 2009 was approximately \$4.4M

The NAB would be entitled to prove as an unsecured creditor for any shortfall following a sale of these secured assets.

5.1.3 Ordinary unsecured creditors

Accounting for informal proofs of debt received to date and the Company's records, we estimate the Company's liability to unsecured creditors at \$508,326. A summary of the claims received to date appears below:

Unsecured Creditor	Amounts (\$)
Abbott & Co Printers	237
All Flags & Banners	1,100
Chadwick	202
JGC Accounting	6,130
Mendelawitz Morton	2,376
SGPGPL	497,649
Western Power	1,281
Total	\$508,326

We note that table above provides only an indicative value of the unsecured creditors' claims. These claims are subject to the receipt and adjudication of final proofs of debt from creditors.

5.1.4 Related entities

The amounts represent monies owed by the Company to the following related entity:

Related Entity	Amounts (\$)
SGPGPL	497,649
Total	\$ 497,649

The Statement outlines \$497,000 however we note that as at the date of writing this report, we are also in receipt of an informal proof of debt form from SGPGPL in the amount of \$497,649 which matches the amount disclosed in the unaudited balance sheet as at 31 October 2009. It is our understanding that this loan was used to help the Company with its working capital commitments.

We note that the amount of the related party proof was included in the ordinary unsecured creditor claims reported in 5.1.3.

5.1.5 Omissions from Statement

Save for my previous comments regarding specific disclosures in the Statement, we have identified no material omissions from the directors' Statement.

5.2 Explanation for current financial position

The directors' explanation for the Company's current financial position is as follows:

- The directors first realised that the Company should go into voluntary administration after the failure of recapitalisation proposals that were to be put to investors; and
- the directors were asked by the secured lender to bring the LVR back to within the lender's covenants, an issue that rose by virtue of the last valuation on the property.

My preliminary view is that the Company failed because of:

- Lack of adequate working capital;
- Unfavourable conditions in the property market, leading to a decrease in the value of the Company's main assets, thus breaching the LVR's set by the NAB.

In view of the above and given that delays in gaining the subdivision approvals for the Property, the Company could not sustain the ongoing expenditures and loan repayments required by the NAB. Accordingly the directors sought alternative funding arrangements. Following the realisation that alternatives could not materialise, the directors sought to appoint administrators to the Company.

6. Trading by Administrators

6.1 Overview

The Administrators assumed control of the Company's business upon appointment, took control of the Company's bank account and requested that the Directors provide us access to the books and records of the Company. We then undertook a preliminary review of the company's operations from those records.

There has been no specific issues regarding trading since our appointment. We note that given the R&M's appointment on 19 November 2009, the R&M has been responsible for the Company's operations generally.

Given the appointment of the Administrators and that the director's powers are suspended during the Voluntary Administration process, Martin Jones, one of the Joint and Several Voluntary Administrators:

- chaired the Annual General Meeting AGM of the Company held at the Hyatt Regency Perth, 99 Adelaide Terrace Perth, WA at 3.45pm on 16 November 2009; and
- considered it not appropriate for the proposed resolutions to be put to shareholders. Accordingly, no resolutions were put to shareholders and voted upon at the AGM.

At the AGM, Mr Jones gave an overview of the Voluntary Administration process and the Company's affairs. Mr Jones also fielded questions from shareholders. The directors of the Company were not present at the AGM.

6.2 Summary of receipts and payments

There have been no receipts and payments to be reported to creditors since our appointment as Administrators.

7. Statutory investigations

7.1 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, and the conduct of its directors, related parties and advisers in the period prior to our appointment.

The investigations that an administrator is required to undertake centre on identifying and investigating transactions entered into by each 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.

Any 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 transaction detailed in the Creditor Information Sheet described in **Annexure 2** of 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 or breach of director duties.

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. We have investigated matters to the extent possible in the time available, and have noted with specific reference below where we believe further investigation is desirable.

The administrators' knowledge of the company's affairs comes principally from the following sources (to the extent they have been available):

- (a) Communications with the Company's major unsecured creditors regarding the nature and amount of the debts owed. Those creditors confirmed that the details disclosed by the Company are substantially correct.
- (b) Communications with the Company's shareholders and their representatives regarding the nature and amount of the monies invested, the circumstances in which those funds were invested and the Company's dealings with them;
- (c) Communications with the secured creditor regarding the nature and amount of the debt owed;
- (d) The directors' Statement and a detailed questionnaire concerning the Company's affairs prepared by the directors;
- (e) Discussions with the directors, their advisors and representatives from the Project Manager (SGPGGL);
- (f) A search of the ASIC records relating to the Company and any related entities;
- (g) Searches obtained from the Department of Transport and Landgate;
- (h) Review the Company's shareholder updates, and other significant information disclosed to investors;
- (i) Audited annual reports published by the Company; and
- (j) An examination of the Company's books and records including its financial statements and management accounts (to the extent that such were made available to us).

An Administrator has an obligation to the Company to consider the conduct of directors and other parties, and the interests of that Company. We have included an overview of the solvency and investigations into the Company as per below.

7.2 Areas of Investigation

The key areas of our investigations have included the following:

- The reasons for the failure of the Company;
- Assessment of the solvency of the Company and consideration as to whether insolvent trading by the directors of the Company has occurred;
- Consideration of the decisions and duties of the directors of the Company to identify any potential instances of negligence or breaches of duty, including review of:
 - (i) The initial purchase of the Seville Grove Property, including the contract that was entered into with particular respect to the Deed of Assignment and subsequent Deed of Acknowledgment of Debt;

- (ii) The application and use of shareholder funds;
 - (iii) The causes for the delays of the Project including any external factors which may have influenced the same;
 - (iv) The validity of project management fees incurred by SGPGPL; and
 - (v) A thorough review of any related party transactions entered into by the Company.
- A review of whether the Company has entered into any voidable transactions that would be available to a liquidator.

For completeness, we note that section 201A(2) of the Act provides that a public company must have at least three (3) directors (not including alternate directors) and that at least two (2) directors must ordinarily reside in Australia. There is no period in which the company is permitted to function without the required number of officers. Furthermore, section 201D(1) of the Act states that a company contravenes this subsection if a person does not give the company a signed consent to act as a director of the company before being appointed.

We have requested that the Directors provide an explanation as to Mr Rizzo's claim that he did not consent to be a Director of this company and until very recently was not aware of his appointment as a director of the Company (as previously outlined in Section 3.1.2 of this report), notwithstanding that a search on the ASIC database revealed that he was a director.

At the time of writing of this report, we have had no response from the other Directors. Accordingly, the company may be in breach of the requirements of the Act. However, we do note that:

- these requirements are strictly obligations of the company; and
- our investigations are continuing in this regard.

7.3 Solvency of the Company

A precursor to 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, is establishing the Company's insolvency at the relevant time.

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 the indicia 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 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"*. A company that is not solvent is insolvent.

However, the strict application of the cash flow 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:

- (a) The degree of illiquidity. A temporary lack of liquidity is not conclusive of insolvency;
- (b) Regard should be had to:
 - Cash resources; and

- Monies available through asset realisations, borrowings against the security of assets or equity/capital raising.
- (c) All of 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. Further, some assets may not be realisable at all or realisable for sufficient value or in time to ensure that debts are paid when due;
- (d) The voluntary and temporary forbearance by creditors not to enforce payment terms; and
- (e) 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.

7.4 Director's liability

Insolvent trading is governed by Division 3 of Part 5.7B of the Act and imposes on directors individually a statutory duty to prevent insolvent trading by corporations.

Section 588G(2) of the Act provides that a director who fails to prevent a company from incurring a debt at a time when the director is aware that there are reasonable grounds for suspecting that the company is insolvent, or will become insolvent by incurring that debt or debts including that debt, contravenes section 588G of the Act. This may result in a civil penalty under the Act. For example, a compensation order in favour of the company under section 588J of the Act.

Section 588G(3) of the Act provides that if the director's failure to prevent the debt being incurred when the director suspected that the company was insolvent, or would become insolvent by incurring that debt or debts including that debt, and the director's failure to prevent the company incurring the debt was dishonest, then the director commits a criminal offence.

For civil liability to apply:

- (a) The person must be a director at the time the debt was incurred;
- (b) The company must be insolvent at the time the debt was incurred, or becomes insolvent by incurring the debt; and
- (c) The director must be aware of insolvency, or there were reasonable grounds for a person in that position to suspect insolvency.

Importantly under section 588M of the Act a liquidator may seek, from a director who has breached the insolvent trading provisions, compensation for losses suffered by creditors. This is not a right available to an administrator or a deed administrator.

Section 588H of the Act sets out defenses available to directors in respect of civil claims under section 588G(2), they are:

- (a) The director had reasonable grounds to expect that the company was solvent and would continue to be solvent when the debt was incurred;
- (b) The director relied on a competent and reliable person to provide information regarding the company's solvency and, on the basis of the information so provided, the director expected the company was solvent and would continue to be solvent when the debt was incurred;
- (c) Due to illness (or other good reason) the director was not involved in the management of the company; and
- (d) The director took all reasonable steps to prevent the debt being incurred.

7.5 Chronology of events

We have considered the major events affecting the Company from the date of incorporation and leading up to the date of our appointment as Administrators. We set out below a summary chronology of these events:

Date	Events
2 February 2007	<ul style="list-style-type: none"> Incorporated as an unlisted public company.
2 February 2007	<ul style="list-style-type: none"> Received a preliminary assessment of town planning considerations applicable to the Property.
13 February 2007	<ul style="list-style-type: none"> The Company issued an Information Memorandum to raise a minimum of \$3M and a maximum of \$6M to acquire the Property.
16 February 2007	<ul style="list-style-type: none"> The Company received a valuation report on the Property at a total value of \$7,700,000 excluding GST.
2 March 2007	<ul style="list-style-type: none"> NAB offered a Facility Agreement for a \$4,000,000 Floating Rate bill facility expiring on 31 August 2007.
12 March 2007	<ul style="list-style-type: none"> NAB registered a Fixed and Floating Charge over the assets of the Company. Settlement of the Purchase of the Property.
22 March 2007	<ul style="list-style-type: none"> The DET advises certain conditions that need to be met by the Company in order that the road will be adequately designed and constructed between the DET's land and the Company's Property.
21 May 2007	<ul style="list-style-type: none"> Requested and received a marketing quote from the Home Buyers Centre in relation to constructing all of the subdivided homes on the Property.
25 June 2007	<ul style="list-style-type: none"> Received legal advice that a Deed of Agreement needed to be executed with the DET that would agree with the terms of the design and construction of the road.
24 August 2007	<ul style="list-style-type: none"> The above Deed of Agreement was finalised and forwarded to the DET for execution. Major terms of the deed are: <ul style="list-style-type: none"> DET to receive one half of the value of the land that is to be used for the construction of the Road; and Pay all costs associated with the design and construction of the road.
26 September 2007	<ul style="list-style-type: none"> NAB agree to extend the \$4,000,000 facility expiry date to 31 December 2007.
16 October 2007	<ul style="list-style-type: none"> The Company follows up Mr Phillip Newman of the DET in relation to the execution of the Deed of Agreement.
30 October 2007	<ul style="list-style-type: none"> The Company follows up the DET for a second time, as per the above.
31 October 2007	<ul style="list-style-type: none"> The above Deed of Agreement and Form 1A "Application for Approval of Freehold or Survey-Strata Subdivision" was executed.
28 November 2007	<ul style="list-style-type: none"> Applied to the WAPC to obtain approval for Survey-Strata Subdivision Approval on the Property into 59 lots.
12 January 2008	<ul style="list-style-type: none"> Proposal received from Chadwick T&T Pty Ltd to undertake a Detailed Site Investigation of the Property.
25 January 2008	<ul style="list-style-type: none"> The Company's consultants correspond with the WAPC in relation to the sub dividing of the Property. The following concerns arose out of those discussions: <ol style="list-style-type: none"> No rear laneway access has been provided for the proposed Green Title allotments; No visitor bays have been provided for the proposed Green Title allotments; Orientation of proposed lots is not climate responsive; The width of the proposed access ways within the Survey-Strata Subdivision are insufficient; Areas for passing lanes within the Survey-Strata Subdivision have not been identified; and Permeability for vehicles and pedestrians within the Subdivision is insufficient.
31 January 2008	<ul style="list-style-type: none"> The Company's consultant's responds to the concerns mentioned above to the WAPC via a facsimile.
6 March 2008	<ul style="list-style-type: none"> Email received on behalf of the Company to its consultants regarding the concerns on the subdivision applications.
25 March 2008	<ul style="list-style-type: none"> The Company's consultants formally respond to the WAPC in relation to the concerns on the Subdivision Application.
31 March 2008	<ul style="list-style-type: none"> NAB agree to amend the facility agreement from \$4,000,000 to \$4,200,000 and with an extended expiry date to 31 August 2008.
10 April 2008	<ul style="list-style-type: none"> The Company engages a demolishing contractor to prepare land for site works at \$35,000 + GST.

Date	Events
14 April 2008	<ul style="list-style-type: none"> Updated Subdivision plans sent to the WAPC.
1 May 2008	<ul style="list-style-type: none"> A further valuation was conducted on the Property which resulted in the value decreasing to \$5,500,000 excluding GST.
6 May 2008	<ul style="list-style-type: none"> Company engages Architects. Company executes an application for demolition licence
7 May 2008	<ul style="list-style-type: none"> Engage consultants to conduct traffic engineering services on the proposed Project subdivision.
June 2008	<ul style="list-style-type: none"> Due to the above valuation, the property manager proposed to market half the site for \$3,500,000, which would be used to eliminate the majority of the debt acquired.
13 June 2008	<ul style="list-style-type: none"> WAPC approve application for Survey-Strata and Freehold (Green Title) lots with certain conditions that are required to be met.
Late June	<ul style="list-style-type: none"> The Company requests a 'right to review' under Part 14 of the Planning and Development Act 2005.
4 July 2008	<ul style="list-style-type: none"> NAB advise the Company that the facility has a LVR of 76%, breaching its covenant of 60%. This was triggered by the reduction in property values within the whole property market.
15 July 2008	<ul style="list-style-type: none"> The directions hearing is set for 25 July 2008 from the State Administrative Tribunal in regards to the Company's request of 'right to review'.
25 July 2008	<ul style="list-style-type: none"> The direction hearing was heard before Senior Member David Parry. The matter was referred to mediation on 4 September 2008.
1 September 2008	<ul style="list-style-type: none"> The Company sought permission from the ARA that stage 1 of the cost contribution, as per the conditions mentioned above, be paid on a pro rata basis.
4 September 2008	<ul style="list-style-type: none"> The mediation referred to above was heard by Senior Member Brian Hunt, who ordered that: <ol style="list-style-type: none"> The clearance agency for the Survey-Strata lots be changed from the "Local Government" to "ARA"; The access way for the Freehold (Green Title) be changed from "at least 8 metres in width" to "at least 6 metres in width"; and The Company make pro-rata contributions towards the cost of the acquisition of the primary school. <p>The matter has also been set down for further mediation on 3 October 2008.</p>
10 September 2008	<ul style="list-style-type: none"> The ARA declined the Company's request of 1 September 2009. The ARA proposed that the Company stage the subdivision and to seek clearance in respect to the various stages.
18 September 2008	<ul style="list-style-type: none"> The Company seeks approval for the staging of the subdivision. The Company engages Chadwick T&T Pty Ltd to conduct a preliminary site investigation in accordance with the DEC.
September 2008	<ul style="list-style-type: none"> The Directors advised the Shareholders that they will personally underwrite the payment of 9 months of pre paid bank loan interest costs so that the project is under no pressure to sell the blocks at less than the target of \$190,000.00 per block. The Directors also advised the Shareholders that they have personally underwritten the construction costs of Stage 1, further advising that the Company will now not require any additional bank funding for the completion of the development.
3 October 2008	<ul style="list-style-type: none"> The mediation referred to above was heard by Senior Sessional Member Brian Hunt, who ordered that: <ol style="list-style-type: none"> The application is affirmed in part and dismissed in part and the conditions of approval under review are varied as follows; Condition 31 of the conditions of approval is deleted and replaced with the following condition, "31. The plan of subdivision shall be modified to accommodate an additional common property access way of at least 6 metres in width, generally located in the area depicted on the attached plan and associated with condition No. 30 of WAPC ref 2049-07"; and There be no order as to costs. <p>The matter has also been set down for further mediation on 4 December 2008.</p>
14 October 2008	<ul style="list-style-type: none"> Submitted Water Corporation's completed head works agreement form and pre-calculation plans for the Property.
28 October 2008	<ul style="list-style-type: none"> NAB offer the Company a new facility with interest payable to the facility to be paid by 21 November 2008 in the amount of \$283,500. The facility has an expiry date of 30 June 2009.
30 October 2008	<ul style="list-style-type: none"> The ARA conditionally approved the subdivision of the Property into two (2) stages.
28 November 2008	<ul style="list-style-type: none"> Received a conditionally approved licence to build a temporary sales office on the Property.

Date	Events
November 2008	<ul style="list-style-type: none"> Preliminary Site Investigation provided by Chadwick T&T indicated that a number of Potential Areas of Environmental Concern across the site that may have the potential to have resulted in contamination of soil and/or groundwater beneath the site.
1 December 2008	<ul style="list-style-type: none"> Sought permission from the City of Armadale for the proposed retaining wall works for the Project.
4 December 2008	<ul style="list-style-type: none"> The mediation referred to above was heard by Senior Member David Parry, who ordered that: <ol style="list-style-type: none"> The application is affirmed in part and dismissed in part and the conditions of approval under review are varied as follows: Condition 28 of the conditions of approval is affirmed; Condition 17 of the conditions of approval is deleted and replaced with the following condition, "17. The applicant obtaining development approval for the development of a dwelling(s) on the approved lot(s). (Armadale Redevelopment Authority)"; Condition 29 of the conditions of approval is affirmed; Condition 30 of the conditions of approval is deleted and replaced with the following condition, "30. The plan of subdivision shall be modified to incorporate an additional common property access way of at least metres in width, generally located in area depicted on the plan attached to the approval dated 13 June 2008 and numbered 040802 and associated with Condition 31 of WAPC ref:136481; and There be no order as to costs.
18 December 2008	<ul style="list-style-type: none"> City of Armadale sets various conditions that are required to be completed before the proposed road and stormwater construction application is granted for Stage 1 of the Project.
8 January 2009	<ul style="list-style-type: none"> Submit proposed Detailed Area Plan to the ARA.
9 January 2009	<ul style="list-style-type: none"> WaterCorp advises certain conditions must be met before clearance is granted from the WAPC regarding Stage 1 of the Project.
13 January 2009	<ul style="list-style-type: none"> Letter sent to the WaterCorp detailing the proposed sewer layout to water reticulation layout to service Stage 1.
6 February 2009	<ul style="list-style-type: none"> Interim findings on the detailed site investigations of Stage 1 are detailed to the Company.
20 February 2009	<ul style="list-style-type: none"> ARA resolved that the Detailed Area Plan needed to be amended to reflect streetscape and boundary setback requirements.
27 May 2009	<ul style="list-style-type: none"> Valuation report in which the Property was valued at \$3,700,000 excluding GST.
30 June 2009	<ul style="list-style-type: none"> NAB agrees to extend the offer dated 28 October 2009 from 30 June 2009 to 31 July 2009.
22 July 2009	<ul style="list-style-type: none"> Accepted the revised facility agreement that extends the facility limit to \$4,500,000
31 July 2009	<ul style="list-style-type: none"> NAB agrees to extend the facility agreement to 14 August 2009.
13 August 2009	<ul style="list-style-type: none"> NAB agrees to extend the facility agreement to 31 August 2009.
25 August 2009	<ul style="list-style-type: none"> NAB agrees to extend the facility agreement to 11 September 2009.
26 August 2009	<ul style="list-style-type: none"> Department of Planning, Culture and the Arts approves the revised determination of development cost contributions for Champion Drive.
9 September 2009	<ul style="list-style-type: none"> NAB agrees to extend the offer dated 28 October 2009, 30 June 2009, 31 July 2009, 13 August 2009 and 25 August 2009 from 11 September 2009 to 25 September 2009.
September 2009	<ul style="list-style-type: none"> The Directors of the Company advised Shareholders that they have been spending considerable time in accessing the merits of alternate development plans, with particular interest in an affordable living retirement village. The Directors also advised the Shareholders that the current LVR (as recalculated due to the May Valuation) is unacceptable to the bank. The Directors state that they have provided cash support so that there has been sufficient time to negotiate a successful further 2 year Term Sheet from the bank. The Directors have further advised the Shareholders that the debt level must be reduced by \$2.1M by 15 December 2009 to enable the above 2 year Term Sheet to be effected.
24 September 2009	<ul style="list-style-type: none"> NAB agrees to extend the facility agreement to 16 October 2009.
15 October 2009	<ul style="list-style-type: none"> NAB agrees to extend the facility agreement to 18 November 2009.
11 November 2009	<ul style="list-style-type: none"> Martin Jones, Darren Weaver and Andrew Saker of Ferrier Hodgson were appointed as Joint and Several Voluntary Administrators of the Company.
16 November 2009	<ul style="list-style-type: none"> Shareholders of the company attended AGM at the Hyatt. Shareholders were presented with an overview of the VA process and no proposals were considered at

Date	Events
	the meeting.
19 November 2009	• R&M Appointed

We have summarised in the below table, the indicative time line set by the Company as outlined to creditors initially in the IM, and at later points in time through the Company's publicly available shareholder updates.

Event	Information Memorandum	Anticipated Date as per Shareholder Update					
		Autumn 2007	Spring 2007	Winter 2008	3rd Qtr 2008	1st Qtr 2009	September 2009
1	Minimum Subscription	March-07	-	-	-	-	-
2	Settlement of Property	March-07	-	-	-	-	-
3	Subdivision Approval	June-07	August-07	December-07	-	July-08	-
4	Site Works Commence	September-07	October-07	June-08	-	-	-
5	Pre-Sales Commence	April-07	-	-	-	-	-
6	Site Works Complete	March-08	April-08	-	-	-	-
7	Expected 1st Dividend	*April-08	May-08	September-08	-	-	-
8	Completion	-	June-08	December-08	Late 2009	June-10	-
9	Anticipated Lots	143	129	-	-	127	127
						137	137

*We note that the IM states under the defined term the 1st dividend date to be June 2008

7.5.1 Subdivision Approval / Delays to project

As outlined in the chronology at Section 7.5 above, the subdivision approval process was delayed for a number of reasons outside of the control of the Company: These reasons were:

1. DET approval for the construction of the road around the perimeter of the Property.
2. Approval from the WAPC. This process was taken to the State Administrative Tribunal which caused a further approximate ten (10) month delay. There have been several mediation meetings between the Company WAPC, detailed above, to resolve these matters; and
3. Project required to be split in to two stages.

To date, the Company has managed to secure the approval of a 127-lot subdivision, which is ready for construction.

7.5.2 Application of funds

We have attempted to provide a reconciliation of funds derived from both audited financials and management payment reconciliations. A summary of that reconciliation appears below:

Receipts and Payments	Amount (\$)
Receipts	
Facility Limit - NAB	4,200,000
Net Proceeds from Share Issue	5,399,295
Related Party Loans	497,649
	10,096,944
Payments	
Property Acquisition	(8,180,480)
Development Expenditure	(2,110,443)
Cash at Bank 11 November 2009	\$(193,979)

In respect of the above we make the following comments:

- The acquisition of the property is exclusive of GST;

- During the life of the project the Company spent approximately \$2.1M on development expenditure which includes expenditure to related parties under the Project Management Agreement; and
- Fees incurred and paid under the NAB fixed and floating facility are included in development expenditure.

Further to the above, we confirm that the reconciliation is preliminary in nature. Any future appointed liquidator may conduct a more thorough investigation to determine the reasonableness of the transactions.

7.6 Assessment of the Company's Solvency

Our duties as Administrator oblige us to consider and provide a preliminary report on the solvency of the Company pursuant to section 439A. We note that a liquidator is required to conduct more comprehensive investigations into the affairs of Company and report to ASIC, pursuant to section 533 of the Act.

Considering the reliance of the Company on external funding to maintain the viability of the project, the solvency of the Company will be determined by the cash resources on hand and available to be obtained from external sources. We note that the Company operated a drawdown facility with the NAB for the purposes of working capital and preliminary development prior to pre-sales commencing.

We note the below analysis is derived from both audited and unaudited financials. We have not conducted an audit of the figures, nor are we required to conduct an audit and therefore we make no representations or warranties with respect to the below.

7.6.1 Net Asset Test

The balance sheet position of the Company as at the year ended 2007, 2008, 2009 and at 31 October is as tabled below:

	30-Jun-07	30-Jun-08	30-Jun-09	31-Oct-09
Balance Sheet	\$	\$	\$	\$
Total Assets	9,386,547	9,577,608	3,992,570	3,902,265
Total Liabilities	3,996,457	4,195,000	4,848,093	4,950,651
Net Assets	5,390,090	5,382,608	(855,523)	(1,048,386)
Net Asset Ratio	2.34	2.28	0.82	0.78

In respect of the above, we make the following comments:

- The net assets position of the Company is positive for the first two years of existence; and
- Following the revaluation of the Property in May 2008 and May 2009, the net asset position became unfavourable.

7.6.2 Working Capital Test

The working capital position determines whether or not a Company can pay its immediate debts with its immediate assets, a positive working capital is when current assets exceeds current liabilities.

	30-Jun-07	30-Jun-08	30-Jun-09	31-Oct-09
Balance Sheet	\$	\$	\$	\$
Current assets	674,803	303,247	268,003	3,880,793
Current liabilities	(3,543)	4,195,000	4,848,093	4,950,651
Working capital / (deficiency)	678,346	(3,891,753)	(4,580,090)	(1,069,858)
Working Capital Ratio	0.17	(0.93)	(0.94)	(0.22)

In respect of the above, we make the following comments;

- The Company maintained a significant working capital deficit from the year ended 30 June 2008 till the date of our appointment;
- As the facility came into maturity the Company reclassified the NAB facility as a current liability. Further, the Company obtained extensions on the maturity of the facility, as tabled in the chronology of events at Section 7.5 of this report; and
- The decrease in the working capital deficit is the reclassification of the Property as a current asset.

In view of the above, we consider the Company to be insolvent from a working capital perspective as early as 30 June 2008. As noted earlier however, in determining insolvency the balance sheet test is not considered to be as relevant as the cashflow test which we discuss further below.

7.6.3 Cashflow Test and Company Initiatives

As noted, the question of solvency turns upon when the directors had reasonable grounds to suspect that the company would not be able to meet its debts as and when they fell due.

In this regard, the directors of the Company considered and undertook a number of separate initiatives to address available cash resources in order to raise an additional \$2.7M in working capital. One of the options that were considered included the proposed IPO of SAS Global Baldivis Ltd (a related SAS company) which, if successful, would present a source of funding by way of investment into the Company. It is noted, however that the restructuring of SAS Global Baldivis Limited was met with resistance from shareholders and subsequently led to the failure of the proposal and the appointment of Administrators on 6 November 2009. Following this, it became apparent to the Directors that the recapitalisation proposal for the Company was not likely to receive shareholder support and therefore they appointed Administrators on 11 November 2009.

These initiatives were considered and were focused on rectifying the Company's LVR with the NAB, to avoid any actions by the NAB and in order to maintain the facility in good standing. It was also to provide additional working capital in order for the Company to proceed with the development of the Project.

If it is established that there were reasonable grounds to rely on the success of these initiatives to maintain the solvency of the relevant entity at the relevant times, the directors will have a reasonable argument against any claim that the Company was insolvent, and in turn any claim of insolvent trading. It is necessary for us to consider when doubt existed as to the likelihood of success of the relevant initiatives, or in fact whether they were sufficient, and when it should have become known that the aggregate outcomes would not be adequate to enable debts to be met as they fell due.

We have conducted preliminary analysis of the cash flow and profit and loss forecasts of the Project as detailed in the IM. The estimated profit and loss forecast is reproduced below.

Estimated Profit & Loss	\$
Income	
Sales	25,740,000
Less:	
Cost of Houses Sold	(3,055,000)
	22,685,000
Expenditure	
Land Acquisition Costs	8,180,480
Construction and Setup Costs	9,769,863
Marketing & Finance Costs	143,000

Other Costs	945,867
Total Expenditure	19,039,210
Net Profit Before Tax	\$ 3,645,790

In respect of the above, we make the following comments:

- The above profit and loss summary is based on the Company's (not the investors) cashflow model over the life of the project;
- Sales forecasts are based on 143 lots sold at an average of \$180,000 per lot. Further, the project is reliant on these sales in order to fund the sub-division;
- The cost of land acquisition was as follows:

Land Acquisition Costs	\$
Land Cost	7,700,000
Stamp Duty	451,080
Settlement / Mortgage Stamp Duty	9,400
Rates & Taxes on Settlement	20,000
Total	8,180,480

- The associated party transactions are disclosed under Constructions and Setup Costs. These fees and charges are disclosed further at section 7.11.7 of this report; and
- The quantum of Other Costs consists predominately of the interest payable on the NAB facility over the life of the project.

Given the time available and from the information that we have reviewed, we are unable to conclude on the reasonableness of those key assumptions that were made. We note that any future appointed liquidator would be required to conduct further investigations in respect of this transaction before determining whether it may result in recoveries for the benefit of creditors

7.6.4 Review of banking covenants

Besides the cashflow for the Company it is also relevant consider the standing of the existing debt facilities. As outlined in the chronology of events at section 7.5 of this report, the Company obtained several extensions to the NAB facility. As displayed in the chronology, the Company was requested to decrease its LVR ratio, as tabled below:

	30 June 07	30 June 08	30 June 09	11 Nov 09
	\$	\$	\$	\$
Total Facility	4,000,000	4,200,000	4,200,000	4,500,000
Used Amount	4,000,000	4,195,000	4,200,000	4,392,742
Unused Amount	Nil	5,000	Nil	107,258
Valuation	7,726,000	5,500,000	3,700,000	3,700,000
LVR	51.7%	76.3%	113.5%	118.7%

In respect of the above, we make the following comments:

- The Company is required under the NAB facility agreement / mortgagee to maintain a loan to value ratio of no greater than 55%;
- There are a number of external market factors that have lead to a decline in value, being the delay in subdivision approvals and the general commercial property market;

- Further, upon receipt of the valuation in 2009 the Company immediately sought to correct the loan to value ratio by considering the various options mentioned above at Section 7.6.3; and

The NAB required amounts of \$2.7M to be repaid by 15 December 2009 in order to maintain the loan facility.

Given the financial position of the Company and the limited options available to raise further capital, the directors resolved to appoint Andrew Saker, Darren Weaver and Martin Jones as Joint and Several Administrators on 11 November 2009. In addition, Brian McMaster and Mark Mentha of KordaMentha were appointed R&M on 19 November 2009 pursuant to the duly registered fixed and floating charged in favour of the NAB.

7.6.5 Trade Creditor Position

The table below sets out an analysis of the aged payables for the Company, as at the date of our appointment:

Creditor	0-30 Days	31-60 Days	61-90 Days	Total
Abbott & CO Printers	237			237
All Flags & Banners		1,100		1,100
Chadwick	202			202
JGC Accounting	6,220			6,130
Mendelawitz Morton	2,376			2,376
Western Power	1,281			1,281
Total	\$10,316	\$1,100	\$0	\$11,326

The ageing of trade creditors as the date of our appointment indicates that there were minimal overdue balances, a sign that trade creditors were being paid on a regular basis in accordance with the Company's payment cycle.

We have not adjudicated or assessed the validity of the outstanding trade creditors.

7.7 Other Indicators of Insolvency

Case law has identified various indicators of insolvency that are useful to assess with regard to the Company's circumstances in order to have a proper consideration of a Company's financial position in its entirety and in the context of commercial reality.

We comment on several of these indicators below, being grounds on which a director should suspect insolvency, and we consider their application to the Company's circumstances.

(a) *Knowledge of substantial trading losses*

As the Company was not a trading entity, this factor has no bearing on the insolvency of Company.

(b) *Advice from financial controller that: Liquidity was tight; e.g. a supplier taking legal action to recover debt, or difficulty in paying debts when due; and had concerns as to solvency*

The Company paid its trade creditors when they fell due and payable, from that perspective there were no concerns as to solvency. However, due to the lack of available funding alternatives and the bank's concerns regarding the LVR ratio, the directors and the Project Manager should have apprehension as to the solvency of the Company.

(c) *Knowledge of requirement for substantial working capital to bring creditors into line with trading terms*

From time to time, SGPGPL lent money (as referred to in Section 5.1.3) to the Company to assist with ongoing cash flow commitments. We note that these amounts advanced have been primarily used to repay the interest component on the facility from the NAB.

(d) *Knowledge of legal demands*

Our preliminary investigations reveal that there were no legal demands issued against the Company.

(e) *Knowledge of failure to meet statutory employee payments.*

The Company did not have any employees.

(f) *Board consulting insolvency practitioner as to general concept of insolvency and the administration process*

There has been no evidence to suggest that the Company consulted an insolvency practitioner other than the informal discussion that lead them to resolve to appoint an Administrator to the Company on 11 November 2009.

(g) *Resignation of financial officer stating concerns re insolvent trading*

There was no resignation of the financial officer.

(h) *Knowledge of the appointment of an investigating accountant by the company's bankers*

There were concerns by the NAB in relation to the increase in LVR as a result of falling property prices. 333 Capital, a company affiliated with KordaMentha were engaged to conduct an Investigative Accountants report on the Company and to consider the NAB's position.

(i) *Knowledge of the bank's concerns and the banks view that there has been a material adverse change*

We have not identified any view expressed by any of the Banks as to an opinion of a material adverse change, other than the action referred to above.

(j) *Unexplained resignation of other director*

There were no unexplained resignations in the period immediately prior to our appointment.

(k) *ASIC enquiry in relation to company's solvency*

We are not aware of any line of inquiry that ASIC may have conducted as to the company's solvency position.

(l) *Knowledge of major creditors long overdue*

Generally, creditor accounts were paid within normal trading terms.

In addition to the above factors, it is also been demonstrated that consideration should be given to evidence that gives rise to the conclusion of insolvency by way of the further indicative factors that are discussed below with reference to the Company:

- *Creditors were not being paid as and when they fell due e.g. where there are many large debts outstanding over 9 months.*

There was no evidence of any significant major balances outstanding.

- *Debt collectors retained by creditors*

We have not identified any instances where debt recovery action was taken by creditors against the Company.

- *Legal proceedings initiated by creditors*

We have not identified any instances where creditors initiated legal action to recover debts. A credit search of Company has not revealed any winding up applications issued.

- *Creditors placing company on cash on delivery terms*

We are not aware of any creditors having imposed cash or restricted trading terms.

- *Power supply threatened for non-payment*

Our investigations have not identified that there any threat of termination of power supplies.

- *Daily management of creditor payments on a crisis basis.*

- *Cheques drawn but held until cash allowed release*

We have not identified any practice of drawing and holding cheques by the Company.

- *Non-payment of payroll tax and PAYG remittances*

The Company had no employees and accordingly had no PAYG or payroll tax liabilities.

- *Creditor exercising lien rights*

We are not aware of any creditors exercising any lien rights in respect of Company's property.

- *Negotiated special repayment terms with creditors*

Other than the waiver of banking covenants in 2008 and 2009, we are not aware of any special repayments terms negotiated with creditors.

- *Post dated cheques issued to creditors*

We have not identified any evidence that the Company issued post-dated cheques.

- *Significant and continuing trading losses*

The Company was a project development company and did not conduct any trading.

- *Unsuccessful attempts to raise debt or equity deteriorating relationship with banker.*

There were attempts to obtain additional finance once the LVR increased to ensure compliance with debt covenants, however the Company was unsuccessful.

- *Banking facilities put on demand*

There were concerns by the NAB in relation to the increase in LVR. We note that the company attempted to negotiate its facilities with the NAB including initiatives to restore the LVR to a level acceptable to the NAB.

- *Deteriorating financial ratios*

As detailed early in this report, the Company's LVR ratio deteriorated significantly upon receipt of the valuation in May 2008 and May 2009. As such, the bank became concerned as to the viability of the project.

Having discussed the above factors with regard to the Company's circumstances it is evident that many of the factors do not apply and others that are applicable occurred later in the chronology of dates or are explainable in some respects. There are no significant factors that give rise to evidence of the conclusion of insolvency other

than immediately prior to the appointment date. In our view, and subject to our further investigations to be completed, these indicate that the date of insolvency is likely to be closer to the date of appointment of the administrators on 11 November 2009.

7.7.1 Disclosure obligations

Unlisted public companies have obligations in relation to disclosure as prescribed under AISC regulatory guide 198. That is, material information should be disclosed on the company's website in accordance with the regulatory guide's good practice provisions.

We note that the Company did not place updates on its website, however and in accordance with the regulatory guide, the Company did issue quarterly updates in relation to the project.

In this regard, a liquidator may be required to conduct further investigations into this matter.

7.8 Preliminary conclusions on solvency

As noted above, it is necessary to identify and report to creditors, a likely date of insolvency on the Company. In this regard, we make preliminary comments as follows:

- (a) The other factors that typically indicate a conclusion of insolvency, or at least a suspicion of insolvency on the part of the directors, were not generally present and if they were present it was late in the chronology of dates and events;
- (b) There were concerns by the NAB in relation to the increase in LVR. We note that 333 Capital, a company affiliated with KordaMentha were engaged to conduct an Investigative Accountants report on the Company and consider the NAB's position; and
- (c) The Company had no recourse to obtain further debt or equity finance and given the delay in the approval process which in effect delayed the Company's ability to generate cash through sales caused the directors to appoint Administrators.

Given the range of factors influencing the Company's insolvency we table below the relevant dates that the Company would have been insolvent from that perspective:

Assessment Areas	Date Relevant to Solvency Assessment
Financial Assessment	
Profitability	Not Applicable
Working Capital Deficiency	June 2008
Net Assets	June 2009
Other Insolvency Indicators	
Non Compliance with Finance Facilities	June 2008
Aged Trade Payables Outside of Terms	No Examples
Payment Arrangements with Creditors	No Examples
Statutory Payments in Arrears	No Examples
Demands, Writs & Summons	No Examples
Dishonoured Cheques	No Examples
Presumption of Insolvency	11 November 2009

As noted in our introduction, our conclusion as to the date of insolvency is preliminary in nature. A Liquidator may perform further detailed investigations, including the benefit of public examination of officers and their parties that would provide further information.

Having regard to the above, we consider that the Company was potentially insolvent as early as June 2008 but more likely closer to the date of appointment given the defences available to the directors.

7.9 Books and Records

Section 286 of the Act requires a company to keep written financial records that:

- Correctly record and explain the company's transactions, financial position and performance; and
- Would enable true and fair financial statements to be prepared and audited.

The financial records must be retained for a period of seven (7) years after the transactions covered by the records are completed.

A failure to maintain books and records in accordance with Section 286 may give rise to a rebuttable presumption of insolvency which may be relied upon by a Liquidator in an application for compensation for insolvent trading.

From our inspection of available records we are of the view, subject to the qualification below, that:

- The Company had prepared audited annual accounts for the years up to 30 June 2009;
- Management accounts were prepared on a monthly basis up to 31 October 2009;
- All journals and primary records supporting the journals were available upon our request; and
- Primary books and records appear to have been adequately maintained.

We conclude on a preliminary basis that we have not identified any specific breaches of Section 286 of the Act by the Company.

7.10 Potential Liquidator recoveries – voidable transactions

During the course of our investigations, we have considered whether the Company entered into any transactions which appear to be voidable and may result in money being recovered. It is important to note that voidable transactions may only be recovered if the creditors of that company resolve to place the Company into liquidation.

7.10.1 Unfair preference

A Liquidator is able to recover from a creditor, payments made to it where:

- (a) It results in the creditor receiving more than it would in a winding up;
- (b) The company is insolvent or becomes insolvent because of the payments;
- (c) The transaction occurred within 6 months of the appointment of the Administrators (or 4 years if the transaction was with a related party, or 10 years if the transaction was made with the intention to defeat Creditors); and
- (d) The Creditor or a reasonable person in the Creditor's position had reasonable grounds to suspect that the company was insolvent.

Our preliminary investigations into the Company's affairs reveal a number of payments across different entities which may be voidable as unfair preferences, subject to further investigation and determination of the date of insolvency.

Typically, factors which indicate payments might be unfair preferences include:

- (a) Payments in response to winding up applications, statutory demands and other pressure from the creditor;
- (b) Repayment plans with the creditor; and
- (c) Significant 'round' figure instalment type payments were made to the creditor.

We are not aware of any factors represented by (a), (b) or (c) above.

The payments would be protected if the creditor from whom the liquidator seeks to recover:

- (a) Became a party to the transaction in good faith; and
- (b) At the time when they became a party:
 - They had no reasonable grounds for suspecting that the Company was insolvent at that time, or would become insolvent; and
 - A reasonable person in that person's circumstances would have had no such grounds for so suspecting; and
- (c) Provided valuable consideration under the transaction or has changed their position in reliance on the transaction.

A creditor seeking protection must prove all three elements.

Further, where a creditor received a series of payments as part of a so called 'running account' and their overall indebtedness increases over the same period, the creditor is taken not to have received an unfair preference. This is called 'the running account defence'.

A liquidator may seek legal advice on the strength of a claim including the applicability of these defences. It is also likely any recovery action commenced by a liquidator would be defended. Creditors should be aware that the costs of pursuing preferences, and other voidable transactions, can be considerable and may outweigh the benefit to creditors in many circumstances.

We have been advised by the directors, that:

- (a) No formal or informal payment arrangements were in place with any creditors or suppliers.
- (b) No payment plan was in place in respect of taxation or other statutory debts.
- (c) No written demands or threats of legal action in relation to payment were received within the six month period prior to our appointment.

We have confirmed through publically available information and credit searches that no winding up applications had been issued by creditors against any of the Company. We also refer to the aged trade creditors position set out at section 7.6.5 above, and note that creditors generally appear to have been paid within trade terms.

We have also identified a number of other payments made to certain creditors who appear to have received a benefit greater than they otherwise would in liquidation. We have not to date, however, formed a view as to whether those creditors had knowledge of the relevant company's financial position, and accordingly those amounts are not tabled as potential recoveries.

A liquidator will perform further work and investigation in respect of these amounts before determining whether they are recoverable. In particular, a final determination will need to be made as to the date of insolvency which is a fundamental component of any recovery.

7.10.2 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's circumstances would not have entered into the transaction having regard to:

- The benefits or detriment to the company of entering into the transaction; and
- 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.

We have identified from our preliminary investigation certain transactions that warrant further investigation but none that could be said with any certainty at this time that would result in recovery for creditors. The date of insolvency is also relevant as to whether these transactions would be considered recoverable.

We consider the transactions under the following subheadings:

- Loans to Directors; and
- Acquisitions and Disposals of Fixed Assets and Property.

7.10.3 Loans to Directors

As part of our review, we have considered those loans made to Directors the Company or related parties. In determining the commercial nature of such loans we have considered the applicability of the interest rate, securities taken, repayment terms and loan forgiveness (where applicable). Our preliminary review has not concluded that any transactions may be considered uncommercial.

We advise the directors operated no loan accounts from the Company.

7.10.4 Acquisitions and Disposals of Property and Fixed Assets

From my preliminary investigations we have reviewed the Property acquisition and comment as follows:

- The original proprietor of the land was Auswide International Investments Pty Ltd ATF KA and VC Patel Family Trust;
- SAS Global Property Group Unit Trust No 2 entered into an Option to Purchase Land Agreement with Auswide International Investments Pty Ltd ATF KA and VC Patel Family Trust to purchase the Property dated 10 September 2006;
- The latest date for exercise of this option was 9 February 2007;
- The terms of the Option provided that, upon exercise of the Option to Purchase Land Agreement, the holder would enter into a contract to purchase the land with Auswide International Investments Pty Ltd ATF KA and VC Patel Family Trust;
- SAS Global Property Group Unit Trust No 2 (Assignor) executed a Deed of Assignment of Option with Hotspot Nominees Pty Ltd ATF the Gilliam Drive Unit Trust (Assignee) on 3 November 2006, whereby the Assignor would assign the Option to Purchase Land Agreement to the Assignee;

- A Deed of Acknowledgement of Debt was entered in to between Hotspot Pty Ltd ATF The Gillian Drive Unit Trust (Borrower) and SAS Global Property Group Unit Trust No 2 (Lender) whereby the Borrower agrees to repay the Lender \$1,300,000 upon settlement of the Option to Purchase Land Agreement;
- On 7 January 2007 SGP GPL exercised its option to purchase the Property;
- Contract of Sale executed on 7 February 2007 between the Company and Auswide International Investments Pty Ltd ATF KA and VC Patel Family Trust; and
- Settlement of the Property occurred on 9 March 2007.

The above has been derived from the information available and we are continuing to assess the validity of this assignment. We note that any future appointed liquidator would be required to conduct further investigations in respect of this transaction before determining whether it may result in recoveries for the benefit of creditors.

7.10.5 Unfair Loans

Section 588FD provides that a loan to a company is unfair if the interest and charges were extortionate when the loan was made, or has since become extortionate. In considering whether interest and charges are extortionate, regard must be had to:

- Risk the lender is exposed to;
- Value of any security;
- Term;
- Repayment schedule;
- Amount of loan; and
- Any other relevant matters.

Based on our preliminary investigations to date, the terms of the loans provided to the Company, there were no unfair loans.

7.10.6 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;
- Made by the director or close associate of the director; and
- 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 within the four years prior to appointment, they may be set aside thereby increasing the funds available to unsecured creditors.

We have attempted to identify all director-related transactions, including director remuneration, bonuses, loans, share Schemes, retirement benefits, loan forgiveness, and asset acquisitions and/or disposals to directors within the four year period.

From our preliminary review of the Company's records we have not identified an unreasonable director related transactions. Director's loans have been addressed in the previous section of the report.

Notwithstanding the above, further investigation is desirable to consider the benefit and detriment to the company in entering into and the payment of, in order to determine whether the transaction would fall under the provisions of Section 588FDA of the Act.

A liquidator would perform further work and investigation in respect of this transaction and S588FDA before concluding on the merits of the claim and whether it would produce available recoveries for the benefit of creditors.

7.11 Other potential liquidator recoveries

7.11.1 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.

7.11.2 Falsification 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.

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

7.11.3 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.

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

7.11.4 Obstruction of creditors' rights

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

Our preliminary investigations have not identified transactions entered into by the company intended to obstruct creditors' rights and which would give rise to recoveries for the benefit of creditors. However if a liquidator were appointed, they would perform further work and investigation in respect of this area before concluding on the availability of any recoveries for the benefit of creditors.

7.11.5 Voidable charges

Our preliminary review of the books and records considers the NAB facility to be, prima facie, valid. However we again note that a liquidator would be required to conduct further investigations into the affairs of the Company pursuant to Section 533 of the Act.

7.11.6 Avoidance of employee entitlements

Our preliminary investigations to date have not identified any transactions or actions that would constitute a contravention of Part 5.8A of the Act by any person, however a liquidator would perform further work and investigation in respect of this area before concluding on the availability of any recoveries for creditors.

7.11.7 Project Management Fees

Pursuant to the management agreement between the Company and SGPGPL, the Company is liable for the following fees:

- 1) Management fees payable in monthly instalments of \$15,000 (plus GST) for a 13 month period commencing from settlement;
- 2) A capital raising fee equal to 5% of all capital raised for the Project;
- 3) A capital managers fee of 1.5%;
- 4) A project fee of \$1,000,000 upon settlement of the Property;
- 5) A disposal of assets fee charged at 5% of the gross sale proceeds, payable on settlement on the individual lots;
- 6) A profit share fee which is split 50/50 between the Shareholders and Project Manager following Shareholders receiving 20% per annum on their invested principle;
- 7) Reimbursements for costs incurred on behalf of the Company.

As at our appointment the following fees were paid to the Project Manager:

Fees Payable to Project Manager	Amount (\$)
Financial Year Ending 30 June 2007	
Project Establishment Fee	1,000,000
Project Managers Fee	60,000
Capital Raising Fee	325,000
Capital Managers Fee	97,500
Total Payable	1,482,500
Financial Year Ending 30 June 2008	
Project Managers Fee	150,000
Total Payable	150,000
Financial Year Ending 30 June 2009	
Overpayment of Project Managers Fee	(15,000)
Total Project Management Fees Paid	\$1,617,500

We note that the fees payable to the project manager was outlined and disclosed in the IM. We also note that in the time available to us we have not been able to consider the reasonableness of the fees that were being paid to the Project Manager. However we note that a liquidator would be required to conduct further investigations in respect of this transaction before determining whether it may result in recoveries for the benefit of creditors.

7.12 Breach of Directors Duties

Sections 180, 181, 182 and 183 of the Corporations Act, impose fiduciary duties on the directors to:

- Exercise their powers and duties in relation to the company with a degree of care and diligence;
- To act good faith and for a fit and proper purpose that is in the best interests of the corporation;
- To prevent conflicts arising between personal interest and the company's interest;
- An obligation to act only in the best interests of the company; and
- To avoid improper use of specific information that has been obtained through the directors' work with the company to gain directly or indirectly an advantage.

The objective test or standard of measure in the suspected breach of conduct of above is the reasonableness of the actions taken by directors and requiring the directors to demonstrate that their actions are the same degree and level that would be required of an ordinary reasonable person holding a similar position and responsibility in the same circumstances.

Our investigations with respect to whether there have been any breaches of directors' duties are continuing.

7.13 Report to ASIC

Section 438D of the Act requires us to lodge a report with the ASIC should we become aware of:

- Any offences committed by a past or present officer of any of the company's over which we are appointed;
- Evidence that monies or property has been misapplied or retained;
- Evidence that a party is guilty of negligence, default, breach of duty or breach of trust in relation to any of the company's over which I am appointed.

Our preliminary investigations have not identified evidence of any breach of the Act that would require us to lodge a report with the ASIC pursuant to section 438D of the Act in respect of this company.

7.14 Summary of potential liquidator recoveries

Set out below is a summary of transactions that will be of interest to a liquidator arising from investigations discussed in this report. We note that these are potential recoveries by a liquidator in the event the Company is wound up and could be in a range of possible values and could be as low as nil.

Potential Recovery Item	High (\$)	Low (\$)
Unfair preferences	TBD	Nil
Uncommercial transactions	TBD	Nil
Unfair loans	TBD	Nil
Unreasonable director related transactions	TBD	Nil
Transactions undertaken to obstruct creditors' rights	Nil	Nil
Compensation from director for insolvent trading	TBD	Nil
Breaches of directors duties	TBD	Nil
Total	Nil	Nil

7.15 Directors' ability to pay a liquidator's claims

The merits of any potential insolvent trading action by a Liquidator would need to be considered in light of the Directors' net asset position. We have requested that all the directors provide a statement of their financial position however no such statement has been forthcoming.

Our preliminary investigations have revealed that the Directors' net asset position is subject to a mixture of personal and corporate interest, including personal guarantee's provided by them in respect to the secured creditors' debt for a related entity (SAS Global Baldivis Limited). Further investigations will be required in regards to the directors' net asset positions

For completeness, we also note that the directors do not have a directors' and officers' insurance policy which would respond to any claims brought by a liquidator.

8. Proposal for DOCA

8.1 Statement of proposed DOCA

No DOCA has been proposed as at the date of this report. Therefore, this option is not available to creditors.

For completeness, we note that whereas at the commencement of the Administration a DOCA had been contemplated, the company's circumstances are such that the Director was unable to present a DOCA proposal adequate to meet employee entitlements and provide a return to ordinary unsecured creditors.

9. Creditors' options, dividend estimates and cost estimates

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

- Administration to end;
- Company to be wound up;
- Company to execute a DOCA.

Given that no DOCA proposal has been put forward this option falls away.

In forming our opinion, it is necessary to consider an estimate of the dividend creditors might expect, and the likely costs, under each option however in the current circumstances such estimates are not available or may be difficult to predict with accuracy.

9.1 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 our preliminary investigations and analysis of the Company's financial information, the Company is insolvent. Accordingly, there appears to be no valid commercial reason why control of the Company should revert to the directors. If the administration was to end, there is no mechanism controlling an orderly realisation of assets and distribution to creditors. We are unable to say what the company might ultimately pay creditors or what costs it might incur.

Therefore, our opinion is that it is not in the creditors' interest for the administration of the Company to end.

9.2 Winding up of Company

In the absence of a DOCA proposal, the winding up of the Company is the only commercial option remaining. Given the nature, size and costs involved in determining the value of the asset and potential recoveries in a liquidation scenario it is difficult to determine with any degree of certainty the likely level of return to unsecured creditors that would arise from liquidation.

Therefore, the Administrators' opinion is that it is in the creditors' best interests for the Company to be wound up and placed into liquidation.

The costs of winding up the Company's affairs are estimated at \$80,000 (excl GST) although these costs would be considerably higher in the event that the potential claims referred to above at Section 6 of this report are

pursued. It is unclear as to whether there will be any assets available to meet these costs or to return/dividend to creditors.

10. Administrators' opinion

As stated in section 9.1 above, the option of the Administration ending is clearly not viable. The only remaining option available to creditors is to wind up the Company.

From the information set out in section 9.2 of this report, we estimate that the return to unsecured creditors should the company be wound up is likely to be nil.

Based on the above, it is our opinion that creditors should resolve that the company should be wound up.

11. Administrators' remuneration report

Pursuant to Section 446E of the Act, we enclose as **Annexure 1** the Administrators' Remuneration Report. At the second meeting of creditors, we intend seeking approval of the remuneration set out in the remuneration report. Details of disbursements incurred are also included in the remuneration report.

12. Further queries

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

In the meantime, should creditors have any queries, please do not hesitate to contact either Jamie Gunnis or Sandra Gauci of this office.

DATED this 8th day of December 2009.



MARTIN JONES
Joint and Several Administrator of
SAS Global Seville Grove Limited

Encl.

Annexure 1

Administrators' Remuneration Report

CORPORATIONS ACT 2001

Section 449E

SAS GLOBAL SEVILLE GROVE LTD ACN 123 755 859 (Administrators Appointed) (Receivers and Managers Appointed)

REMUNERATION REPORT

The Administrators' Remuneration Report, prepared pursuant to Section 449E of the Corporations Act 2001, takes the following format.

Part A

- A1 Schedule of hourly rates and general guide to staff experience
- A2 Tasks undertaken by the Administrators and remuneration calculation for the period 11 November 2009 to 6 December 2009
- A3 Schedule of the Administrators' anticipated tasks and remuneration estimate for the period 7 December 2009 to 16 December 2009
- A4 Where Liquidators are appointed, a schedule of the Liquidators' anticipated tasks and remuneration estimate from 17 December 2009 to the conclusion of the liquidation
- A5 Resolutions to be put to creditors at the meeting convened for 16 December 2009

Part B

- B1 Administrators' disbursements
- B2 Summary of Receipts and Payments for the period 11 November 2009 to 6 December 2009
- B3 Other creditor information on remuneration
- B4 Initial advice to creditors

The Remuneration Report must be read in conjunction with the report to creditors dated 8th December 2009.



PART A

A1 FERRIER HODGSON PERTH SCHEDULE OF HOURLY RATES & GENERAL GUIDE TO STAFF EXPERIENCE

Classification	Rate (\$)	Experience
Partner/Appointee	540	The Partner/Appointee is a registered liquidator and member of the ICAA and IPAA bringing specialist skills to the administration or insolvency task. For specific experience and other details of the appointee/s, please visit our website at www.ferrierhodgson.com
Principal/Director	460	Generally, minimum of 12 years experience at least 2 years of which is to be at Manager level. University degree; member of the ICAA and IPAA with deep knowledge and lengthy experience in relevant insolvency legislation and issues.
Senior Manager	390	Generally, more than 7 years experience with at least 2 years as a Manager. University degree; member of the ICAA and IPAA; very strong knowledge of relevant insolvency legislation and issues.
Manager	325	Generally, 5-7 years chartered accounting or insolvency management experience. University degree; member of the ICAA and IPAA; sound knowledge of relevant insolvency legislation and issues.
Supervisor	285	Generally, 4-6 years chartered accounting or insolvency management experience. University degree; member of the ICAA; completing IPAA Insolvency Education Program. Good knowledge of relevant insolvency legislation and issues.
Senior 1	255	Generally, 2-4 years chartered accounting or insolvency management experience. University degree; completing the ICAA's CA, program. Good knowledge of basic insolvency legislation and issues.
Senior 2	230	Generally, 2-3 years chartered accounting or insolvency management experience. University degree, ICAA's CA program commenced.
Intermediate 1	185	Generally, 1 to 2 years experience. Has completed or substantially completed a degree in finance/accounting. Under supervision, takes direction from senior staff in completing administrative tasks.
Intermediate 2	155	0 – 1 year's experience. Undertaking a degree part-time in finance/accounting. Under supervision, takes direction from senior staff in completing administrative tasks.
Senior Secretary	150	Appropriate skills including machine usage.
Junior/Filing	130	Completed schooling and plans to undertake further studies. Required to assist in administration and day to day field work under the supervision of more senior staff.

Notes:

1. The hourly rates are exclusive of GST.
2. The guide to staff experience is intended only as a general guide to the qualifications and experience of our staff engaged in the administration. Staff may be engaged under a classification that we consider appropriate for their experience.
3. Time is recorded and charged in six-minute increments.
4. Rates are subject to change from time to time.

A2. Tasks undertaken by the Administrators and remuneration calculation for the period 11 November 2009 to 6 December 2009

Administrators' fees, based on the tasks detailed below and covering the above period are \$21,697.00 (excl GST).

Assets 1.90 Hours \$604.50	Sale of business as a going concern	<ul style="list-style-type: none"> ▪ Liaising with interested parties ▪ Internal meetings to discuss / review proposals received ▪ Reviewing valuations
	Sale of real property	<ul style="list-style-type: none"> ▪ Liaising with valuers, agents and strata agent
	Other assets	<ul style="list-style-type: none"> ▪ Tasks associated with realising other assets
Creditors 58.0 Hours \$14,212.50	Creditor Enquiries	<ul style="list-style-type: none"> ▪ Receive and follow up creditor enquiries via telephone and email ▪ Maintaining creditor enquiry register ▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Creditor reports/circulars	<ul style="list-style-type: none"> ▪ Initial circular to creditors. Initiate report pursuant to section 439A of the Act.
	Dealing with proofs of debt	<ul style="list-style-type: none"> ▪ Receipting and filing POD's when not related to a dividend
	Meeting of Creditors	<ul style="list-style-type: none"> ▪ Preparation meeting notices, proxies and advertisements ▪ Forward notice of meeting to all known creditors ▪ Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. ▪ Preparation and lodgement minutes of meetings with ASIC ▪ Respond to stakeholder queries and questions immediately following meeting
Investigation 7.7 Hours \$2,341.50	Shareholder enquires	<ul style="list-style-type: none"> ▪ General liaison with shareholders ▪ Receive and follow up shareholder enquiries via telephone and email ▪ Maintaining shareholder enquiry register ▪ Review and prepare correspondence to shareholders and their representatives via facsimile, email and post
	Conducting investigation	<ul style="list-style-type: none"> ▪ Review of company books and records ▪ Reconstruction of financial statements ▪ Reviewing company's books and records/seek Report as to Affairs ▪ Review and preparation of company nature and history ▪ Conducting and summarising statutory searches ▪ Preparation of comparative financial statements ▪ Review of specific transactions and liaising with directors regarding certain transactions ▪ Reviewing investor updates and summarising ▪ Preparing chronology of major events ▪ Preparation of investigation file
Administration 18.8 Hours \$4,538.50	Litigation / Recoveries	<ul style="list-style-type: none"> ▪ Liaising with solicitors regarding various matters
	Correspondence	<ul style="list-style-type: none"> ▪ General correspondence
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> ▪ Filing of documents ▪ File reviews ▪ Updating checklists
	Insurance	<ul style="list-style-type: none"> ▪ Correspondence with Willis regarding initial and ongoing insurance requirements ▪ Reviewing insurance policies ▪ Correspondence with previous brokers



Bank account administration	<ul style="list-style-type: none">▪ Preparing correspondence opening and closing accounts▪ Requesting bank statements▪ Bank account reconciliations▪ Correspondence with bank regarding specific transfers
ASIC Form 524 and other forms	<ul style="list-style-type: none">▪ Preparing and lodging ASIC forms including 505 and 5011▪ Correspondence with ASIC regarding statutory forms
ATO & other statutory reporting	<ul style="list-style-type: none">▪ Notification of appointment
Planning / Review	<ul style="list-style-type: none">▪ Discussions regarding status/strategy of administration



A2 (cont) Tasks undertaken by the Administrators and remuneration calculation for the period 11 November 2009 to 6 December 2009

Employee	Position	Charge Rate (\$)	Total		Assets		Creditors		Investigation		Administration	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Martin Jones	Partner	540	0.80	432.00	-	-	-	-	-	-	0.80	432.00
Malcolm Field	Manager	390	2.30	897.00	0.60	234.00	0.20	78.00	1.40	546.00	0.10	39.00
Kieran Chu	Supervisor	285	31.10	8,863.50	1.30	370.50	17.00	4,845.00	6.30	1,795.50	6.50	1,852.50
Shannon Coleman	Senior 2	230	27.60	6,348.00	-	-	27.60	6,348.00	-	-	-	-
Erlyn Dale	Senior 2	230	1.40	322.00	-	-	0.40	92.00	-	-	1.00	230.00
Sandra Gauci	Senior 2	230	10.70	2,461.00	-	-	6.60	1,518.00	-	-	4.10	943.00
Jamie Gunnis	Senior 2	230	5.30	1,219.00	-	-	4.10	943.00	-	-	1.20	276.00
Georgina Luck	Intermediate 1	185	2.30	425.50	-	-	2.10	388.50	-	-	0.20	37.00
Sean Holmes	Intermediate 1	185	0.50	92.50	-	-	-	-	-	-	0.50	92.50
Adrian Di Menna	Intermediate 2	155	0.30	46.50	-	-	-	-	-	-	0.30	46.50
Sam Wilson	Intermediate 2	155	0.20	31.00	-	-	-	-	-	-	0.20	31.00
Melissa Kroon	Secretary	150	0.20	30.00	-	-	-	-	-	-	0.20	30.00
Jacqui Westwood	Secretary	150	2.40	360.00	-	-	-	-	-	-	2.40	360.00
Dorothy Radisich	Clerk	130	1.30	169.00	-	-	-	-	-	-	1.30	169.00
Total			86.40	21,697.00	1.90	604.50	58.00	14,212.50	7.70	2,341.50	18.80	4,538.50



A3 Schedule of anticipated tasks and Administrators' estimated prospective remuneration for the period 7 December 2009 to 16 December 2009

Based on the following anticipated tasks, I estimate the Administrators' fees for the above period to be \$25,000 (excl GST).

Assets 6.0 Hours \$1,810.00	Sale of business as a going concern	<ul style="list-style-type: none"> ▪ Liaising with interested parties ▪ Internal meetings to discuss / review proposals received ▪ Reviewing valuations
	Sale of real property	<ul style="list-style-type: none"> ▪ Liaising with valuers, agents and strata agent
	Other assets	<ul style="list-style-type: none"> ▪ Tasks associated with realising other assets
Creditors 32.0 Hours \$7,310.00	Creditor Enquiries	<ul style="list-style-type: none"> ▪ Receive and follow up creditor enquiries via telephone and email ▪ Maintaining creditor enquiry register ▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Creditor reports/circulars	<ul style="list-style-type: none"> ▪ Finalising report to creditors pursuant to section 439A of the Act
	Dealing with proofs of debt	<ul style="list-style-type: none"> ▪ Receipting and filing POD's when not related to a dividend
	Meeting of Creditors	<ul style="list-style-type: none"> ▪ Preparation of meeting notices, proxies and advertisements ▪ Forward notice of meeting to all known creditors ▪ Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. ▪ Preparation and lodgement minutes of meetings with ASIC ▪ Respond to stakeholder queries and questions immediately following meeting
Investigations 43.0 Hours \$10,255.00	Shareholder enquires	<ul style="list-style-type: none"> ▪ General liaison with shareholders ▪ Receive and follow up shareholder enquiries via telephone and email ▪ Maintaining shareholder enquiry register ▪ Review and prepare correspondence to shareholders and their representatives via facsimile, email and post
	Conducting investigation	<ul style="list-style-type: none"> ▪ Collection of company books and records ▪ Reconstruction of financial statements ▪ Reviewing company's books and records and Report as to Affairs ▪ Review and preparation of company nature and history ▪ Review of specific transactions and liaising with directors regarding certain transactions ▪ Liaising with directors regarding certain transactions ▪ Preparation of investigation file
Administration 23.0 Hours \$5,625.00	ASIC reporting	<ul style="list-style-type: none"> ▪ Liaising with ASIC (if required)
	Correspondence	<ul style="list-style-type: none"> ▪ General correspondence
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> ▪ Administration reviews ▪ Filing of documents ▪ File reviews ▪ Updating checklists
	Insurance	<ul style="list-style-type: none"> ▪ Correspondence with Willis regarding initial and ongoing insurance requirements ▪ Reviewing insurance policies ▪ Correspondence with previous brokers
	Bank account administration	<ul style="list-style-type: none"> ▪ Preparing correspondence opening and closing accounts ▪ Requesting bank statements ▪ Bank account reconciliations



		<ul style="list-style-type: none"> ▪ Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	<ul style="list-style-type: none"> ▪ Preparing and lodging ASIC forms including 505 and 5011 ▪ Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	<ul style="list-style-type: none"> ▪ General correspondence
	Planning / Review	<ul style="list-style-type: none"> ▪ Discussions regarding status/strategy of administration
	Books and records / storage	<ul style="list-style-type: none"> ▪ Dealing with records in storage ▪ Sending job files to storage



A3 (Cont) Schedule of anticipated tasks and Administrators' estimated prospective remuneration for the Period 7 December 2009 to 16 December 2009

Employee	Position	Charge Rate (\$)	Total		Assets		Creditors		Investigation		Administration	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Martin Jones	Partner	540	4.00	2,160.00	-	-	-	-	2.00	1,080.00	2.00	1,080.00
Malcolm Field	Manager	390	8.00	3,120.00	2.00	780.00	2.00	780.00	2.00	780.00	2.00	780.00
Kieran Chu	Supervisor	285	22.00	6,270.00	2.00	570.00	8.00	2,280.00	10.00	2,850.00	2.00	570.00
Jamie Gunnis	Senior 2	230	8.00	1,840.00	2.00	460.00	2.00	460.00	2.00	460.00	2.00	460.00
Erlyn Dale	Senior 2	230	6.00	1,380.00	-	-	2.00	460.00	2.00	460.00	2.00	460.00
Sandra Gauci	Senior 2	230	6.00	1,380.00	-	-	2.00	460.00	2.00	460.00	2.00	460.00
Georgina Luck	Intermediate 1	185	12.00	2,220.00	-	-	5.00	925.00	5.00	925.00	2.00	370.00
Clinton Roberts	Intermediate 1	185	8.00	1,480.00	-	-	3.00	555.00	4.00	740.00	1.00	185.00
Sean Holmes	Intermediate 1	185	18.00	3,330.00	-	-	5.00	925.00	11.00	2,035.00	2.00	370.00
Adam Puddy	Intermediate 2	155	8.00	1,240.00	-	-	3.00	465.00	3.00	465.00	2.00	310.00
Jacqui Westwood	Secretary	150	3.00	450.00	-	-	-	-	-	-	3.00	450.00
Dorothy Radisich	Clerk	130	1.00	130.00	-	-	-	-	-	-	1.00	130.00
Total			104.00	25,000.00	6.00	1,810.00	32.00	7,310.00	43.00	10,255.00	23.00	5,625.00



A4 Where Liquidators are appointed, a schedule of the Liquidators' anticipated tasks and remuneration estimate from 17 December 2009 to the conclusion of the liquidation

Based on the following anticipated tasks of the Liquidation, I estimate the Liquidators' fees to be \$80,000 (excl GST).

Assets 47.0 Hours \$14,970.00	Sale of business as a going concern	<ul style="list-style-type: none"> ▪ Preparing an information memorandum ▪ Liaising with valuers, auctioneers and interested parties ▪ Internal meetings to discuss / review offers received
Creditors 85.0 Hours \$19,335.00	Creditor Enquiries	<ul style="list-style-type: none"> ▪ Receive and follow up creditor enquiries via telephone ▪ Maintaining creditor enquiry register ▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post ▪ Correspondence with committee of creditors members
	Secured creditor reporting	<ul style="list-style-type: none"> ▪ Preparing reports to secured creditor ▪ Responding to secured creditor's queries
	Creditor reports/circulars	<ul style="list-style-type: none"> ▪ Preparing general reports to creditors
	Dealing with proofs of debt	<ul style="list-style-type: none"> ▪ Receipting and filing POD's when not related to a dividend ▪ Corresponding with regarding POD's when not related to a dividend
	Meeting of Creditors	<ul style="list-style-type: none"> ▪ Preparation meeting notices, proxies and advertisements ▪ Forward notice of meeting to all known creditors ▪ Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. ▪ Preparation and lodgement minutes of meetings with ASIC ▪ Respond to stakeholder queries and questions immediately following meeting
	Shareholder enquires	<ul style="list-style-type: none"> ▪ General liaison with shareholders ▪ Receive and follow up shareholder enquiries via telephone and email ▪ Maintaining shareholder enquiry register ▪ Review and prepare correspondence to shareholders and their representatives via facsimile, email and post
Investigations 92.0 Hours \$21,885.00	Conducting investigation	<ul style="list-style-type: none"> ▪ Collection of company books and records ▪ Correspondence with ASIC to receive assistance in obtaining books and records ▪ Reconstruction of financial statements ▪ Reviewing company's books and records and Report as to Affairs ▪ Review and preparation of company nature and history ▪ Conducting and summarising statutory searches ▪ Preparation of comparative financial statements ▪ Preparation of deficiency statement ▪ Review of specific transactions and liaising with directors regarding certain transactions ▪ Liaising with directors regarding certain transactions ▪ Preparation of investigation file ▪ Lodgement of report with the ASIC pursuant to section 533 of the Act ▪ Preparation and lodgement of supplementary report if required
	Examinations	<ul style="list-style-type: none"> ▪ Preparing brief to solicitor ▪ Liaising with solicitor(s) regarding examinations ▪ Attendance at examination ▪ Reviewing examination transcripts ▪ Liaising with solicitor(s) regarding outcome of examinations



		and further actions available
	Litigation / Recoveries	<ul style="list-style-type: none"> ▪ Internal meetings to discuss status of litigation ▪ Preparing brief to solicitors ▪ Liaising with solicitors regarding recovery actions ▪ Attending to negotiations ▪ Attending to settlement matters
	ASIC reporting	<ul style="list-style-type: none"> ▪ Preparing statutory investigation reports ▪ Preparing affidavits seeking non lodgements assistance ▪ Liaising with ASIC
Administration 97.0 Hours \$23,810.00	Correspondence	<ul style="list-style-type: none"> ▪ General correspondence
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> ▪ First month, then 6 monthly administration review ▪ Filing of documents ▪ File reviews ▪ Updating checklists
	Insurance	<ul style="list-style-type: none"> ▪ Identification of potential issues requiring attention of insurance specialists ▪ Correspondence with Willis regarding initial and ongoing insurance requirements ▪ Reviewing insurance policies ▪ Correspondence with previous brokers
	Bank account administration	<ul style="list-style-type: none"> ▪ Preparing correspondence opening and closing accounts ▪ Requesting bank statements ▪ Bank account reconciliations ▪ Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	<ul style="list-style-type: none"> ▪ Preparing and lodging ASIC forms including 505, 524, and 5011 etc ▪ Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	<ul style="list-style-type: none"> ▪ Notification of appointment ▪ Preparing BAS'
	Finalisation	<ul style="list-style-type: none"> ▪ Notifying ATO of finalisation ▪ Cancelling ABN / GST / PAYG registration ▪ Completing checklists ▪ Finalising WIP
	Planning / Review	<ul style="list-style-type: none"> ▪ Discussions regarding status/strategy of administration
	Books and records / storage	<ul style="list-style-type: none"> ▪ Dealing with records in storage ▪ Sending job files to storage



A4 (cont) Where Liquidators are appointed, a schedule of the Liquidators' anticipated tasks and remuneration estimate from 17 December 2009 to the conclusion of the liquidation

Employee	Position	Charge Rate (\$)	Total		Assets		Creditors		Investigation		Administration	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Martin Jones	Partner	540	18.00	9,720.00	5.00	2,700.00	-	-	3.00	1,620.00	10.00	5,400.00
Malcolm Field	Manager	390	24.00	9,360.00	6.00	2,340.00	6.00	2,340.00	6.00	2,340.00	6.00	2,340.00
Kieran Chu	Supervisor	285	75.00	21,375.00	30.00	8,550.00	10.00	2,850.00	20.00	5,700.00	15.00	4,275.00
Shannon Coleman	Senior 2	230	28.00	6,440.00	6.00	1,380.00	10.00	2,300.00	6.00	1,380.00	6.00	1,380.00
Erlyn Dale	Senior 2	230	18.00	4,140.00	-	-	6.00	1,380.00	6.00	1,380.00	6.00	1,380.00
Sandra Gauci	Senior 2	230	32.00	7,360.00	-	-	20.00	4,600.00	6.00	1,380.00	6.00	1,380.00
Georgina Luck	Intermediate 1	185	31.00	5,735.00	-	-	10.00	1,850.00	15.00	2,775.00	6.00	1,110.00
Clinton Roberts	Intermediate 1	185	25.00	4,625.00	-	-	10.00	1,850.00	12.00	2,220.00	3.00	555.00
Sean Holmes	Intermediate 1	185	21.00	3,885.00	-	-	5.00	925.00	10.00	1,850.00	6.00	1,110.00
Sam Wilson	Intermediate 2	155	22.00	3,410.00	-	-	8.00	1,240.00	8.00	1,240.00	6.00	930.00
Jacqui Westwood	Secretary	150	22.00	3,300.00	-	-	-	-	-	-	22.00	3,300.00
Dorothy Radisich	Clerk	130	5.00	650.00	-	-	-	-	-	-	5.00	650.00
Total			321.00	80,000.00	47.00	14,970.00	85.00	19,335.00	92.00	21,885.00	97.00	23,810.00

Please note that the above is an estimate only. If costs exceed the estimate, I will advise creditors accordingly and seek further approval.



A5 Resolutions to be put to creditors at the meeting convened for 16 December 2009.

At the meeting of creditors convened for 16 December 2009, creditors will be asked to consider the following resolutions:

“The Administrators remuneration, as set out in the Administrators’ remuneration report dated 8 December 2009 for the period 11 November 2009 to 6 December 2009 in the sum of \$21,697.00 (exclusive of GST).”

“The Administrators’ further remuneration for the period 7 December 2009 to 16 December 2009 be fixed in accordance with the hourly rates of Ferrier Hodgson up to the sum of \$25,000 (exclusive of GST).”

If the company is placed into Liquidation:

“The Liquidators’ remuneration be fixed in accordance with the Ferrier Hodgson hourly rates up to the sum of \$80,000 (exclusive of GST) and that the Liquidators be authorised to make periodic payments on account of such accruing remuneration.”

PART B

B1 Administrators’ Disbursements

Disbursements are divided into three types **D1**, **D2** and **D3**.

- D1 Disbursements are all externally provided professional services and are recovered at cost. An example of a D1 disbursement is legal fees.
- D2 Disbursements are externally provided non professional costs such as travel, accommodation and search fees. D2 disbursements are recovered at cost.
- D3 Disbursements are internally provided non professional costs such as photocopying and document storage. D3 disbursements are charged at cost except for photocopying, printing and telephone calls which are charged at a rate which is intended to recoup both variable and fixed costs. The relevant rates are set out below.

Disbursements	Charges (Excluding GST)
Postage	At cost
Telephone	At cost
Photocopying	35 cents per copy
Facsimile	\$1.00 per page
File Set Up	At cost
Advertising	At cost
Storage – Per Box	At cost
Storage – Per File	At cost
Couriers	At cost



Disbursements incurred to date are shown in the Summary of Receipts and Payments. Creditor approval for the payment of disbursements is not required. However, the Administrators must account to creditors. Creditors have the right to question the incurring of disbursements and can challenge disbursements in court.

B2 Summary of Receipts and Payments for the period 11 November 2009 to 6 December 2009.

There were no receipts or payments during the period.

B3 Other creditor information on remuneration

The partners of Ferrier Hodgson Western Australia are members of the Insolvency Practitioners Association of Australia and follow the IPA Code of Professional Practice. A copy of the Code of Professional Practice may be found on the IPA website at www.ipaa.com.au

An information sheet concerning approval of remuneration in external administrations can also be obtained from the IPA website.

B4 Initial Advice to Creditors

Remuneration Methods

There are four basic methods that can be used to calculate the remuneration charged by an insolvency Practitioner. They are:

1. **Time based / hourly rates**
This is the most common method. The total fee charged is based on the hourly rate charged for each person who carried out the work multiplied by the number of hours spent by each person on each of the tasks performed.
2. **Fixed Fee**
The total fee charged is normally quoted at the commencement of the administration and is the total cost for the administration. Sometimes a Practitioner will finalise an administration for a fixed fee.
3. **Percentage**
The total fee charged is based on a percentage of a particular variable, such as the gross proceeds of assets realisations.
4. **Contingency**
The practitioner's fee is structured to be contingent on a particular outcome being achieved.

Method chosen

Given the nature of this administration we propose that our remuneration be calculated on time based hourly rates.

This method was selected as it is the most practical method, and provides the most transparency to creditors given the nature of this administration.



Queries regarding remuneration should be directed to Clinton Roberts of this office.

Dated this 8th day of December 2009.

A handwritten signature in black ink, appearing to read 'Martin Jones', written over a horizontal line.

MARTIN JONES

Joint and Several Administrator of
SAS Global Seville Grove Ltd

Annexure 2

**IPA - Creditor Information Sheet
Offences, Recoverable Transactions and Insolvent Trading**

Creditor Information Sheet

Offences, Recoverable transactions and Insolvent Trading



Offences

A summary of offences that may be identified by the administrator:

180	Failure by officer to exercise a reasonable degree of care and diligence in the exercise of his powers and the discharge of his duties.
181	Failure to act in good faith.
182	Making improper use of position as an officer or employee, to gain, directly or indirectly, an advantage.
183	Making improper use of information acquired by virtue of his position.
184	Reckless or intentional dishonesty in failing to exercise duties in good faith for proper purpose. Use of position or information dishonestly to gain advantage or cause detriment.
206A	Contravening an order against taking part in management of a corporation.
206A, B	Taking part in management of corporation while being an insolvent under an administration.
206A, B	Acting as a director or promoter or taking part in the management of a company within five years after conviction or imprisonment for various offences.
209(3)	Dishonest failure to observe requirements on making loans to directors or related companies.
254T	Paying dividends except out of profits.
286	Failure to keep proper accounting records.
312	Obstruction of auditor.
314-7	Failure to comply with requirements for financial statement preparation.
437C	Performing or exercising a function or power as officer while a company is under administration.
437D(5)	Unauthorised dealing with company's property during administration.
438B(4)	Failure by directors to assist administrator, deliver records and provide information.
438C(5)	Failure to deliver up books and records to administrator.
590	Failure to disclose property, concealed or removed property, concealed a debt due to the company, altered books of the company, fraudulently obtained credit on behalf of the company, material omission from Report as to Affairs or false representation to creditors.

Voidable Transactions

Preferences

A preference is a transaction such as a payment between the company and one or more of its creditors, in which the creditor receiving the payment is preferred over the general body of creditors. The relevant time period is six months before the commencement of the liquidation. The company must have been insolvent at the time of the transaction, or become insolvent as a result of the transaction.

Where a creditor receives a preferred payment, the payment is voidable as against a liquidator and is liable to be paid back to the liquidator subject to the creditor being able to successfully maintain any of the defences available to the creditor under either the Corporations Act.

Uncommercial Transaction

An uncommercial transaction is one that it may be expected that a reasonable person in the company's circumstances would not have entered into having regard to:

- the benefit or detriment to the company;
- the respective benefits to other parties; and,
- any other relevant matter.

To be voidable, an uncommercial transaction must have occurred during the two years before the liquidation. However, if a related entity is a party to the transaction, the time period is four years and if the intention of the transaction is to defeat creditors, the time period is ten years.



The company must have been insolvent at the time of the transaction, or become insolvent as a result of the transaction.

Unfair Loan

A loan is unfair if and only if the interest was extortionate when the loan was made or has since become extortionate. There is no time limit on unfair loans – they only have to have been entered into any time on or before the day when the winding up began.

Arrangements to avoid employee entitlements

If an employee suffers loss because a person (including a director) enters into an arrangement or transaction to avoid the payment of employee entitlements, the liquidator or the employee may seek to recover compensation from that person. It will only be necessary to satisfy the court that there was a breach on the balance of probabilities. There is no time limit on when the transaction occurred.

Unreasonable payments to directors

Liquidators have the power to reclaim "unreasonable payments" made to directors by companies prior to liquidation. The provision relates to transactions made to, on behalf of, or for the benefit of, a director or close associate of a director. To fall within the scope of the section, the transaction **must** have been unreasonable, and have been entered into during the 4 years leading up to a company's liquidation, regardless of its solvency at the time the transaction occurred.

Voidable charges

Certain charges are voidable by a liquidator:

- Floating charge created with six months of the liquidation unless it secures a subsequent advance;
- Unregistered charges; and
- Charges in favour of related parties who attempt to enforce the charge within 6 months of its creation.

Insolvent Trading

In the following circumstances, directors may be personally liable for insolvent trading by the company:

- a person is a director at the time a company incurs a debt;
- the company is insolvent at the time of incurring the debt or becomes insolvent because of incurring the debt;
- at the time the debt was incurred, there were reasonable grounds to suspect that the company was insolvent;
- the director was aware such grounds for suspicion existed; and
- a reasonable person in a like position would have been so aware.

The law provides that the liquidator, and in certain circumstances the creditor who suffered the loss, may recover from the director, an amount equal to the loss or damage suffered. Similar provisions exist to pursue holding companies for debts incurred by their subsidiaries.

A defence is available under the law where the director can establish:

- there were reasonable grounds to expect that the company was solvent and they actually did so expect;
- they did not take part in management for illness or some other good reason; or,
- they took all reasonable steps to prevent the company incurring the debt.

The proceeds of any recovery for insolvent trading by a liquidator are available for distribution to the unsecured creditors before the secured creditors.

Important note: This information sheet contains a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. This document may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances.

Annexure 3

**Declaration of independence,
relevant relationship and indemnities**

CORPORATIONS ACT 2001 (“THE ACT”)

Section 436DA(2)

**SAS GLOBAL SEVILLE GROVE LIMITED
ACN 123 755 859
(Administrators Appointed) (Receivers and Managers Appointed)**

**DECLARATION OF INDEPENDENCE, RELEVANT RELATIONSHIPS AND
INDEMNITIES**

Independence

We, Martin Jones, Andrew Saker and Darren Weaver have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as Joint and Several Administrators of SAS Global Seville Grove Limited (“the Company”). This assessment identified no real or potential risks to our independence. We are not aware of any reasons that would prevent us from accepting this appointment.

Relevant Relationships

Aside from the notes below, none of Martin Jones, Andrew Saker and Darren Weaver and our firm, have, or have had within the preceding 24 months, any relationships with the Company, an associate of the Company, a former insolvency practitioner appointed to the Company or any other person or entity that has a charge on the whole or substantially whole of the Company’s property.

For completeness, we note that Martin Jones, Andrew Saker and Darren Weaver have also been appointed as Joint and Several Voluntary Administrators pursuant to Section 436A of the Act of the following companies which shares common Directorships:

Company Name	Appointment date
SAS Global Baldivis Ltd ACN 120 233 490 (Administrators Appointed) (Receivers and Managers Appointed)	6 November 2009
SAS Global Mosman Park Equity Ltd ACN 124 508 596 (Administrators Appointed)	11 November 2009
SAS Global Mandurah Ltd ACN 117 669 468 (Administrators Appointed) (Receivers and Managers Appointed)	11 November 2009
SAS Global Coogee Ltd ACN 125 069 874 (Administrators Appointed) (Receivers and Managers Appointed)	11 November 2009

- Martin Jones has also been appointed as Administrator pursuant to Section 436A of the Act of the following company which shares common Directorships:

Company Name	Appointment date
SAS Global Mosman Park Ltd ACN 124 033 889 (Administrators Appointed) (Receivers and Managers Appointed)	13 November 2009

Prior Engagements with the Insolvent

Martin Jones, Andrew Saker and Darren Weaver and any of our Firm, have not undertaken any prior engagements for the Company. Martin Jones had several informal conversations with the Directors in the days leading up to the acceptance of the appointment as Administrators' for which no invoice was raised.

From time to time we provide professional advice, either formally or informally to the secured creditor, National Australia Bank Ltd ("NAB") who holds a fixed and floating charge on the whole or substantially whole of the Company's property, however, we have had no involvement with NAB in direct relation to the Company and note that the NAB has appointed Brian McMaster and Mark Mentha of KordaMentha as Receiver and Managers of the company on 19 November 2009.

There are no other prior professional relationships or engagements that should be disclosed.

Indemnities

Martin Jones, Andrew Saker and Darren Weaver have not been indemnified in relation to this administration, other than any indemnities that we may be entitled to under statute.

Dated this 8th day of December 2009.



MARTIN JONES
Joint and Several Administrator of
SAS Global Seville Grove Limited

INFORMAL PROOF OF DEBT FORM

Regulation 5.6.47

SAS GLOBAL SEVILLE GROVE LTD
(ADMINISTRATORS APPOINTED)
(RECEIVERS AND MANAGERS APPOINTED)
ACN 123 755 859

Name of creditor:

Address of creditor:

.....

ABN:

Telephone number:

Amount of debt claimed: \$(including GST \$.....)

Consideration for debt (i.e. the nature of goods or services supplied and the period during which they were supplied):

.....
.....
.....

Is the debt secured? YES/NO

If secured, give details of security including dates, etc:

.....
.....
.....

Other information:

.....
.....

.....
Signature of Creditor
(or person authorised by creditor)

Notes:

Under the Corporations Regulations, a creditor is not entitled to vote at a meeting unless (Regulation 5.6.23):

- a. his or her claim has been admitted, wholly or in part, by the Joint and Several Administrators; or
- b. he or she has lodged with the Joint and Several Administrators particulars of the debt or claim, or if required, a formal proof of debt.

At meetings held under Section 436E and 439A, a secured creditor may vote for the whole of his or her debt without regard to the value of the security.

Proxies must be made available to the Joint and Several Administrators.

**CORPORATIONS ACT 2001
APPOINTMENT OF PROXY CREDITORS MEETING**

**SAS GLOBAL SEVILLE GROVE LTD
(ADMINISTRATORS APPOINTED)
(RECEIVERS AND MANAGERS APPOINTED)
ACN 123 755 859**

*I/*We¹
of
a creditor of SAS Global Seville Grove Ltd, appoint²
or in his absence as.....
*my/our *(i) general OR *(ii) special proxy³ to vote at the meeting of creditors to be held on 16 December 2009 or at any adjournment of that meeting, to vote
(i) on all matters arising at the meeting; **OR**
(ii) on each of the following kinds of resolution in the manner specified:

Resolution:	For	Against	Abstain
(a) The company be wound up.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(b) The Administration end.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(c) The Administrators' remuneration for the period 11 November 2009 to 6 December 2009 be fixed in the sum of \$21,697.00 (exclusive of GST).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(d) The Administrators' further remuneration for the period 7 December 2009 to 16 December 2009 be fixed in accordance with the hourly rates of Ferrier Hodgson up to the sum of \$25,000.00 (exclusive of GST).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(e) If the company is placed into Liquidation: The Liquidators' remuneration be fixed in accordance with the hourly rates of Ferrier Hodgson up to the sum of \$80,000.00 (exclusive of GST) and that the Liquidators be authorised to make periodic payments on account of such accruing remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(f) If the company is placed into Liquidation: A Committee of Inspection be appointed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(g) If the company is placed into Liquidation: The books and records of the company be disposed of 12 months after the dissolution of the company or earlier at the discretion of the ASIC.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(h) The meeting be adjourned for a period not to exceed 45 business days.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* Strike out if inapplicable

¹ If a firm, strike out "I" and set out the full name of the firm.

² Insert the name, address and description of the person appointed.

³ If a special proxy add the words "to vote for" or the words "to vote against" and specify the particular resolution.

I am an unsecured creditor and the total amount owed to me is \$.....

OR

I am a secured creditor and the total amount owed to me is \$.....

DATED this day of December 2009

.....
Signature⁵ of individual or person⁶
authorised by corporate resolution to
represent the corporation

OR The Common Seal of⁴
was hereunto affixed in the
presence of

.....
Director

.....
Secretary

This section is only relevant in the case of a proxy given by a blind or other person incapable of writing.

CERTIFICATE OF WITNESS⁷

I, of
certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person
appointing the proxy and read to him before he attached his signature or mark to the instrument.

DATED this day of December 2009

.....
Signature of Witness

.....
Description

.....
Place of Residence

⁴ The method of affixing the Common Seal is prescribed in Section 127(2) of the Corporations Act 2001 and, usually, the creditor corporation's constitution.
⁵ The signature of the creditor is not to be attested by the person nominated as proxy.
⁶ A corporation may only be represented by proxy or by an attorney appointed pursuant to Corporations Regulations 5.6.28 and 5.6.31A respectively or, by a representative appointed under Section 250D of the Corporations Act 2001. Copy of authority/power of attorney to be annexed.
⁷ This certificate is to be completed only where the person giving it is blind.