

Our Ref: OK.NS.SB.SOU083.Sect.20

Please Reply to Sydney Office

20 November 2012

TO THE CREDITOR AS ADDRESSED

Dear Sir / Madam,

**SOUTHERN CROSS CONSTRUCTIONS (NSW) PTY LIMITED
(RECEIVERS & MANAGERS APPOINTED) (ADMINISTRATORS APPOINTED)
ABN: 78 083 223 107 (the "Company")**

A meeting of creditors pursuant to Section 439A of the Corporations Act 2001 for the purpose of deciding on the future of the Company will be held on Wednesday, 28 November 2012, commencing at 11:00 AM.

The following documents are enclosed:-

1. Notice of Meeting;
2. Proposed Agenda;
3. Report by Administrators;
4. Administrators' Updated Declaration of Independence, Relevant Relationships and Indemnities;
5. ASIC – Insolvency information for directors, employees, creditors and shareholders;
6. Form of Proxy; and
7. Form of Proof of Debt for Purposes of Voting at Meeting.

If you have any questions, please contact Mr James Burns or Rohan Dalal of this office on (02) 8221 8433.

Yours faithfully,


Ozem Kassem
Administrator

Enc.

O:\Corporate\Current\Southern Cross Constructions (NSW) Pty Limited\Reports to Creditors\Section 439A Report\c121119 - 2nd Circular to Creditors (s439A Meeting).doc

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BRISBANE QLD 4000
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(By Appointment)

NOTICE OF MEETING TO CREDITORS

**SOUTHERN CROSS CONSTRUCTIONS (NSW) PTY LIMITED
(RECEIVERS & MANAGERS APPOINTED) (ADMINISTRATORS APPOINTED)
ABN: 78 083 223 107 (the "Company")**

PURSUANT TO SECTION 439A OF THE CORPORATIONS ACT 2001

NOTICE is hereby given that a meeting of the creditors of the Company will be held at Symantec House, Level 5, 207 Kent Street, Sydney NSW 2000, on Wednesday, 28 November 2012, commencing at 11:00 AM for the purposes of:

1. Considering the Administrators' report;
2. Approving the Administrators' remuneration;
3. Deciding the Company's future;
4. Approving the Liquidators' remuneration;
5. Considering the appointment of a Committee of Inspection; and
6. Other matters.

DATED this 20th day of November 2012.


Ozen Kassem
Administrator

MEETING OF CREDITORS OF
SOUTHERN CROSS CONSTRUCTIONS (NSW) PTY LIMITED
(RECEIVERS & MANAGERS APPOINTED) (ADMINISTRATORS APPOINTED)
ABN: 78 083 223 107 (the “Company”)

PURSUANT TO SECTION 439A OF THE CORPORATIONS ACT 2001
TO BE HELD ON WEDNESDAY, 28 NOVEMBER 2012 COMMENCING AT 11:00 AM

AGENDA

1. Introduction of Personnel
2. Appointment of Chairman
(Administrator is Chairman – Corporations Regulation 5.6.17(1)(c))
3. Tabling of the Administrators' Updated Declaration of Independence, Relevant Relationships and Indemnities
4. Notice of Meeting
5. List of Creditors Present or Represented by Proxy
6. Observers
7. Declaration that meeting is being held at a time and place convenient
- Corporations Regulation 5.6.14
8. Administrators' Report
9. Questions from the Floor
10. Resolution re Administrators' Remuneration
11. Resolution re Company's Future
12. Resolution re Liquidators' Remuneration
13. Resolution re Committee of Inspection
14. Resolution re Membership of Committee
15. Other Matters
16. Meeting Closure

Southern Cross Constructions (NSW) Pty Limited

(Receivers and Managers Appointed)

(Administrators Appointed)

ABN 78 083 223 107

Administrators' Report to Creditors

Pursuant to Section 439A
of the *Corporations Act 2001*

20 November 2012

COR CORDIS 
C h a r t e r e d A c c o u n t a n t s
Corporate & Personal Insolvency Forensic Accounting Litigation Support

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ABBREVIATIONS

Abbreviated Word	Full Word
the Act	<i>Corporations Act 2001</i>
the Company	Southern Cross Constructions (NSW) Pty Limited
the Company Search	the ASIC Company File/PPSR search
the Directors	Messrs Andrew Box and Lewis Yazbek
the Holding Company	Southern Cross Project Group Pty Ltd
Administrators	Ozem Kassem, Bruno Secatore and Jason Tang of Cor Cordis Chartered Accountants
Assetinsure	Assetinsure Pty Limited
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
BAS	Business Activity Statement
CFMEU	Construction, Forestry, Mining and Energy Union
CFO	Chief Financial Officer
Committee	Committee of Creditors
DEEWR	Department of Education, Employment and Workplace Relations
DIRRI	Declaration of Independence Relevant Relationships and Indemnities
DOCA	Deed of Company Arrangement
FLV	Forced Liquidation Value
FMV	Fair Market Value
Frendina	Frendina Pty Limited
FY	Financial Year
GEERS	General Employee Entitlements and Redundancy Scheme
Group	The entities within the Southern Cross Group
Icon Australia	Icon Construction Australia Pty Limited
Icon (NSW)	Icon Construction (NSW) Pty Limited
Icon SC	Icon Southern Cross Pty Limited
ITW	Income Tax Withholding
IPAA	Insolvency Practitioners Association of Australia
Landsbury	Landsbury Independent Property Advisory Services
NAB	National Australia Bank Limited
NSW	New South Wales
McIntyre Joint Venture	Southern Cross Developments (McIntyre) Pty Limited and LaMaison Gordon Pty Limited Joint Venture
Neutral Bay JV	Neutral Bay Projects Pty Limited and Lion Pacific Projects (Neutral Bay) Pty Limited Joint Venture
PAYG	Pay As You Go tax deductions from employee wages and salaries.
PMSI	Purchase Money Security Interest
PPSR	Personal Property Security Register
QBE Insurance	QBE Insurance (Australia) Limited
QLD	Queensland

RATA	Report as to Affairs
Receivers and Managers	David Winterbottom and Jannamaria Robertson of KordaMentha
RMS	Roads and Maritime Services
SGC	Superannuation Guarantee Charge
SCC (ACT)	Southern Cross Constructions (ACT) Pty Limited
SCC (NT)	Southern Cross Constructions (NT) Pty Limited
SCC (QLD)	Southern Cross Constructions (S.E. QLD) Pty Limited
SCC (SA)	Southern Cross Constructions (SA) Pty Limited
SCC (TAS)	Southern Cross Constructions (TAS) Pty Limited
SCC (WA)	Southern Cross Constructions (WA) Pty Limited (Administrators Appointed)
SCD	Southern Cross Development Pty Limited
SCG International	Southern Cross Group International Pty Limited (Receivers and Managers Appointed)
SCP	Southern Cross Projects Pty Limited
SCPG	Southern Cross Project Group Pty Limited
St George	St. George Bank (a division of Westpac Banking Corporation)
SX Projects	SX Projects Pty Limited in its own capacity as general partner of the SX Projects Limited Partnership.
SX Projects (NSW)	SX Projects (NSW) Pty Limited
SXPLP	SX Projects Limited Partnership
Valuers	Dominion Group (NSW) Pty Limited, an independent valuation firm instructed by the Administrators
WIP	Work in Progress
436E Circular	Administrators circular to creditors dated 26 October 2012

DISCLAIMER

The information contained in this report is based upon investigations into the affairs of the Company and advice from relevant parties. In these circumstances creditors must appreciate the inherent limitations in the information provided and time prescribed by the Act to allow for us to prepare this report.

The statement of financial position of the Company disclosed in this report and the projected dividend calculation are 'best estimates' only, based on information available as at the date of this report. Many factors affect the estimated outcome to creditors. The data used in this report may change as further information becomes available and after all matters in the administration are finalised. If there is any additional material information received in the administration then it will be presented to creditors as soon as practicable.

As advised in **Section 15**, 'Meeting of Creditors', the Administrator acting as the Chairperson may exercise his casting vote with respect to a resolution tabled at the forthcoming meeting. It is the intention of the Administrators to use any casting vote in accordance with the recommendations contained within this report. This intention is based on the information available at the date of this report and the reasons set out in this report. This position is subject to us not receiving any further information before or during the meeting that would result in the recommendation being changed.

We trust that this report adequately discloses information pertaining to the Company's position, and therefore allows creditors to make an informed decision as to the Company's future. We invite any further advice or comments from creditors with respect to this report and the affairs of the Company in general.

If you require any further information, please do not hesitate to contact Mr James Burns or Mr Rohan Dalal of this office on (02) 8221 8433.

1. INTRODUCTION

Bruno Secatore, Jason Tang and I were appointed Joint and Several Administrators of the Company pursuant to a resolution of the Directors made on 24 October 2012. The purpose of our appointment is to take control of the Company's affairs, which includes but is not limited to the following tasks:

- To call two (2) meetings of creditors (the first meeting was held on Monday 5 November 2012);
- Undertake investigations into the affairs of the Company and consider possible courses of action including voidable transactions and insolvent trading;
- To complete investigations into the financial position of the Company;
- Reconcile employee entitlements;
- Review of the assets of the Company in order to set a realisation strategy;
- Reviewing the Company's building contracts;
- Reviewing and/or reconstructing financial accounts for the Company;
- Investigate an agreement entered into with Icon Australia;
- Conducting investigations into the financial affairs of the Company and determine any transactions of a voidable nature; and
- Meeting with Directors in relation to the financial position and consideration as to a possible DOCA proposal.

The objective of the Voluntary Administration regime as set out in Section 435A of the Act is to provide for the business, property and affairs of an insolvent company to be administered in a way that:-

- a) maximises the chances of the company, or as much of its business, continuing in existence; or*
- b) If it is not possible for the company or its business to continue in existence - results in a better return for the company's creditors than would result from an immediate winding up of the company.*

The appointment of the Administrators allows for independent insolvency practitioners to take control of and investigate the affairs of the Company. During the administration, creditors' claims against the Company are subject to a moratorium. In addition, the Administrators are required to provide creditors with information and recommendations to assist creditors to decide upon the Company's future.

This report has been prepared for the sole purpose of giving notice of a second meeting of creditors to be held on Wednesday, 28 November 2012, or any adjournment thereof, and pursuant to Section 439A(4) of the Act and the provisions of the Code of Professional Practice issued by the IPAA, to provide details of the Company's business, property, affairs and financial circumstances, together with a statement setting out the our opinions about whether it would be in the creditors' interests for:

1. The Company to execute a DOCA; or
2. The Administration to end; or
3. The Company to be wound up.

The Directors of the Company have not proposed a DOCA.

This report is not to be considered legal advice to creditors. Accordingly, creditors should consider seeking their own legal advice in relation to the matters contained within this report. Consequently, any other party should not rely upon this report for any purpose whatsoever.

2. EXECUTIVE SUMMARY

We recommend that creditors read this report in its entirety, however, for convenience certain observations and findings are summarised below:

- Ozem Kassem, Bruno Secatore and Jason Tang were appointed Joint and Several Voluntary Administrators of the Company on 24 October 2012 pursuant to resolution of the Company's Directors.
- On 31 October 2012, David Winterbottom and Jannamaria Robertson of KordaMentha were appointed Receivers and Managers of the Company pursuant to a security held by St George.

First Meeting of Creditors

- The first statutory meeting of creditors of the Company was held on 5 November 2012. At this meeting of creditors two (2) resolutions were proposed:

(i) Confirmation of the Administrators' Appointment

A poll was called by creditors.

It was RESOLVED that:-

"To confirm the appointment of Messrs Ozem Kassem, Bruno Secatore and Jason Tang as Joint and Several Administrators of the Company"; and

(ii) Committee

It was RESOLVED:

"THAT a Committee of Creditors of Southern Cross Constructions (NSW) Pty Limited (Receivers and Managers Appointed) (Administrators Appointed) be appointed"

Eight (8) creditors were nominated and appointed.

Background

- The Company operated from head office premises of the Group at 135-153 New South Head Road, Edgecliff NSW, and conducted the business of providing building and construction services to developers in NSW across residential, industrial and retail developments. The Company was the Group entity responsible for entering into construction contracts with a value greater than \$20,000,000.
- The reasons for the Company's failure are detailed later herein.
- On 29 June 2012, Icon Australia and other Icon Co. entities entered into an agreement with the Company which provided for both the payments of licence fees for the use of the Southern Cross name and the purchase of a number of construction contracts. The intent was that Icon SC would be the new vehicle in which contracts with a value greater than \$15,000,000 would be undertaken in while the Company completed residual contracts on foot.
- As at the date of our appointment, the Company had ceased activity on its projects except for two (2) developments referred to as Balmoral Towers (residential apartments in Wollongong) and Bunnings Balgowlah.

DOCA

- The Directors had indicated that they would be forthcoming with a DOCA proposal which would consist of a controlled realisation of the Company's and the Group's assets, particularly the Group's real estate holdings, and that they would manage and fund the activities required to mitigate the Company's exposure to bonds issued in relation to the Company's building contracts. As a result of the appointment of the Receivers and Managers to the Company and another asset holding entity within the Group, a controlled realisation of the assets within the Group is no longer viable. In this regard, after taking into consideration the estimated value of the Group's assets under a distressed sale environment together

with the costs which are likely to be incurred by the Receivers and Managers in realising the assets, it appears likely that there would be little or no return to priority and unsecured creditors. Accordingly, the Directors have advised that they are no longer in a position to propose a DOCA for creditors to consider.

Meeting of Creditors

- At the forthcoming meeting of creditors convened for Wednesday, 28 November 2012, creditors will have the option to vote on the future of the Company by resolving to either:
 - Accept a proposal for a DOCA (at this point in time a proposal has not been received); or
 - Place the Company into liquidation; or
 - End the administration (in which case control of the Company will revert back to the Directors).
- Alternatively, the Act provides for the meeting of creditors to be adjourned for up to forty-five (45) business days if creditors so decide.

Estimated Return to Creditors

- Based on our enquires with the Receivers and Managers to date and the current amount owing to St George it is unlikely that after taking into the consideration the costs of realisation that any surplus funds will be available to the priority and unsecured creditors of the Company.
- If the Company is placed into liquidation, the former employees of the Company may be able to claim under the GEERS for their entitlements (except for superannuation). Any superannuation contributions outstanding are not covered under GEERS in the event the Company is placed into liquidation.

Recommendation

- It is our recommendation **that the Company be wound up and that Messrs Ozem Kassem, Bruno Secatore and Jason Tang be appointed Joint and Several Liquidators of the Company.** In a liquidation scenario, recoveries pursuant to Part 5.7B of the Act are available to the Liquidators of the Company, if appropriate. Creditors are referred to the section titled 'Investigations – Offences, Insolvent Trading and Voidable Transactions' in this report which makes reference to any potential recoveries pursuant to Part 5.7B of the Act as it relates to the Company.

3. ADMINISTRATORS' DECLARATION OF INDEPENDENCE

Pursuant to the *IPAA Statement of Best Practice – Independence on the Appointment of an Administrator*, we have considered the issue of independence.

A DIRRI dated 26 October 2012 (as required by Section 436DA of the Act and the *IPAA Code of Professional Practice*) was enclosed with the 436E Circular, which also gave notice of the first creditors' meeting of the Company pursuant to Section 436E of the Act.

As disclosed in the DIRRI dated 26 October 2012, Messrs Ozem Kassem and Mark Hutchins of Cor Cordis were engaged by the Company prior to our appointment to provide an Investigating Accountants review of the Company and related entities. It is noted that reference to "Board of Directors" in the DIRRI dated 26 October 2012 was meant to be a reference to the Company (reporting via the Directors) and should not be taken nor was it an appointment by the Directors personally.

For the purposes of further disclosure, an amended DIRRI dated 20 November 2012 is enclosed with this report to creditors, clarifying and providing further particulars regarding the above-mentioned Investigating Accountants review.

We are of the opinion that we continue to act independently (both actual and perceived) in this matter.

4. FIRST MEETING OF CREDITORS

A meeting of the Company's creditors was convened in accordance with Section 436E of the Act and held on 5 November 2012, at the Grace Hotel, 'Wilarra Room', 77 York Street Sydney 2000. The following resolution were proposed and passed:

(i) Confirmation of the Administrators' Appointment

The Chairman advised that he had received consent from Darren Vardy and Murray Godfrey of RMG Partners to act as alternate Administrators to the Company.

A poll was called by creditors.

It was RESOLVED that:-

"To confirm the appointment of Messrs Ozem Kassem, Bruno Secatore and Jason Tang as Joint and Several Administrators of the Company".

(ii) Committee

The Chairman discussed the functions of a Committee, and advised that it was a matter for creditors to decide. The creditors resolved to appoint a Committee and the following creditors were appointed to the Committee:

	Nominee	Representing
1.	Darren Vardy	Cherio Pty Limited
2.	Jim Byrnes	Always Recycling Pty Ltd
3.	Ryan Daly	Various Priority Employee Creditors
4.	Glenn Bower	Sydney Plasterers & Painters Pty Ltd
5.	Geoff Bartels	SP71770 & SP71023
6.	David Kelly	Lucrum Consulting Pty Limited
7.	Arthur Tsovolos	Guardian Protection Services Pty Limited
8.	Martin Gunta	A&G Formworkers (NSW) Pty Limited

The minutes of the first meeting have been lodged with the ASIC. A copy of the minutes will be available for inspection at the offices of Cor Cordis during business hours upon request.

5. COMMITTEE OF CREDITORS MEETING

On 14 November 2012, a Committee meeting was held at the offices of Cor Cordis Chartered Accountants, Level 6, 55 Clarence Street, Sydney NSW 2000.

The primary purpose of the meeting was:-

- (i) To provide the Committee with an update on the progress of the administration;
- (ii) To consider the key issues which our investigations are seeking to address; and
- (iii) To consider any other issues raised by the Committee.

The minutes of Committee meeting are soon to be lodged with the ASIC. A copy of the minutes will be available for inspection at the offices of Cor Cordis during business hours once lodged.

6. BACKGROUND TO COMPANY

The Company was established on 1 July 1998 under its current name.

The Company is listed as a Registered Australian Proprietary Company, limited by shares. The following information has been extracted from the Company Search and from the Company's books and records.

6.1 Statutory Information

Company Details	
Company Name	Southern Cross Constructions (NSW) Pty Ltd
ACN	083 223 107
ABN	78 083 223 107
Commencement Date	1 July 1998
Registered Office	G, 135-153 New South Head Road, EDGECLIFF NSW 2027
Principle Place of Business	G, 135-153 New South Head Road, EDGECLIFF NSW 2027

Directors	Appointment Date	Country
Andrew Peter BOX	1 July 1998	Australia
Lewis YAZBEK	1 July 1998	Australia

A personal name extract on the Directors revealing their current Directorships and Shareholdings is attached as **Annexure "A"**.

Former Directors (past 5 years)	Appointment Date	Cease Date
Richard YAZBEK	22 September 2009	17 December 2009
Craig Geoffrey IRWIN	6 November 2002	18 May 2009

Former Alternate Director (past 5 years)	Appointment Date	Cease Date
Lakshman KARUNANAYAKE	16 January 2006	7 November 2008
Vince Bruno BATTAGLIA	18 August 2006	18 September 2006

Secretary (past 5 years)	Appointment Date	Cease Date
Lewis YAZBEK	1 July 1998	Current
Richard YAZBEK	23 November 2001	24 July 2006

Shareholders	Number of Shares Held	Type of Shares Held
Southern Cross Project Group Pty Ltd	900,005	Fully paid Ordinary Shares

Ultimate Holding Company
Southern Cross Project Group Pty Ltd

Chargeholder Name	Registration No.	Date Created	Date Registered
Westpac Banking Corporation	201112151043835	10 February 2003	13 February 2003

The other PPSR and PMSI security registrations shown in the Company Search are listed in **Annexure "B"**.

6.2 Corporate Structure and Related Entities

The Company has one (1) subsidiary (Frendina), which is currently dormant, and is part of the Group. Attached as **Annexure “C”**, is a table detailing the entities within the Group.

On 31 October 2012, David Winterbottom and Jannamaria Robertson of KordaMentha were appointed Receivers and Managers of SCG International pursuant to a security held by St George.

On 1 November 2012, Messrs Richard Albaran, Blair Pleash and Brent Kijurina were appointed Joint and Several Voluntary Administrators of SCC (WA) pursuant to a resolution of the Board of Directors.

At the date of this report, no other members of the Group have been placed under any formal insolvency administration.

6.3 Nature of the Company’s Business

The Company provides building and construction services to developers in NSW across residential, industrial and retail developments, and was the Group entity responsible for entering contracts with a value greater than \$20,000,000. The Group also conducted construction activities in South East QLD and Western Australia.

6.4 Reason for the Company’s Failure

Directors’ Explanation

The Directors of the Company have advised that the Company’s financial position can be attributed to a number of factors which include:

- The state of the construction industry has substantially impacted upon the principals which the Company had undertaken construction works for. Such were the effects that the Company suffered significant losses from non-payment on a number of contracts as a result of principals also ceasing to trade as a result of insolvency. Additionally, the Company was unable to recover on substantial variation claims as a direct result of increased liquidity pressures on principals who were unable to obtain extended funds on finance facilities to meet these variations. Any attempts by the Company to recoup on such losses, by for instance taking residential units in lieu of payment, did not ultimately benefit the Company given depreciations in the property market;
- The Company acted as both builder and developer on a number of joint venture arrangements with parties whereby the Company would trade a percentage of the construction profit margin for a percentage of the profit from the development. The effect of the current property market is such that the completed property holdings could not be sold at the speed or price level originally envisaged, making such developments loss making;
- The Company also funded a number of related entities which have remained unprofitable and unlikely to be in a position to repay such loans;
- The downturn in the construction industry has had the dual effect of reducing both the level of work and the margins on construction contracts. As a consequence of margins being so significantly reduced, the Company sustained losses on projects as a result of varying unforeseen circumstances; and
- The Company and related entities were unable to complete upon their proposed sell down of property holdings, despite sale contracts/heads of agreement being executed and which subsequently did not proceed.

Our investigations indicate that the above comments appear consistent with the financial accounts we have reviewed. There were significant flows of funds between entities within the Group, with such funds being transferred as and when such individual entities required. Given the nature of such related party dealings, there are large related party loan accounts.

Our review of the financial position of such related parties indicates it is unlikely such entities will have any means to repay such loan accounts.

6.5 Winding Up Applications

Detailed below are the details of winding applications filed with the Court in respect to the Company for the period prior to our appointment:

Petitioning Creditor	Date Filed	Debt Claimed (\$)	Status
Genner Holdings Pty Ltd	20 April 2012	22,465.24	Debt Paid and winding up application dismissed on 4 June 2012

7. CONDUCT OF THE ADMINISTRATION

7.1 Overview of Actions to Date

We have undertaken the following actions since the date of our appointment:

- Met with the Directors and CFO to discuss the financial position of the Company;
- Met with the credit managers of St George and the Receivers and Managers appointed by St George in relation to the ongoing conduct of the administration;
- Met with CMFEU delegates to discuss monies owing to subcontractors on various development sites;
- Attended to general creditor enquiries;
- Reviewed and determined viability of the continued trading of the business of the Company;
- Attended the Company's various development sites;
- Terminated the remaining employees of the Company;
- Obtained various Company's books and records and conducted investigations into financial affairs of the Company;
- Conducted investigations into the assets of the Company and commenced a realisation strategy;
- Held discussions with the Directors of Icon Australia to be provided with their version of events leading up to the Icon;
- Held preliminary discussions with our legal advisors in respect to the Company's dealings with Icon Australia;
- Conducted investigations into potential voidable transaction and insolvent trading recoveries;
- Held discussions with the providers and or their legal representatives of the Company's construction bond facilities; and
- Where applicable we have liaised with the principals and / or their legal advisors in respect to the status of claims relating to construction contracts undertaken by the Company.

7.2 Position of Secured and Partly Secured Creditors

There are three (3) creditors who hold security over the Company's assets, St George, QBE Insurance and Icon Australia. Their respective positions are:

St George

St George holds a registered security interest over all the Company assets, and first ranking specific charges (Real Property Mortgages) over a number of the Company's properties (please refer to the table in **Note 4** in the '**Financial Position – Report as to Affairs**' section of the report).

On 31 October 2012, St George appointed Receivers and Managers over:

- Real estate security secured by St George
- Any debts
- The books & records
- Any interest in any plant and machinery held by the Company.

The Receivers and Managers will deal with the above assets for the benefit of St George and will account to the Administrators or Liquidators (if appointed).

Since the appointment of the Receivers and Managers, our functions have been restricted to investigating the affairs of the Company for the purpose of reporting to creditors in accordance with Section 439A of the Act; and dealing with the release of performance bonds (specifically those relating to St George and QBE Insurance), to reduce their priority claims.

QBE Insurance

QBE Insurance holds a first ranking specific charge security over two (2) of the Company's properties and a second ranking charge over the Company's head office premises located at Edgecliff (please refer to the table in **Note 4** in 'Financial Position – Report as to Affairs' section of the report).

Icon Australia

Icon has lodged a caveat over two (2) of the Company's properties (please refer to the table in **Note 4** in 'Financial Position – Report as to Affairs' section of the report).

7.3 Lease and Rental Agreements

From a review of the PPSR and PMSI security registrations detailed in the Company Search, it appears that the registrations relate to goods subject to rental and/or lease agreements and/or for any potential retention of title claims. We have carried out an assessment of the Company's lease and rental agreements with the assistance of the Company's staff. The lease and rental agreements that were not required by the Company, and held no realisable value, have been disclaimed.

8. PROJECTS AND BONDING

8.1 Projects

As previously advised, the Company had ceased activity on its projects except the projects referred to as Balmoral Towers and Bunnings Balgowlah as at the date of our appointment. Ultimately, we were not in a position to complete any of the contracts given a combination of the following factors:

- There were insufficient cash reserves held by the Company at the time of our appointment to facilitate such trading. In particular, the forecast cash requirements to complete the contracts and inherent trading risks were such that it was not viable for us to complete such works;
- A number of the contracts had already been formally taken out of the hands of the Company by the respective principals/developers; and
- We were not able to negotiate suitable terms with a number of the principals, where the works had not stopped prior to our appointment, which would allow such projects to continue.

The Company has provided a summary of the creditors for each project (please note the creditors listed excludes approximately \$3,000,000 in creditors which to date have not been allocated to an individual project):

Job Name	Note	Bonds (\$)	Bonds called to date (\$)	Estimated Total Creditor Claims*
Current Projects				
Balmoral Towers	1	785,997	-	1,784,371
Social Housing	2	230,994	-	1,046,052
Eastside Garden	3	1,594,315	-	2,176,307
Bunnings Balgowlah	4	964,752	(944,752)	2,819,579
Allure Apartments	5	2,033,495	-	1,082,703
Woolworths Balgowlah	6	1,091,187	-	2,830,200
Total Current Projects		\$6,700,740	(\$944,752)	\$11,739,211

We advise the following in respect to the above projects:

Note 1: Balmoral Towers (Towradgi, North Wollongong)

- The contractual date for completion is December 2012;
- We are aware that prior to our appointment, the Company had entered into an agreement with the principal to allow payments to be directly made to subcontractors up to completion;
- Total creditor claims are approximately \$1,784,371;
- Security bonds have been issued by St George (\$786,000) and negotiations are continuing with the principal to allow for works to be completed and the bonds protected; and
- Staff previously employed by the Company have been engaged by Icon SC and redeployed at the site to assist in completing the project.

Note 2: Social Housing – Narraweena

- Construction ceased approximately two (2) weeks prior to our appointment;
- The Company had previously sub-contracted all construction works to a non-related party company, West-End Construction Group Pty Ltd;
- This project had outstanding creditor claims of approximately \$1,046,052; and
- Security bonds have been issued by St George (\$231,000).

Note 3: Eastside Garden (Eastwood)

- The Principal had repudiated the contract on 15 October 2012;
- We are aware that construction for this project is continuing under the principal's control with a view to completing the works in four (4) weeks. We understand that the principal is directly paying subcontractors;
- Total creditor claims are approximately \$2,176,307;
- Security bonds have been issued by Assetinsure (\$1,530,000) and St George (\$64,000);
- We are assessing the Company's rights to the security bonds due to the conduct of the principal by repudiating the contract; and
- The Company is presently before the Supreme Court of NSW in proceedings against the principal seeking an Order that the principal be restrained from presenting/calling upon the Performance Bond. Such proceedings are founded on the Company's claim that certain actions undertaken by the principal were such that the Company had a right to terminate the contract. The proceedings are progressing pursuant to Court timetable. It is expected that the claims will take a period of twelve (12) to eighteen (18) months before they are finally determined.

Note 4: Bunnings Balgowlah

- We were advised that prior to our appointment, the Company had entered into an agreement with Bunnings to allow payments to be directly made to subcontractors up to completion of the contract;
- The contractual date for completion is 14 December 2012. Although we were unable to negotiate acceptable terms with the principal to facilitate the completion by the Company, we understand that construction for this project is now continuing with a view to complete the project by the said date;
- Staff previously employed by the Company have been engaged by Icon SC and redeployed at the site to assist in completing the project;
- Total creditor claims are approximately \$2,819,579; and
- Security bonds have been issued by Assetinsure (\$965,000) whereby the amount of \$944,752 has been called up by the principal.

Note 5: Allure (Dee Why)

- The principal had issued a notice of termination;
- This project is currently dormant and the principal has re-tendered the project. We understand that the principal has recently appointed a new construction company and will recommence works shortly;
- Total creditor claims are approximately \$1,082,703; and
- Security bonds have been issued by Assetinsure (\$1,800,000) and St George (\$237,995).

Note 6: Woolworths (Balgowlah)

- The Directors of the Company had previously held discussions with Woolworths seeking arrangements whereby Woolworths would pay sub-contractors directly so that they could open by early December 2012;
- Such arrangements were never consummated and as such we are aware that the project is currently dormant;
- Total creditor claims are approximately \$2,830,200;
- We understand there may be a large variation claim that is yet to be lodged by the Company in this project; and
- Security bonds have been issued by Assetinsure (\$1,040,000) and St George (\$52,000).

8.2 Security Bonds/Bank Guarantees

The Company was required to provide developers/other parties with security bonds/bank guarantees principally as security for completion and defects. In this regard, detailed below is a list of the security bonds/bank guarantees currently provided:

Project	Company	Project Status	QBE Insurance (\$)	Asset Insure (\$)	St. George (\$)	Total Bonds (\$)	Bonds Called to Date (\$)
Current Projects	SCC (NSW)	Ongoing		5,329,754	1,370,986	6,700,740	944,752
Dee Why Hotel Redevelopment	SCC (NSW)	Completed	3,144,938		80,000	3,224,938	2,994,938
Collins on Bourke	SCC (NSW)	Completed		1,174,590		1,174,590	
Rugby League Central	SCC (NSW)	Completed		400,195		400,195	
Sydney Grammar	SCC (NSW)	Completed	337,701			337,701	
Norberta St, The Entrance	SCC (NSW)	Completed		332,574		332,574	
Fredrick St & Dickerson St, Charlestown	SCC (NSW)	Completed		169,876		169,876	
51-53 Hills St, Gosford	SCC (NSW)	Completed		153,160		153,160	
Other SCC (NSW) Projects	SCC (NSW)	Completed	35,000	79,450	32,200	146,650	
SCC (QLD)	Various	Guarantor		393,734	47,124	440,858	
SX Projects (NSW)	Various	Guarantor	194,375	3,505,468	302,183	4,002,026	
Bunnings Armadale	SCC (WA)	Guarantor		524,538		524,538	524,538
Other SCC (WA)	Various	Guarantor		1,061,324	57,901	1,119,225	53,556
Total			\$3,712,014	\$13,124,663	\$1,890,394	\$18,727,071	\$4,517,784

Table 8.2 – Bond exposure by project/entity

As can be seen in the above table, the Company has performance bond facilities with QBE Insurance, Assetinsure and a bank guarantee/bond facility with St. George totalling \$18,727,071. These facilities were also utilised by the following members of the group:

1. SCC (WA);
2. SCC (QLD); and
3. SX Projects (NSW).

Our key comments in relation to the Company's bond exposure includes:

- **St George:** approximately \$1,000,000 of this exposure relates to the projects Balmoral Towers (\$785,996) and Narraweena (\$230,994). Given, St George has security for such exposure by way of mortgages over the Company's real property and a registered security interest over all of the Company's assets, it is critical to mitigate such exposure. Negotiations relating to the same are ongoing. To date only \$53,556 in St George bonds have been called.
- **QBE Insurance:** QBE Insurance holds a first registered mortgage over two (2) of the Company's residential dwellings with an approximate value of \$1,000,000. QBE Insurance also holds a second registered mortgage over the Company's head office located at Edgecliff behind a first priority to St George of \$9,860,000 plus interest, costs including any incurred in enforcement and taxes (levies, imposts, charges and duties). To date, \$2,994,938 in bonds have been called relating to a completed project termed Dee Why Hotel. The Directors are of the view that the Company's actual exposure for rectification for the project is in the order of \$100,000 and that the principal in this matter has drawn on the bonds significantly in excess of requirements. Given the security position of QBE Insurance, it is

again important for any return to creditors that mitigation of exposure to QBE Insurance bonds is pursued and the Liquidators will seek to work with the relevant parties to achieve an optimum outcome.

- **Assetinsure:** The Company has approximately \$13,124,663 in bond exposure with Assetinsure which to date bonds totalling \$1,469,290 have been called. We have been advised that bonds totalling \$3,505,468 have been provided for SX Projects (NSW) and are in the process of being novated to SX Projects (NSW).
- The guarantors of this facility include the following entities/individuals: the Company; SCPG; SCC (TAS); SCC (NT); SCC (QLD); SCC (WA); SCC (ACT); Frendina; SX Projects; SX Projects (NSW); Bekwin Investments Pty Limited; SCP; Lewis Yazbek; Richard Yazbek; and Andrew Peter Box.
- Given SCC (WA) is currently in voluntary administration, the Company's exposure to bonds provided for SCC (WA) which total \$1,580,000 (of which \$524,538 has been drawn) would appear to be at risk. We intend to work with the relevant parties to mitigate exposure of such bonds.
- At this point in time, it is difficult to ascertain the Company's ultimate exposure to bonds across unfinished and completed projects. In order to mitigate the Company's exposure, a Liquidator will ultimately require input and consensus between the bond providers, the principals of the projects and the Directors of the Company. To the extent that this can be achieved without the need for litigation, then clearly this may assist in expediting resolutions for all concerned and reducing the Company's ultimate exposure.

9. HISTORICAL TRADING PERFORMANCE

We have been provided with the Company's financial statements for the years ended 30 June 2010 to 30 June 2012 and the trial balances extracted from the accounting software package maintained by the Company. It should be noted that the financial statements have not been audited by us, therefore, we are not in a position to guarantee the accuracy of same.

The extracts from the above records can be summarised as follows:

9.1 Statement of Financial Performance

Statement of Financial Performance	30 June 2010 (\$)	30 June 2011 (\$)	30 June 2012 (\$)
Revenue			
Sales revenue	151,595,344	126,884,210	104,325,995
Cost of sales	(144,531,704)	(123,469,935)	(104,596,017)
Gross profit	7,063,640	3,414,275	(270,022)
Other revenue	1,842,959	2,213,746	1,531,058
Expenses			
Expenses from ordinary operations	(5,319,813)	(5,123,590)	(4,783,744)
Impairment of assets	(4,168,639)	-	(128,892)
	(9,488,452)	(5,123,590)	(4,912,636)
Profit before income tax	(\$581,853)	\$504,431	(\$3,651,600)
Income tax expense	100,425	(240,073)	1,065,731
Profit for the year	(\$481,428)	\$264,358	(\$2,585,869)
Other Comprehensive Income			
Net gain on revaluation of buildings	1,208,925	-	-
Total comprehensive income attributable to members of the parent entity	\$727,497	\$264,358	(\$2,585,869)

We make the following preliminary observations in relation to the Company's financial performance tabled above:

- The most obvious trend from the above comparative is the Company's declining revenue and gross profit which we have been advised by the Directors is as a consequence of the state of the construction industry during that time.
- Our assessment is that the statement of financial performance understates the losses of the Company on the basis that the Company has not adequately provisioned 'Trade and Other Receivables' which are listed in the balance sheet as at 30 June 2012 in the amount of \$26,995,968 and categorised across the following:

Trade and Other Receivables	Balance per 30 June 2012 (\$)
Monies owed by principals for contract works	5,915,355
Other Receivables / retentions	2,967,382
Related Party Loans – trading entities	13,529,873
Related Party Loans – development entities	4,583,358
Total Current Assets	26,995,968

- We are of the view that it is likely that the majority of the above should have been provisioned in the accounts by 30 June 2012 given:
 - The monies owed by principals for contract works relates to projects where an insolvency appointment has occurred or the Company has assessed there is no likelihood in recovery. One such example includes a company called Gorcha Pty Ltd which owes the Company \$2,209,753 and was placed into liquidation and now deregistered.
 - Similarly, 'Other Receivables' includes amounts owing to parties which the Company has assessed as non-collectable such as an amount of \$1,617,290 owed to the Company by James Vertzayis.
 - Our assessment is that the majority of the related party loans whether they are development or trading related loans totalling \$18,113,231 could have also been assessed as non-recoverable given the financial status of such companies. The trade debtors and related party loans are discussed further in the 'Director's Report as to Affairs / Financial Position' section of this report.
- Notwithstanding the above, the Company reported a net loss of \$3,651,600 for the period ended 30 June 2012 (before income tax). Our investigations indicate that the catalyst to the decline in net profit was primarily due to the following reasons:
 - Construction revenue had deteriorated for the periods examined from \$151,595,344 for the period ended 30 June 2010 to \$104,325,995 for period ended 30 June 2012.

The Company's CFO had advised that this was largely due to the adverse market conditions in the construction industry whereby the Company had difficulties in securing new development contracts.

- Gross profit from the construction operations reduced due to the Company tendering for contracts that provided for vastly reduced gross profit margins. We understand this to be a consistent theme across the construction industry during the last two (2) to three (3) years, where entities have lowly priced contracts with the view to keeping work forces active pending normalized levels of activity returning to the industry. The Directors advised that as a consequence of margins being so significantly reduced, the Company sustained losses on a number of projects as a result of varying unforeseen circumstances.
 - The state of the construction industry has substantially impacted the principal's ability to pay the outstanding amounts to the Company for services rendered. Accordingly the Company incurred significant losses from the non-payment on a number of contracts as a direct result of principals ceasing to trade due to insolvency or the principals inability to extended funds on finance facilities to meet such payments (as mentioned above).
- In terms of overheads, salaries made up the balance of expenses incurred by the Company for the years ended 30 June 2011 and 30 June 2012, in the sum of \$1,900,000 per year (~38% of total expenses).
 - On a comparative basis, we note that FY 2011 included 'Other Revenue' in the amount of \$1,155,000. This revenue was provided by SX Projects (NSW) to reflect the Company's provision of various support services such as accounting, human resources, legal and administrative duties. We understand the true value for such services was in the vicinity of ~\$300,000 and that the purpose of this charge was to transfer some of the profits generated by SX Projects (NSW) to the Company.

If such revenue was reduced to \$300,000, the Company's net profit for FY 2011 would have actually been a net loss of \$555,000.

- A review of FY 2010 results indicates the Company reported an asset impairment charge in the order of \$4,000,000 which related to debts written off. In addition, a net gain on revaluation of buildings for the amount of \$1,200,000 was recorded as revenue. The Company's financial statements have indicated that this was in relation to the revaluation of the Company's head office located at Edgecliff, NSW and was based on a valuation report prepared by Landsburys on 20 October 2008.

9.2 Statement of Financial Position

Statement of Financial Position	30 June 2010 (\$)	30 June 2011 (\$)	30 June 2012 (\$)
Current Assets			
Cash and cash equivalents	19,962,687	11,218,203	810,521
Trade and other receivables	7,198,134	20,155,697	26,995,968
Work in progress and inventory	5,031,846	2,207,586	5,476,048
Other current assets	265,332	250,159	299,890
Total Current Assets	32,457,999	33,831,645	33,582,428
Non-Current Assets			
Trade and other receivables	14,444,033	2,254,549	2,254,549
Property, plant and equipment	20,370,320	15,290,384	15,101,735
Investment properties	-	4,975,658	4,409,258
Investments	250,700	201,200	201,200
Deferred tax assets	1,205,493	574,930	1,652,804
Other non-current assets	83,597	80,265	65,265
Total Non-Current Assets	36,354,143	23,376,986	23,684,810
TOTAL ASSETS	68,812,142	57,208,631	57,267,238
Current Liabilities			
Trade and other payables	(31,470,610)	(24,116,599)	(31,807,587)
Borrowings	(2,107,650)	(687,665)	(76,909)
Short-term provisions	(1,745,354)	(1,678,622)	(1,357,559)
Progress claims in advance	(3,162,132)	(1,814,274)	(733,013)
Total Current Liabilities	(38,485,746)	(28,297,161)	(33,975,069)
Non-Current Liabilities			
Trade and other payables	(5,367,119)	(4,965,928)	(1,609,119)
Borrowings	(10,816,649)	(10,181,768)	(10,166,887)
Provisions	-	(237,007)	(554,147)
Deferred tax liabilities	(2,299,450)	(2,319,231)	(2,334,066)
Total Non-Current Liabilities	(18,483,218)	(17,703,933)	(14,664,219)
TOTAL LIABILITIES	(56,968,964)	(46,001,094)	(48,639,287)
NET ASSETS	\$11,843,179	\$11,207,537	\$8,627,951

We make the following key observations in relation to the Company's financial position:

- Given our assessment is that the majority of Trade and Other Receivables should have been provisioned, it follows that the net asset position of the Company was significantly over-stated as at 30 June 2012.

- The Company's access to cash resources reduced significantly between 30 June 2010 to 30 June 2012 (from \$20,000,000 to \$800,000). Our preliminary investigations indicate that the drivers to this reduced liquidity were:
 - The Company's CFO has advised that a combination of falling revenue and projects coming to completion has significantly impacted the cash reserves of the Company;
 - As previously advised, the Company had entered into a number of projects that were loss making and had relied on its cash resources to meet such losses.
 - We understand that the Company had utilised its cash resources to fund related party companies with a number of development and construction contracts across Australia. The book value of such related party loans was approximately \$18,100,000 as at 30 June 2012. Two (2) of the largest related party debtors are in relation to the Neutral Bay JV of \$5,819,092 and SCG International in the amount of \$3,116,853 which have not been recovered to date. We understand that these related party companies have remained unprofitable and are unlikely to be in a position to repay such loans.
 - The Company had acted as builder on a number of projects whereby the principal was unable to pay its outstanding amounts owed on the project. In some circumstances, the Company has lost money on the projects while on others, the Company had entered into an agreement with the principal to transfer properties in lieu of cash. Such transactions have ultimately impacted the Company's working capital given to date the majority of such properties have not been sold. Furthermore, the Directors advised that such payment arrangements have not been beneficial to the Company given the depreciation in the property market and the Company's inability to complete sell such properties.
- Work in Progress relates to construction contracts that are yet to complete which had a book value of \$5,400,000 as at 30 June 2012. Given the Company has not completed the projects, our assessment at this stage is it is unlikely there will be any recoveries from WIP. As at the date of our appointment, there were six (6) projects which are discussed further in Section 8.1 of this report.
- The Company's statement of financial position reveals that the principal value of the Company's property, plant and equipment, primarily relates to the commercial property located at 135 – 153 New South Head Road, Edgecliff with a book value of \$14,000,000. The statement of financial position also reveals that the Company had twelve (12) investment properties with a book value of \$4,400,000 as at 30 June 2012. Further discussions with respect to the Company's properties are detailed in the **'Financial Position - Report as to Affairs'** section of the report.
- As a result of the aforementioned cash restraints, the Company did not have the ability to meet its trading liabilities when they fell due and payable. The statement of financial position has indicated that trade creditors have increased by \$7,700,000 for the year ended 30 June 2012. Absent of liquidity pressures, we would expect that creditors would fall as revenue declines.
- The Company's statement of financial position reveals current and non-current borrowings of \$11,000,000 as at 30 June 2012. We understand that this primarily relates to facilities provided by St George in the form of a Commercial Bill Acceptance Facility (\$9,800,000) borrowed against the Company's Edgecliff premises. Further discussions with respect to the realisation of the Company's properties and the effects on the borrowings are detailed in the **'Financial Position - Report as to Affairs'** section of the report.
- The current ratio examines a company's ability to access funds in the short term from current or "liquid" assets to meet short term liabilities. An ongoing current ratio of less than 1.0 indicates that a company has not maintained sufficient assets to meet the day to day obligations of creditors and that it may be insolvent and not able to pay its obligations to creditors as and when they fell due and payable. The current ratio has been extrapolated from the financial accounts as follows:

	30 June 2010	30 June 2011	30 June 2012
Current Ratio			
Current Assets	32,457,999	33,831,645	33,582,428
Current Liabilities	(38,485,746)	(28,297,161)	(33,975,069)
Current Ratio	0.84 to 1	1.20 to 1	0.99 to 1

As seen in the table above, other than 30 June 2011, the Company had not maintained a current ratio of greater than 1.0. Furthermore, our preliminary review of the statement of financial position indicates that the current ratio is not accurate and would actually be less than the said ratio due to the fact that the majority of the trade debtors are related party loans are not immediately recoverable to the Company.

9.3 Resignation/Replacement of Company Auditor

A review of the search of the ASIC records discloses that the Company's auditor, Mr Arnold Milton retired from his appointment on 6 September 2011. We have been advised that Mr Milton resigned from his appointment on the basis that he retired from the practice. Furthermore, we understand that the Company did seek the assistance of an alternate auditor however, they were not formally appointed to the Company on ASIC.

10. FINANCIAL POSITION – REPORT AS TO AFFAIRS

Pursuant to Section 438B (2) of the Act, the Directors of a Company are required to provide the Administrators with a statement about the Company's business, property, affairs and financial circumstances. Such a statement normally takes the form of a RATA. The Directors have completed a RATA and provided a signed copy to us. The following table is a summary of the assets and liabilities of the Company from the information provided by the Directors and our investigations to date.

	Notes	Directors RATA Valuation	Directors RATA Estimated Realisable Value	Administrators' Estimated Realisable Value
		\$	\$	\$
1. Assets not specifically charged:				
(a) Interest in land		-	-	-
(b) Sundry debtors		-	-	-
(c) Cash on hand		-	-	-
(d) Cash at bank	1	237,321	237,321	239,073
(e) Stock		-	-	-
(f) Work in progress as detailed		-	-	-
(g) Plant and equipment	2	-	-	4,000
(h) Other assets	3	211,200	-	48,675
Sub total		\$448,521	\$237,321	\$291,748
2. Assets subject to specific security interests:	4			
- Real Property		19,009,257	17,621,990	12,425,000
- Encumbered plant and equipment		61,000	30,000	49,500
- Sundry Debtors		23,202,409	300,648	570,803
Less: amounts owing to Secured Creditors:				
- St George	5	10,177,036	10,177,036	10,264,255
Total assets		\$32,095,630	\$7,775,602	2,781,048
Total Estimated Realisable Values		\$32,544,151	\$8,012,923	\$3,072,796
3. Less payable in advance of secured creditor(s)				
Amounts owing for employee entitlements	6	1,113,866	1,113,866	2,406,140
4. Less amount owing and secured by debenture or floating charge over assets		-	-	-
5. Less preferential claims ranking behind the secured creditors		-	-	-
6. Balances owing to partly secured creditors	7	-	-	6,895,073
Total Claims (\$ 7,955,073)				
Security Held (\$ 1,060,000)				
7. Creditors (unsecured)	8	27,075,343	26,696,329	34,641,399
Amount claimed (\$-)				
8. Contingent assets (\$-)	9			1,670,000
9. Contingent liabilities (\$-)	10	18,727,068	18,727,068	24,051,946
ESTIMATED DEFICIENCY (prior to the costs of the administration)		\$14,372,126	\$38,524,240	\$63,251,762

Creditors should note that St George has a registered security over all of the assets of the Company. In this regard, all proceeds realised in the administration of the Company except from those proceeds realised from floating charge assets (i.e assets subject to a circulating security interest), will be distributed initially to St George to satisfy its claim in full, with any surplus proceeds to be retained by the Administrators, or any Liquidator if so appointed, to be dealt with in accordance with the priorities under the Act.

We have been advised by the Receivers that they consider that the Company's book debts are subject to a fixed charge (i.e. non circulating security interest) and that any realisations from such assets will be paid to St George. The implication of this is that to the extent there are proceeds realised from debtors, such amounts will be paid to St George in priority to employees who would otherwise take priority if such proceeds were deemed to be subject to a circulating security interest. Although this distinction may be academic given our low expectations on any recovery occurring from debtors, we have sought clarification from our lawyers on this matter.

10.1 Notes as to the Report as to Affairs

Note 1 – Cash at Bank

We have identified two (2) bank accounts operated by the Company, held with St George and the NAB. As at the date of our appointment both accounts had credit balances of \$941.42 and \$238,131.44 respectively. In this regard, we arranged for the funds held in the NAB account to be remitted to our bank account. In respect to the funds held in the account with St George, it is anticipated that St George will offset the credit balance against the monies owed to them.

Note 2 – Unencumbered Plant and Equipment

As at the date of our appointment, the Company was the owner of an unencumbered motor vehicle. Subsequent to our appointment, we arranged for our Valuers to undertake a valuation of the motor vehicle at both FMV and FLV which has revealed that the Company's unencumbered motor vehicle had a FMV of \$7,000 and FLV of \$4,000.

As a result of the appointment of the Receivers and Managers, the unencumbered motor vehicle will be realised by the Receivers and Managers in an attempt to satisfy the amount owing to St George.

Note 3 – Other Assets

Investments

The RATA submitted by the Directors discloses an investment in Frendina, a subsidiary of the Company in the amount of \$201,200. The Directors have advised that the Company provided an investment of the said amount to Frendina to enable it to purchase property however the property was subsequently sold at a loss of in excess of \$200,000 and accordingly the Company did not receive a return on its investment. Our investigations are continuing in this regard to confirm the aforementioned and accordingly this asset has not been quantified in the 'Administrators Estimated Realisable Value' tabled above.

Deposits

The RATA submitted by the Directors discloses a deposit to Jaguar Investments (NSW) Pty Limited in the amount of the \$10,000 with an estimated realisable value of nil. We have yet to be provided with and/or locate any further documentation to confirm what purpose a deposit of \$10,000 is being held and to assess the likelihood of recovering these funds. Accordingly, our investigations are continuing in this regard and as such this asset has not been quantified in the 'Administrators Estimated Realisable Value' tabled above.

Rental Income

As at the date of our appointment, the Company's real properties were providing a rental income for the Company. In this regard, subsequent to our appointment we received an amount of \$48,674.65 from the rental income on the properties, however as a result of the appointment of the Receivers and Managers over the Company's assets on 31 October 2012, we have subsequently paid to the Receivers and Managers, the amount of \$23,267.63 that was received after their appointment pursuant to the security held by St George.

Note 4 – Assets subject to a Specific Charge

Real Property

Below is summary of the properties owned by the Company together with their estimated realisable value based on the valuation previously conducted by Landsbury together with current market appraisals:

Title Reference	Address	Commercial / Residential / Car Park	Valuation by Landsburys (\$)	Market Appraisal 2012 (\$)	Mortgagee	Caveat
St George						
1/793936	135 - 153 New South Head Road Edgecliff NSW	Commercial	14,600,000	9,000,000 to 10,500,000	St George ; and QBE Insurance	N/A
9/SP71428	9 / 15 - 23 Kumulla Road Taren Point NSW	Commercial	450,000	425,000	St George	N/A
103/SP62976	1405 / 174 - 182 Goulburn Street Surry Hills NSW	Residential	695,000	750,000	St George	N/A
2/SP71770	302 / 18 Coral Street The Entrance NSW	Residential	395,000	395,000*	St George	N/A
6/SP71770	306 / 18 Coral Street The Entrance NSW	Residential	295,000	295,000*	St George	N/A
9/SP71770	309 / 18 Coral Street The Entrance NSW	Residential	295,000	295,000*	St George	N/A
10/SP71770	310 / 18 Coral Street The Entrance NSW	Residential	295,000	295,000*	St George	N/A
14/SP71770	314 / 18 Coral Street The Entrance NSW	Residential	315,000	315,000*	St George	N/A
16/SP71770	316 / 18 Coral Street The Entrance NSW	Residential	295,000	295,000*	St George	N/A
57/SP71623	522 / 18 Coral Street The Entrance NSW	Residential	360,000	360,000*	St George	N/A
Total St George			\$17,995,000	\$12,425,000		
QBE Insurance						
31/SP64398	11303 / 177 - 219 Mitchell Road Erskville NSW	Residential	557,500	560,000	QBE Insurance	Icon Construction
81/SP64398	11303 / 177 - 219 Mitchell Road Erskville NSW					
16/SP62976	305 / 174 - 182 Goulburn Street Surry Hills NSW	Residential	515,000	500,000	QBE Insurance	Icon Construction
Total QBE Insurance			\$1,072,500	\$1,060,000		
Total			\$19,067,500	\$13,485,000		

*Appraisals have not been conducted on these properties. The amounts listed are based on the Landsbury valuation and have been provided for indicative purposes only.

As can be seen in the above table, based on the valuation conducted by Landsbury in 2011, the Company's real property portfolio was estimated at \$19,067,500 with the flagship property being the Company's Edgecliff premises which was valued at \$14,600,000. As at the date of our appointment, almost all of the Company's properties were tenanted and were providing a rental income for the Company. Following our appointment, we engaged the services of realtor to conduct market appraisals on the Company's property located within the Sydney metropolitan area. As can be seen in the above table, it appears that the value of the Company's Edgecliff property has been significantly affected as a result of the declining property market. In respect to the amounts listed above and for the purpose of preparing this report we have estimated the value of the Company's real property to be approximately \$13,485,000 based on the market appraisals received to date and the valuation undertaken by Landsbury in 2011.

As a result of the appointment of the Receivers and Managers, the Company's real property will now be dealt with by them with the exception of the two (2) units mortgaged to QBE Insurance in an attempt to satisfy the debt owing to the St George.

In respect to the remaining two (2) properties which are currently subject to a mortgage with QBE Insurance, (11303 / 177 – 219 Mitchell Road, Erskineville NSW and 305 / 174 – 182 Goulburn Street, Surry Hills NSW), these properties were used as security for the bonds provided by QBE Insurance on a number of the Company's projects. In this regard, as a result of the QBE Insurance bonds now being called, the current debt owing to QBE Insurance in respect to called bonds totals \$2,994,938. Further discussion in respect to the properties subject and the first and second ranking mortgages to QBE Insurance is discussed later herein.

In respect to the caveats held by Icon Australia on the properties subject to a first mortgage with QBE Insurance, based on the current debt owing to QBE Insurance and the estimated value of the security, it is unlikely that there will be any surplus from the realisation to provide any return to Icon Australia. Further discussion with respect to the debt owing to Icon Australia is discussed later herein.

Encumbered Plant & Equipment

As mentioned earlier, the Company was the owner of encumbered plant and equipment comprising of four (4) motor vehicles and printing equipment which was subject to finance with St George. Subsequent to our appointment we arranged for our Valuers to conduct a valuation on the Company's encumbered plant and equipment at both a FMV and FLV which revealed the value of the encumbered plant and equipment to be \$77,000 and \$49,500 respectively. As discussed in Note 5 below, the amount of \$95,199 is owing to St George under the finance agreement. Accordingly, after taking into consideration the amount owed to St George, there was no equity to be gained from its sale. Notwithstanding this, as a result of the appointment of the Receivers and Managers, the encumbered plant and equipment will likely be realised by the Receivers and Managers in an attempt to satisfy the amount owing St George. Accordingly, St George will claim for any shortfall against the other security held.

Sundry Debtors

The RATA submitted by the Directors discloses sundry debtors totalling \$23,202,408.57, of which \$16,936,373 is owed by related entities within the Group and the balance of \$6,266,035.57 owed by trade debtors. In this regard, we advise the following in respect to the sundry debtors:

Trade Debtors

In respect to the balance owed by the trade debtors, below is a table detailing the collectability of the outstanding trade debtors as detailed in the RATA based on our discussions with the Company's Directors and CFO:

	Amount (\$)
Collectable Debts	300,648
Non-collectable	5,965,388
TOTAL	(6,266,036)

We advise the following in respect to the collectability of the outstanding trade debtors:

- An amount of \$4,137,043 in respect to the outstanding trade debtors is owed by parties who are now subject to external administration and / or bankrupt, and accordingly no likelihood of a return is expected;
- An amount of totalling \$1,526,831 is owed by the principals on the Company's projects which will not be paid as a result of construction being halted and subcontractor claims outstanding; and
- A further amount of \$301,514 has been deemed uncollectable as a result of the Directors being made aware that the trade debtors are not in a position to pay and therefore it is likely that the trade debtors will be subject to some form of external administration in the near future.

After a review of the books and records, we have identified an amount of \$487,704.17 to be collectable from outstanding trade debtors. In addition to this we have also identified a further \$83,099.13 in unbilled WIP as at the date of our appointment. We have subsequently invoiced and received the respective amount bringing the total estimated realisable value of trade debtors as at the date of our appointment to \$570,803.30.

Related Party Loans

There are a significant number of transactions between related parties within the Group which has ultimately resulted in significant related party loans. From discussions with the Group's CFO, and a review of the nature of the transactions between entities within the Group, it is clear that funds flowed freely between the Group entities as required. Such cash movements combined with the fact that the Company was responsible for employing most of the employees within the Group, was also the holder of the bond facilities, and incurred the Group overhead expenses meant that there are significant related party transactions to review.

As at the year ended 30 June 2012, the statement of financial position reported an amount owing from related party loans of approximately \$17,825,673. We understand that while the financial accounts on a net basis may accurately describe the related party position, the actual true debtor and creditor relationship of related parties is more accurately reflected by the Company's trial balance. The table below highlights the differences between the two (2) sources and the movements in the trial balance between 30 June 2011 and 31 October 2012:

Entity	Balance Sheet	Trial Balance	Trial Balance	Trial Balance
	30/06/2012 (\$)	30/06/2011 (\$)	30/06/2012 (\$)	31/10/2012 (\$)
ASSETS				
SX Projects Limited Partnership	8,462,045	1,009,014	8,462,045	2,007,568
Neutral Bay Joint Venture	-	-	-	5,819,092
Southern Cross Project Group	3,918,102	4,793,280	3,918,102	(1,433,388)
Southern Cross Group (International) Pty Limited	3,565,929	3,146,313	3,565,929	3,116,853
Southern Cross Constructions (S.E. QLD.) Pty Limited	783,838	428	783,838	1,025,443
SX Projects (NSW) Pty Limited	-	-	-	(256,065)
Southern Cross Projects Pty Limited	341,733	341,733	341,733	341,733
Southern Cross Development Pty Limited	-	-	-	1,395,980
McIntyre – Joint Venture	397,947	530,633	397,947	900,982
Lion Pacific Projects Pty Limited	416,071	443,373	416,071	416,071
Shareholder Loan – Andrew Box	24,045	(7,958)	24,045	82,824
Shareholder Loan – Lewis Yazbek	(122,503)	(53,287)	(122,503)	(66,023)
Shareholder Loan – Richard Yazbek	(165,057)	(210,142)	(165,057)	(97,694)
Southern Cross Constructions (WA) Pty Limited	-	-	-	(5,241,740)
Other Entities	203,523	1,348,954	203,523	1,695,932
TOTAL ASSETS	\$17,825,673	\$11,342,341	\$17,825,673	\$9,707,568

Our enquiries with the CFO of the Group have indicated that the transfer of loan account balances was a year-end adjustment that was undertaken to transfer and consolidate related party loan accounts within the Group.

We are of the opinion that there appears to be little likelihood of any realisation being made from inter-company loans. Notwithstanding this, we have undertaken a preliminary assessment of particular related party loan accounts however, due to the complexity of such inter-company transactions we are unable to provide an exhaustive analysis into the said transaction as this will ultimately be a task for a Liquidator to undertake.

We have undertaken our preliminary analysis into related party loans using the Company's trial balance as at 31 October 2012 as we are of this opinion that this provides more accuracy and detail in relation to the financial position of the Company compared to the Company's financial statements. Our observations following this review include:

SXPLP

- We are advised that this company traded until August 2011 at which point the business was transferred to SX Projects (NSW). The accounting arrangements that were put in effect post August 2011 were that all income of the projects previously recorded as SXPLP projects were now paid into SX Projects (NSW) while all creditors relating to such projects were recorded in SXPLP.
- We are advised the effect of such arrangements were such that:
 - SXPLP became a large debtor of the Company in the amount of \$8,400,000 by 30 June 2012 as the Company paid the creditors that were recognised as creditors of SXPLP; and
 - SX Projects (NSW) became a creditor of the Company as a result of transfers made by SX Projects (NSW) to the Company from September 2011 in order to meet such creditor payments being made for SXPLP.
- In October 2012, to reduce the liabilities of SX Projects (NSW), a set off journal entry in the amount of \$6,400,000 was applied. The result of this entry essentially reduced the liability of the Company to SX Projects (NSW) against the receivable owed by SXPLP to the Company.

Neutral Bay JV

- The Neutral Bay JV was incorporated to undertake a development at Neutral Bay.
- The Company paid the ongoing overhead requirements in the aggregate amount of approximately \$4,000,000. These overheads costs included items such as personnel expenses pertaining to the project, rent and other sundry expenses.
- The Company also paid the ongoing interest requirements of the ING Bank facility maintained by Neutral Bay JV during the reviewed period sixteen (16) months prior to our appointment. Such payments were in the order of \$70,000 per month. This equates to approximately \$1,100,000 of interest payments on behalf of the Neutral Bay JV.
- Five (5) payments in the amount of \$1,200,000 were made between July and October 2011 in relation to a loan acquired by Neutral Bay JV in July 2007 in the amount of \$5,000,000. This loan was provided by a consortium of lenders at a rate of 30%. Based on the level of interest, the Company and Neutral Bay JV came to a commercial arrangement whereby the Company would settle the remaining debt for \$1,200,000. This commercial arrangement reduced interest payable by approximately \$400,000.

SCPG

- SCPG is the ultimate holding company of the Group.
- The majority of the fluctuation in this loan account can be attributed to journals which recognised payments made by Icon Australia as being paid to SCPG and subsequently loaned to the Company. Given the payments made by Icon Australia related to assets owned by the Company and not SCPG (intellectual property and contracts), we are of the view that accounting for such payments in this manner would appear to be inconsistent with the commercial terms. These entries consisted of the following:

Date of Journal Entry	Amount (\$)
26 July 2012	(1,700,000)
1 August 2012	(2,200,000)
15 August 2012	(524,357)
30 August 2012	(484,964)
12 September 2012	(55,037)
TOTAL	(4,964,358)

- We have also identified a material entry recorded as a dividend to shareholders in the amount of \$1,200,000 on 21 June 2012. Our subsequent investigations identified that this entry is merely a year-end book keeping entry to record the \$25,000 per month dividend that each of the four (4) shareholders are entitled to annually.
- If this loan account was adjusted for the payments made by Icon Australia, the loan account would have shown SCPG as a debtor in the amount of \$3,530,970.

SCC (WA)

- The commercial dealings between the Company and SCC (WA) were outlined in the **Section 11.3.2 - 'Uncommercial Transactions'**. It would appear that the majority of the drawings that reflects the current creditor relationship between the two (2) entities occurred during the last twelve (12) months as SCC (WA) was relied upon by the Company to support cash flow pressures of the Company.

SCD

- The loan account reflects overhead expenses incurred in 2005 relating to this entity which were paid for by the Company. These costs included development personnel, rent and sundry expenses in the amount of \$1,395,980.

- The historical process for recovering such overheads was that inter-company accounts were processed through the holding company, SCPG and then distributed to the applicable entity within the Group. In September 2012, a single journal entry transferred this outstanding balance from SCPG to the Company.

SCC (QLD)

- Similar to SCC (WA), the Company employed and paid the staff for SCC (QLD) and supported this entity during a period of losses. We are advised that given the financial position requirements imposed on builders in QLD, the Company converted approximately \$3,000,000 in outstanding loans to equity to support the balance sheet.
- As such the loan balance of \$1,025,443 understates the Company's support to this entity by \$3,000,000.

McIntyre JV

- The increase in this loan account is attributable to the \$30,000 per month interest payment the Company was making on behalf of the McIntyre JV. This interest was payable on a capitalised loan in the amount of \$810,000 at 18% interest however, in early 2011, the default interest rate of 30% became payable.
- Furthermore, on 27 July 2012, the Company made a \$20,000 payment to accounting firm KPMG in relation to tax advice provided to McIntyre JV. This advice was in relation to a potential \$4,000,000 GST liability.

SX Projects (NSW)

- The Company employed and paid staff utilised by SX Projects (NSW). Journal entries were undertaken to reflect such payments.
- In addition, as previously mentioned, SX Projects (NSW) transferred funds to the Company to meet ongoing payments the Company made relating to creditors which were recorded as being creditors of SXPLP. Such transfers generated a liability of the Company to SX Projects (NSW). This liability was offset in October 2012 by a journal entry which transferred \$6,400,000 to the loan account of the Company and SXPLP.
- In addition, a journal entry was made in respect an interest payment in the amount of \$464,189 on 30 September 2012 in relation to a loan from SX Projects (NSW) to the Company.

Creditors should be aware that the Receivers and Managers are undertaking a review of the above loan accounts as St George ranks as a priority over employee and unsecured creditors with respect to the recoveries from the realisation of related party loan accounts and the trade debtors.

Notwithstanding the above, there is a significant (both in number and in value) amount of transactions between related parties that would require further investigations by the Liquidator. If a Liquidator is appointed at the forthcoming meeting of creditors, the Liquidator would be required to undertake the following tasks:

1. Reconcile inter-company transactions. Once the actual loan account balances are determined, consideration will be given as to the commerciality in pursuing recover of such loans (such recovery undertaken by the Receivers and Managers); and
2. Once a firm understanding as to the related party loan balances and associated transactions has been obtained, the Liquidator would seek to determine the extent to which any related party transactions may be deemed voidable and recovered pursuant to Section 588 of the Act.

Note 5 – Secured Creditors

As detailed earlier herein, the assets of the Company are subject to a registered security interest held by St George. In this regard, we understand that the security is held in respect to the following facilities maintained by the Company:

Facility	Amount (\$)
Commercial Bill Acceptance Facility	9,862,500
Multi Option Facility	2,143,393
Master Asset Finance Facility	95,199
Cross Collateral Security with SCG International	Undetermined
Total	\$12,101,092

We make the following comments in respect to the facilities maintained by the Company:

- We understand that the Commercial Bill Acceptance Facility relates to monies borrowed against the Company's Edgecliff premises. In this regard, as mentioned above the valuation conducted by Landsbury in 2011 revealed that the Edgecliff premises was estimated to be worth approximately \$14,600,000. Based on our enquiries and discussions with the Receivers and Managers, it is unlikely that after taking into consideration the costs of realisation from the sale of the Edgecliff premises will be sufficient to cover the amount owing to the St George.
- We understand that the monies owed under the Multi Option Facility relate to Bank Guarantees totalling \$1,890,393 provided as security for developments undertaken by the Company, of which an amount of \$53,556 has been called together with a Commercial Bill Acceptance totalling \$253,000 which was used to assist the Company with working capital.
- We understand that the Master Asset Finance Facility relates to monies borrowed for the purchase of encumbered plant and equipment. As mentioned above, the Company was the owner of encumbered plant and equipment comprising of four (4) motor vehicles and printing equipment.

Cross Collateral Security with SCG International

It should be noted that the facility with St George is cross collateralised with the borrowing of a related entity, being SCG International. As a result of the cross collateral security with the Company, on 31 October 2012, St George also appointed Receivers and Managers over SCG International to protect its interests. In this regard, we understand that St George is owed circa \$19,000,000 from SCG International which is secured against four (4) luxury apartments located in Elizabeth Bay which were estimated to have a value of circa \$30,000,000 based on the valuation undertaken by Landsbury in 2011. Give the nature of the assets (high end apartments) it is difficult at this stage to ascertain the likely realisation from such properties. To the extent there is a shortfall, it is anticipated that St George will claim against the Company for the shortfall.

The Receivers and Managers' fees and disbursements are also to be paid out in priority to the claims of priority and unsecured creditors. We have not been provided with any update as to the Receivers and Managers costs to date and note that further costs will be incurred in realising the Company and SCG International assets, together with other matters relating to their appointment.

Note 6 – Priority Employee Creditors

Pursuant to Section 556(1)(e) of the Act, in the event that the Company is placed in liquidation, any claims for outstanding employee entitlements (except excluded employee claims) are afforded a higher priority against the Company's assets. It should be noted that outstanding employee entitlements including wages, annual leave, long service leave, payment in lieu of notice and severance payments are further protected under the GEERS which is administered by the DEEWR in the event that the Company is placed in to liquidation.

However, outstanding superannuation contributions are not protected under GEERS. In the case of any future priority dividend distribution, the ATO is the relevant authority to prove for outstanding superannuation contributions that were not paid within the statutory time period, who will then distribute the priority dividend to the relevant employees. In addition, the ATO is entitled to claim interest and penalties associated with the outstanding superannuation contributions.

We make the following comments in respect to priority employee creditors:

- The Company employed fifty six (56) employees as at the date of our appointment, and previously employed a further one (1) employee who was terminated two (2) days prior to our appointment and is still owed entitlements;
- Fourteen (14) of the Company's employees were located in Western Australia and provided labour services to a related entity SCC (WA);
- As at the date of our appointment, the employees had been paid wages to 1 November 2012 as a result of the Company paying two (2) weeks in arrears and two (2) weeks in advance on the 15th of each month. The only exception to this were five (5) construction workers who were paid on a weekly basis; and
- After a review of the financial position of the Company, we determined that the Company was unable to continue trading. Accordingly, on 31 October 2012, we terminated the Company's employees with the exception of one (1) employee to avoid any further liabilities for wages being incurred. We have continued to employ the Company's CFO to assist us with our enquiries into the financial affairs of the Company.

The following table provides a summary of the Company's outstanding employee entitlements based upon the records of the Company and information known:

Employee Entitlements	Amount (\$)
Annual Leave	630,443.40
Leave Loading	25,254.63
Long Service Leave	405,786.73
PILN	368,001.66
RDO	25,606.97
Redundancy	875,306.76
Superannuation	42,271.52
Underpaid ACIRT	833.00
Underpaid Super	1,533.70
Underpaid Wages	31,101.14
Total	2,406,139.51

Note 7 – Partly Secured Creditors

We make the following comments in respect to the Partly Secured Creditors of the Company:

QBE Insurance

As mentioned earlier herein, QBE Insurance holds a first ranking mortgage over two (2) of the Company's properties and a second mortgage after St George on another property owned by the Company. Based on our enquires to date, unless it can be determined that the QBE Insurance bonds were called incorrectly by the respective principal, then given the current debt owing and the estimated value of the security held, it appears that there will be an unsecured shortfall owing to QBE Insurance upon the sale of its security.

In this regard, it is understood that QBE Insurance intends to enforce its security over two (2) properties and proceed with their realisation to recover part of the monies outstanding however, we note that the current combined estimated value of these properties is only \$1,060,000. In addition it would seem unlikely that QBE Insurance will receive any surplus funds from the sale of the Company's Edgecliff premises pursuant to its second mortgage given the expected net realisations from the sale of the property.

It should be noted that in the event that should it be determined that the QBE Insurance bonds were taken by the principal prematurely and that they were not entitled to claim against the bonds, then the QBE Insurance debt could be reduced significantly. In the event that the debt owing to QBE Insurance reduces to less than the value of the security held then it is likely that St George and Icon Australia would both lay claim to the surplus.

Icon Australia

Icon Australia holds two (2) caveats on the properties which are subject to a first mortgage with QBE Insurance. As detailed earlier herein, based on our enquiries to date and the current amount owing to QBE Insurance, it is unlikely that any surplus will be available to Icon Australia after the realisation of the properties by QBE Insurance, however, it should be noted that Icon also holds additional security by way of a caveat over properties owned by a related entity Neutral Bay JV. We have yet to determine the value of the additional security held within the Neutral Bay JV. Icon will rank as an unsecured creditor for any shortfall on its security. Further discussion in respect to the debt owing to Icon Australia is detailed later herein under **Section 11.3.2 – ‘Uncommercial Transactions’**.

Note 8 – Unsecured Creditors

Detailed below is a table summarising the unsecured creditors of the Company:

Claims	Amount (\$)
ATO	4,133,563
Trade Creditors	24,965,930
Security Bonds	1,469,290
Related Party Claims	4,057,847
Other Unsecured Claims	14,769
TOTAL	(34,641,399)

We make the following comments in respect to the claims made by the unsecured creditors of the Company:

ATO Claim

The ATO has lodged a claim in the amount of \$4,133,663.37 in relation to Fringe Benefits Tax payable and the Company's Running Balance Account deficits in respect to BAS liabilities. In addition, the ATO has advised that the Company has failed to lodge the following:

- Activity Statements for the period 1 September 2012 to 24 October 2012; and
- Fringe benefits tax return for the period 1 April 2012 to 24 October 2012;

Accordingly, it is anticipated that upon the lodgement of the above statements and return that the debt to the ATO will increase further.

Trade Creditors

The RATA submitted by the Directors of the Company disclosed that as at the date of our appointment, the trade creditor debts totalled \$17,280,893.07. As at the date of drafting this report, we have received proof of debts totalling \$19,213,280.85 bringing the estimated trade creditors position to \$24,965,930.02. We have met with the Company's former general manager to review a number of the claims made by creditors who has identified a number of creditors where it is likely that there claims will be partially paid or paid in full by the developers. Accordingly, based on the advice of the general manager, we have calculated the total trade creditor position in both an optimistic and pessimistic scenario in the following table:

	Amount (\$)
Pessimistic Scenario	\$24,965,930
Optimistic Scenario	\$19,567,432
Difference	\$5,398,498

An optimistic scenario assumes that the developers will make payment to those creditors direct whereas a

pessimistic scenario assumes that no payments will be made and that the creditor position will remain the same. Accordingly, based on the investigations undertaken to date it appears that the trade creditor position could reduce significantly, however, we have yet to determine whether the principal will be claim against the Company for the payments made as this will be dependent on the total loss suffered to them. Notwithstanding this, we have written to each of the developers to request that they provide details of all direct payments made by them to creditors to ensure that no creditor can claim the same debt twice.

In respect to any monies owed to trade creditors for cash retentions, we advise that no monies have been set aside to enable the payment of such retentions as and when the defect liability period passes. In respect to those creditors who provided bank guarantees to the Company as a retention, we are currently in the process of writing to each of the respective developers to which the bank guarantees relate to confirm that the guarantees can be released or in the event that the defect liability has not passed then arrange for the assignment of the guarantee to the developer as the Company is no longer in a position to rectify any defects.

Security Bonds

Refer to the comments made **Section 8.2 ‘Security Bonds / Bank Guarantees’**.

QBE Insurance

As detailed earlier, based on the current estimated value of the security held and the amount owing to QBE Insurance to date, it appears that a shortfall will be owing to QBE Insurance unless it can be determined that some of their bonds have been called incorrectly. Accordingly, QBE Insurance will claim as an unsecured creditor in the administration for any shortfall on their security and will also be a contingent creditor for the balance of the bonds that remain uncalled until such a time that the bonds are called upon.

Assetinsure

As detailed earlier, the Company maintained a \$15,000,000 bond facility with Assetinsure which has a current exposure limit of approximately \$13,124,663. As at the date of drafting this report, we understand that an amount of \$1,469,290 of the Assetinsure bonds have been called however, this could increase exposure limit pending any further claims and as a result Assetinsure would be an unsecured creditor to the extent of such claims. In this regard, Assetinsure will be a contingent creditor for the balance of the bonds that remain uncalled until such time that the bonds are either returned or called upon.

Related Party Creditors

Refer to the comments made under **‘Note 4 – Assets subject to a specific charge’**.

As at the date of drafting this report, we have received two (2) proof of debts totalling \$4,057,846.60 from related party creditors.

Note 9 – Contingent Asset

Refer to the comments made in the **Section 11.3.2 - ‘Transfer of Funds between the Company and SCC (WA)’**

As at the date of drafting this report we are not in a position to clarify whether there is any basis for a claim against such funds.

Note 10 – Contingent Creditors

Principal developers

Refer to the comments made in **Section 8.1 – ‘Projects’**.

As mentioned earlier, as a result of the Company’s insolvency and the fact that the Company has not completed contracts, there may be claims by the principals for losses suffered. As at the date of drafting this report, we have received proof of debts totalling \$9,842,659.14 from the principals that the Company was undertaking construction for. Until such time that the principals can accurately calculate the loss suffered to them then they will remain as a contingent creditors.

Security Bonds/Bank Guarantees

Refer to the comments made in **Section 8.2 – ‘Security Bonds/Bank Guarantees’** and above under **“Note 8. Unsecured Creditors”**.

As mentioned earlier, St George, Assetinsure and QBE Insurance will be contingent creditors for the value of the bonds that currently remain uncalled.

If creditors have any information concerning any other assets of the Company or any other matters that may assist in this administration, it would be appreciated if they would furnish such details to this office or the Receivers and Managers office immediately.

11. INVESTIGATIONS – OFFENCES, INSOLVENT TRADING AND VOIDABLE TRANSACTIONS

11.1. Overview

Under the Act, an Administrator is obliged to investigate a company's business, property, affairs and financial circumstances.

The primary focus of the investigations undertaken to date has been to ascertain whether there are actions which would only be available to a Liquidator, and therefore would be directly relevant to the decision of creditors at the second meeting of creditors as to whether to vote in favour of a DOCA or liquidation, in respect of the Company.

A finding of insolvency and establishing the date at which a company became insolvent is a critical threshold to recoveries from actions which are only available to a Liquidator. Insolvency is a question of fact to be ascertained from a consideration of a company's financial position as a whole, and must have regard to commercial realities.

Unless a claim for insolvent trading is brought by ASIC, a DOCA cannot include proceeds from insolvent trading actions because, apart from ASIC, only a Liquidator has standing to pursue such actions directly or to consent to creditors taking such actions. Therefore the return to creditors in a liquidation would include the proceeds of any successful actions taken by a Liquidator.

11.2. Insolvent Trading

Directors and/or a holding company can be held liable for company debts. The Act provides that directors owe a duty of care not to incur debts at a time when the company is insolvent or would become insolvent by incurring the debt (Section 588G). If there are reasonable grounds for suspecting that the company would become insolvent then the directors can be held personally liable for any debts incurred after that time.

Directors will contravene the Act if they fail to prevent the company incurring the debt while being aware of grounds for so suspecting, or if a reasonable person in a like position in the company would be so aware.

The Act provides that a Liquidator may seek to recover from each of the directors of the company, as a debt due to the Company, an amount equal to the loss or damage suffered by a creditor in relation to the debt incurred.

11.2.1 Defences

The Act provides a number of possible defences to directors to a claim for insolvent trading. These defences are:-

- At the time the debt was incurred the director had reasonable grounds to expect, and did expect, that the company was solvent and would remain solvent if it incurred that debt and any other debts that it had incurred at that time.
- At the time the debt was incurred, the director had reasonable grounds to believe and did believe that a competent and reliable person was responsible for providing information about the company's solvency and that person was fulfilling that responsibility, and the information provided gave rise to an expectation of solvency by the director.
- The director through illness or some other good reason was not taking part in the management of the company at the time the debt was incurred.
- The director took all reasonable steps to prevent the company from incurring the debt.

11.2.2 Timing of Insolvency

The Act states the Company is considered to be solvent if, and only if, the company is able to pay its debts as and when they become due and payable. A company that is not solvent is insolvent. Accordingly, the test for insolvency is not a balance sheet test but rather a cash flow test, although the strength of the company's balance sheet is a relevant factor in determining its solvency.

11.2.3 Results of Investigation

To date, we have not determined a date of insolvency which will ultimately be derived following further investigations undertaken by a Liquidator. Creditors should understand that there are a number of complexities in determining this date for this Company given:

- The Company had access to funds generated from other Group entities. Our review indicates significant cash transfers occurred between related parties. The nature of this relationship is such that the directors may place some reliance on the continued support from related parties and that a solvency analysis across the Group would likely need to be undertaken;
- We understand that the Directors had commenced an asset sale process and were actively seeking a refinance of St George. Depending on the status and likelihood of such activity producing funds that may have addressed the Company's liquidity needs, such actions may be relevant considerations;
- The Company received approximately \$5,000,000 from Icon Australia during July and August 2012, the impact of such funds will need to be considered; and
- We are also aware that the directors were actively seeking arrangements with the principals of the contracts which they say would have addressed a large part of the unsecured creditors. Again a detailed analysis of such negotiations and consideration of their bearing on the solvency of the Company will need to be considered.

The Liquidators if appointed will seek to undertake further investigations into matters relating to the solvency of the entity. We note notwithstanding the above, there are some indicators of insolvency of the Company:

- Overdue Taxation Liabilities

As noted above, the ATO has advised the Administrator that the Company owes \$4,133,633 in respect of the Company's RBA deficit relating to BAS liabilities and Fringe Benefits Tax liabilities.

The above is an indicator that the Company was not able to meet all of its statutory obligations as and when they fell due. Often when a company is experiencing difficulty meeting its obligations to trade creditors, it will neglect its taxation obligations in order to assist with cash flow.

- Judgments against the Company

A review of the Australian Business Research eCheck 3 data base indicates that five (5) creditors have entered judgment against the Company. Details of such judgments are detailed below:

Creditor	Judgment Date	Amount (\$)
Rose Atkins Rimmer Infrastruct	17 October 2012	7,815.00
Schindler Lifts Australia NSW	2 October 2012	21,146.00
Alan Britton	4 July 2012	1,261.00
N & J Handrails Pty Ltd	18 June 2012	1,880.00
G & W Hydraulics Pty Ltd	18 July 2011	3,599.00

The above may indicate that the Company was likely trading outside the terms of trade with creditors which may indicate cash flow related issues were being experienced by the Company. We note that such

amounts are nominal given the level of creditors of the Company.

- Dismissal Winding-Up Application

As mentioned earlier, a review of the records held with ASIC has revealed that on 19 April 2012, a notice of application for winding order was issued against the Company by Genner Holdings Pty Limited in respect to the non payment of a debt in the amount of \$22,465.24. The fact that a creditor was forced to commence winding up application to receive payment again may indicate that the Company had cash flow related issues.

- Creditor Ageing

From a review of the books and records received and the claims received from creditors to date, claims date back to approximately early 2010.

- Creditor Demands

From a review of the books and records, it appears that the Company was receiving on a daily basis numerous creditor demands for payment.

A Liquidator, if appointed to the Company, would be required to conduct further, more in depth investigations to ascertain the merits of commencing an action against the Directors of the Company for insolvent trading, including the financial capacity of the Directors to meet any demand made against them for insolvent trading. In this regard, we have conducted preliminary searches of the database of the NSW and QLD Land Titles Office on the Directors to ascertain whether or not they are the registered proprietor of any real property.

The searches indicate that the Directors are the registered proprietors of the following real property:

Mr Andrew Box

9/88 North Steyne Manly NSW 2095 (Mortgaged to the NAB)

A recent market appraisal conducted on the above property reveals that it is worth approximately \$835,000. Mr Andrew Box has advised that the Property is fully mortgaged and that there is no equity.

Mr Lewis Yazbek

Searches conducted on the NSW and QLD land titles database have revealed that Lewis Yazbek is the registered proprietor of the following property:

211/30-32 Pirrama Road Pyrmont NSW 2009 (Mortgage to NAB and caveat to Ultrafloor (AUST) Pty Ltd)

A recent market appraisal conducted on the above property reveals its estimated realisable value to be approximately \$630,000. Mr Lewis Yazbek has advised that the mortgage owing on the property amounts to \$620,000.

We note that the Directors are not the registered proprietors of the properties that they reside in. We understand that these properties are in the name of a related party and/or spouse and are both subject to mortgages.

As detailed in **Annexure "A"**, both the Directors hold various directorships and shareholdings in a number of different entities. In this regard, we have not been provided with a formal statement detailing the asset position of each of the entities that the Directors currently hold shareholdings in. In addition, we have requested that the Directors provide a statement detailing their personal asset and liability positions. As at the date of drafting this report, we have yet to receive such a statement, however the Directors have previously agreed to provide such a statement and it is anticipated that this will be received prior to the forthcoming second meeting of creditors.

Detailed below is schedule of the personal guarantees provided by the Directors:

Guarantor	Creditor	Nature of Debt	Loan Balance (\$)
Andrew Box & Lewis Yazbek	ING	Lion Pacific (Neutral Bay) Pty Ltd & Neutral Bay Projects Pty Ltd	11,538,303
Andrew Box & Lewis Yazbek	Gresham	Southern Cross Developments (McIntyre) Pty Ltd	13,349,398
Andrew Box & Lewis Yazbek	St. George Bank	Company Debts	12,532,143
Andrew Box & Lewis Yazbek	NAB	Directors' Personal Loans	4,500,000
Andrew Box & Lewis Yazbek	St. George Bank	Southern Cross Group (International) Pty Ltd	18,972,480
Andrew Box & Lewis Yazbek	QBE Bonds	Company Debts	4,162,013
Andrew Box & Lewis Yazbek	Assetinsure Bonds	Company Debts	13,124,662
Andrew Box & Lewis Yazbek	Adisan / Gordon	Southern Cross Developments (McIntyre) Pty Ltd	1,164,955
Andrew Box & Lewis Yazbek	Bingo Waste Bins	Company Debts	Variable
Andrew Box & Lewis Yazbek	Ace Demolition	Company Debts	300,329
Total			79,644,283

Having regard to the above information and the Directors current exposures, we have estimated that the Directors could be exposed to approximately \$15,000,000 in personal guarantees subsequent to realisation of the security held by the respective financier.

Accordingly based on preliminary investigations and the searches undertaken on public records of the Companies that the Directors hold shareholdings in and assuming that the Directors are accurate on their advice with regards to the equity position of their personal properties, it would appear that the Directors may not possess sufficient net assets to satisfy a successful insolvent trading action by a Liquidator.

As mentioned, a holding company can also be held liable for the debts of a subsidiary. As detailed earlier herein, SCPG is the holding entity of the Company, however, based on our enquiries to date it appears that it does not possess any realisable assets to satisfy any debts of the Company.

As stated earlier, the Act provides directors with a number of defences to a claim for insolvent trading however, at this point in time we are unable to comment as to whether they would have any defences. Further investigations will need to be undertaken by a Liquidator, if appointed, to determine the Directors ability to meet any judgment against him.

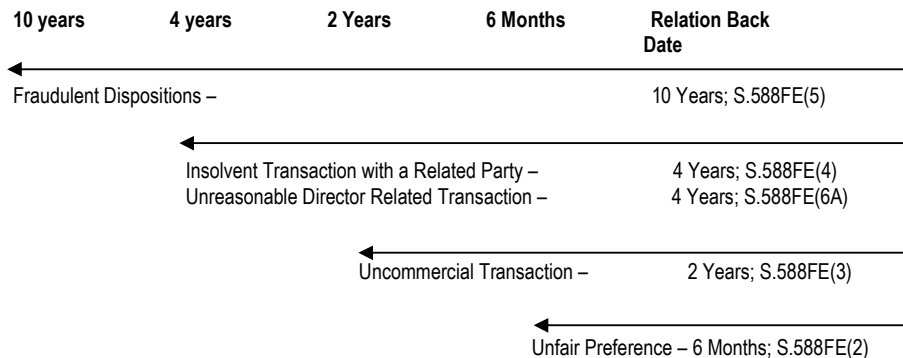
In the event that creditors are interested in funding such enquiries then they are requested to contact our office.

11.2.4 Costs

In relation to pursuing Voidable Transactions and Insolvent Trading, money for the recovery of such actions would come from the assets of the Company or funding from creditors of the Company. Alternatively, the Liquidators could seek Litigation Insurance Funding.

11.3. Voidable Transactions

In the event that a company is wound up, certain transactions that occurred prior to our appointment, and where the property of the company was disposed of or dealt with, may be avoided by the Liquidator under Part 5.7B of the Act in accordance with the following timeframe:



This may result in, amongst other things, a requirement for a third party to return property to the company and thereby increase the asset available to the Liquidator and creditors. These are known as voidable transactions.

Corporations Regulations 5.3A.02 requires an Administrator to specify whether there are any transactions that appear to the Administrator to be voidable transactions in respect of which money, property or other benefits may be recoverable by a Liquidator under point part 5.7B of the Act.

As with the insolvent trading overview above, this issue is relevant to creditors if they are being asked to choose between a DOCA or a liquidation, because voidable transactions are only recoverable if the liquidation occurs.

We have conducted investigations into the Company's affairs that consist of, but are not limited to, the following:

- Review and scrutiny of the Company's bank statements for its various bank accounts for the period from 2009 up to the date of our appointment;
- Review and scrutiny of the Company's financial accounts for the period 30 June 2010 to 30 June 2012;
- Review and scrutiny of the Company's management accounts;
- Review and scrutiny of the Icon Australia transaction and sought preliminary legal advice in respect to the Deed;
- Met with the Directors of Icon Australia to discuss the transaction and understand their position;
- Reviewed and reconciled related party loan account ledgers and determine monies owed to the Company; and
- Conducting various searches of asset related databases including RP Data, a number of Land Titles Offices across Australia, IP Australia and the RMS.

11.3.1 Unfair Preference Payments

A Liquidator is able to recover payments made by a company to a creditor where:

- The company is insolvent at the time of payment or becomes insolvent because of payments to a creditor;
- The payment results in the creditor receiving more than it would in a winding up; and
- The transaction occurred within six (6) months prior to the liquidation (or prior to any administration occurring immediately before liquidation).

Our investigations have revealed a significant number of payments made to third party creditors within the

relation back date period prior to the administration of the Company in the total amount of \$48,283,864.91 that may be of a preferential nature. However, our analysis of the Company's historical trading performance indicate that the Company's monthly cost of goods sold for the relation back period is estimated to be approximately \$8,000,000.00 and it would follow that a significant quantum of the aforementioned payments during the relation back period may have been incurred in the ordinary course of business for services rendered.

However, our investigations have identified payments which appear to contain characteristics of preferential payments in respect to twenty-four (24) payments to various creditors in the sum of \$560,248.43.

Furthermore, it is likely that a significant portion of these payments will not be recoverable as a result of a number of defences available to the recipients that include:

- The 'running account' principle whereby the transactions entered into are an integral part of the continuing business (debtor-creditor) relationship and that during this relation back period the company's indebtedness does not decrease beyond any point below the level of the company's indebtedness during the relation back period;
- That payment was made in 'good faith', and not as a result of serious threat in order to coerce payment;
- That there were no reasonable grounds for which the recipient should have suspected that the Company was insolvent; or
- That a reasonable person in the circumstances would not have grounds to suspect that the Company was insolvent.

Due to the significant number of third party creditors that make up these payments incurred during the relation back period, we have yet to finalise our investigations into these possible unfair preference payments and further investigations will be required to be undertaken by a Liquidator if one is appointed to the Company.

As disclosed in the DIRRI dated 26 October 2012 and the amended DIRRI attached to this report, the amount of \$100,000 was pre-paid by the Company (via Yates Beaggi Lawyers) into this firm's trust account in advance of work carried out for the purposes of the pre-administration Investigating Accountants engagement. This Investigating Accountants engagement enabled us to develop a fuller understanding of the Company's business, property and affairs. This in turn enabled us to determine whether we might be able to accept an our appointment to the Company, and in doing so, how we might, upon appointment, be able to carry out our role as Administrators as set out in Section 437A of the Corporations Act. Much of the investigatory work done during this Investigating Accountants engagement was work that would have been done by us as Administrators in order to be able to report to creditors under Section 439A of the Corporations Act. As such, the information gathered has been included in the Report to Creditors and has thereby reduced the ultimate cost of the administration of the Company. Bearing in mind these matters, we consider that the above-mentioned receipt of funds from the Company cannot be considered as being voidable against a Liquidator.

11.3.2 Uncommercial Transactions

A Liquidator is able to recover money or property associated with transactions entered into by a company where:

A reasonable person in the company's circumstances would not have entered into the transaction having regard to the benefit and detriment of the transaction where;

- the company is insolvent or becomes insolvent because of the transaction; and
- the transaction occurred within two (2) years of the liquidation (or earlier appointment of an Administrator), or four (4) years if the transaction was with a related party, or ten (10) years if the transaction was made to defeat creditors.

Our investigations with respect to Uncommercial Transactions have identified the following possible relevant transactions:

Icon Australia Transaction

On 29 June 2012, Icon Australia (in its capacity as manager of a partnership of family trusts including Ashley Murdoch Family Trust, Nicholas Brown Family Trust and Lou Raunik Family Trust) and other Icon Co. entities entered into an Umbrella Agreement with the Company and other members of the Southern Cross Group.

On 26 July 2012, the parties entered into a number of formal transaction documents which had been contemplated by the Umbrella Agreement, such documents having the following key commercial implications:

- Icon Australia provided the Company with an interest free loan in the amount of \$1,700,000;
- Icon Australia licensed the name “Southern Cross” from the Company for an amount of \$5,700,000 (plus GST) with payment to the Company in the following manner:
 - subject to satisfaction of various conditions precedent, \$4,000,000 (plus GST) soon after execution of documents; and
 - On the basis that \$200,000,000 in building contracts were provided to the newly formed entity known as Icon SC by 30 June 2013, a further \$1,700,000 (plus GST) would be credited as a repayment of the \$1,700,000 loan.
- Icon Australia was provided security over certain assets within the Group (real property) as security against the Company’s non-performance;
- Two contracts were provided to Icon SC at execution namely the Hurstville Contract (the consideration paid for which was \$200,000 (plus GST)) and the Greenwich Contract (the consideration paid for which was \$100,000 (plus GST)). Further consideration agreed to by Icon SC included the assumption by it of accrued entitlements of employees of the Group who have been transitioned across to Icon SC;
- Parties related to Icon Australia were provided a 70% shareholding in Icon SC while parties related to the Southern Cross group were provided a 30% shareholding interest;
- Lewis Yazbek and Andrew Box were each offered employment agreements which provided for a total remuneration in the amount of \$400,000 each per annum (we understand that Andrew Box has since been terminated from his employment);
- The agreements required certain conditions precedent to completion of the transaction, which included:
 - a written sign-off from each of the Directors of the Company confirming the Company’s solvency as at 26 July 2012;
 - a sign-off from each of the Directors of the Company confirming each director’s rationale for determining that the consideration applied to the Hurstville Contract and the Greenwich Contract represented commercial consideration for each such contract; and
 - a sign-off from Nicholls and Bride Insolvency Practitioners confirming the solvency of the Group as at 26 July 2012.

If any of the conditions precedent were not satisfied or waived by 31 October 2012, the licence fee would be reduced from \$4,000,000 (plus GST) to \$3,000,000 (plus GST).

To date, the sign-off from Nicholls and Bride Insolvency Practitioners has not been received, and additionally as the Company is now in administration, the final \$1,000,000 (plus GST) licence fee payment will never become due and payable by Icon Australia, nor will the \$1,700,000 (plus GST) licence fee payment which would have otherwise become due and payable on 30 June 2013.

Accordingly, to date the Company had received from Icon Australia a \$1,700,000 loan, \$3,000,000 (plus GST) licence fee payment and \$300,000 (plus GST) consideration for the Hurstville Contract and Greenwich Contracts.

The various transaction documents contained 'events of default' clauses such that if an insolvency event (including the appointment of an administrator) occurred, Icon Australia would be entitled to issue default notices, recover certain monies paid, and enforce its security in respect of such certain monies paid.

On 25 October 2012, following appointment by the Company of an Administrator, Icon Australia issued the following default notices to the Company and other members of the Group which had the following key implications:

- Icon Australia became a 100% shareholder of Icon SC;
- the Company transferred all of its right, title and interest in the "Southern Cross" name to Icon Australia in return for the payment of \$1; and
- the \$3,000,000 (plus GST) licence fee paid by Icon Australia became immediately repayable; and
- a calculation was undertaken per the documents which provided for \$1,660,134.85 of the original \$1,700,000 loan to become due and payable.

As a result of the above, Icon Australia is claiming both an amount of \$4,960,134.85 as being owed by the Company and an entitlement to enforce its security to recover such amounts against the Company.

Our observations in relation to our review of the transaction include:

- The Company's records indicate that the funds paid by Icon Australia were utilised to meet the creditors of the Company during July and August 2012;
- To date the Company appears to have provided contracts totalling \$123,000,000 (being Hurstville and Greenwich); and
- We understand that it appears likely Icon SC will meet the \$200,000,000 in contracts required by 30 June 2013 given the current status of project tenders.
- We have met with key stakeholders of Icon Australia to seek to understand their position. Icon Australia has advised following:
 - they believe they may have been misrepresented to in terms of the financial position of the Company and that they would not have proceeded with the transaction had they known the true financial position; and
 - one of the critical value drivers for Icon Australia undertaking the transaction was the maintenance of the goodwill value of the Southern Cross name in the industry. This is the reason, Icon Australia have advised that the terms of the agreements provided for a reduction in payments should the Company undertake an act of insolvency.
- Absent the ability of Icon Australia to essentially claw back payments and the provision of security for such repayments, our preliminary view is that the terms of the agreements appear commercial given:
 - The Company did not have sufficient bond facilities in place to allow it to undertake the Hurstville and Greenwich contracts so it is difficult to attribute significant value to such contracts by the Company offering them to Icon SC; and
 - Any additional sourcing of contracts would naturally occur from the Directors of the Company. That is a right that is personal to the Directors and not one that the Company can lay an ownership claim to.
- Ultimately, a detailed investigation into the circumstances surrounding the transaction, Icon Australia's knowledge of the solvency of the Company and other considerations as to fair value will need to be undertaken by a Liquidator.
- In this regard, we have sought to understand the potential value of the security obtained by Icon Australia and make the following comments:
 - The key security obtained by Icon Australia relates to second mortgages secured over properties owned by an entity known as Neutral Bay JV;

- A review of recent financial statements and related source documents relating to the Neutral Bay JV indicates the entity owns property assets with valuations in the order of \$16,000,000 with ING owed approx. \$11,500,000 secured against such properties. Additionally, the Neutral Bay JV appears to have unsecured creditors totalling approximately \$9,000,000 (\$5,830,000 to the Company, \$2,350,000 to SX Projects (NSW) and \$700,000 to the ATO); and
- It is our position that the financial position of the Neutral Bay JV is tenuous and likely to be placed into liquidation on 12 December 2012 as the ATO is petitioning to wind up the entity. If this was to occur, it would seem likely ING would enforce its security and any value in the mortgages held by Icon Australia would be significantly reduced. We have not formed a view as to the reliability of the valuations currently held totalling \$16,000,000 but note that across the Group such valuations appears to have been generally optimistic in the current market.

The Liquidators, if so appointed intend to investigate this transaction further in order to determine whether there is a basis for any claim against Icon and in the short term whether a commercial agreement can be put in place to safeguard any equity of the Neutral Bay JV.

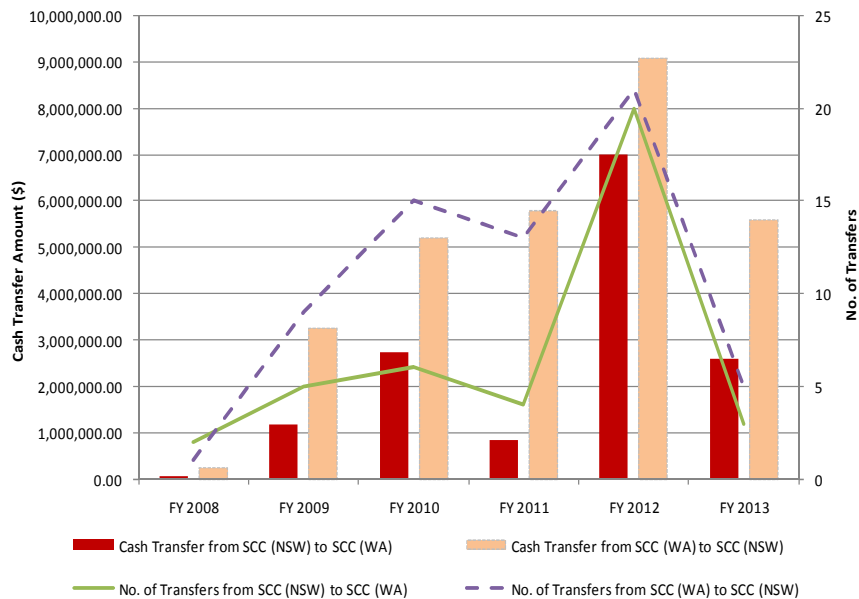
Transfer of Funds between the Company and SCC (WA)

The following events occurred prior to and during our appointment:

- On 17 October 2012, SCC (WA) transferred a total sum of \$1,670,000 to the Company;
- On 19 October 2012, the Company transferred the sum of \$1,670,000 to a trust account held with Yates Beaggi Lawyers;
- On 20 October 2012, these Funds were transferred into a controlled monies account in the name of SCC (WA); and
- On 1 November 2012, we were advised by Yates Beaggi Lawyers that the Funds were transferred to Hall Chadwick, being the Administrators of SCC (WA).

We have made enquiries as to the commercial relationship between the Company and SCC (WA) in order to understand whether the transfer from the Company to SCC (WA) would be in the ordinary course of the dealings between the two (2) companies. Such enquiries indicate:

- Andrew Box and Lewis Yazbek are common directors of the Company and SCC (WA). We note that according to the records held with ASIC, Adrian Gagiero and Grant Baumann resigned from their appointment as directors of SCC (WA) approximately one (1) month prior to the administration of SCC (WA), leaving Andrew Box and Lewis Yazbek as the remaining two (2) Directors.
- The Company provided SCC (WA) bank guarantee and performance bond facilities held with Assetinsure totalling approximately \$1,500,000.
- There were frequent transfers between the two entities, such funds being transferred between the entities on an "as needed basis". The cash transfers between the Company and SCC (WA) are summarised in the following graph which indicates that at the peak of transfers during FY 2012, a total of \$16,000,000 flowed between the Company and SCC (WA) across forty (40) transfers:



- The Company's commercial dealings with SCC (WA) also extended to:
 - Employing and paying the employees that worked in the SCC (WA) business (fourteen (14) employees at the date of our appointment);
 - Providing accounting services, estimating services (particularly during the initial start up of SCC (WA) and construction assistance services. In this regard, the Company charged SCC (WA) an annual management fee of \$107,156 (for FY 2009), \$107,156 (for FY 2010) and \$117,872 (for FY 2011). No annual management fee was charged in FY 2008.
 - The Company also charged SCC (WA) two (2) lots of one-off construction assistance fees in the sum of \$735,000 for FY 2009 and \$1,200,000 for FY 2010.
- The above commercial dealings were reflected in a loan account ledger between the Company and SCC (WA). As at 31 October, this loan account indicated SCC (WA) was a creditor of the Company in the amount of \$5,241,740.
- On 26 October 2012, the acting solicitors of Rescom (40% shareholder of SCC (WA)), Murfett Legal, advised us that Rescom currently claims that the Company has 'removed' from SCC (WA) in excess of \$8,000,000 without 'loan' or other authority comprising the following:
 - During FY 2009 and FY 2010, the Company 'removed' from SCC (WA) \$1,935,000 of 'unauthorised' construction fees;
 - During FY 2012, the Company 'removed' \$3,900,000 from SCC (WA) purportedly as an unauthorised loan; and
 - Recently, the Company 'removed' \$2,850,000 from SCC (WA) without authority.

Further, Rescom have advised given that the above payments were not authorised as a loan, the Funds were and are held on trust for SCC (WA) as beneficiary, of which Rescom as 40% shareholder is an interested party.

We have sought a preliminary legal opinion as to the extent to which the \$1,670,000 may be an asset of the Company with such funds being held by the Administrator of SCC (WA) on trust for the Company. The advice received confirms that one of the critical pieces of information relating to the ultimate characterisation of such payments will be the intentions and basis behind the directors transferring the funds. In this regard, we have

written to the Directors seeking such clarification. At the date of this report such information has not been provided.

If such information is not provided, a Liquidator if so appointed may consider publicly examining the Directors of the Company to determine such information. Once such information is provided, the Administrators or Liquidators will likely be in a far better position to clarify whether such funds are an asset of the Company and subject to St George's charge or whether the payment of the funds are voidable as against a Liquidator and therefore if recovered (by way of a dividend of the administration of SCC (WA)) are not subject to St George's charge.

Other Related Party Creditor Payments

Our preliminary investigations have revealed a significant number of transactions that make up a complex web of payments between the Company's related entities within the four (4) year period prior to our appointment. For the ease of reference, of particular interest based on our initial review of the Company's records, are the following transactions within the six (6) month period prior to our appointment:

- Sixteen (16) payments to the Company's Directors in the sum of \$255,935;
- Five (5) payments defined as Dividends in the sum of \$270,000;
- Four (4) payments to Southern Cross Developments (McIntyre) Pty Limited in the sum of \$92,337;
- Five (5) payments to Neutral Bay JV in the sum of \$71,125;
- Twelve (12) payments to SX Projects (NSW) in the sum of \$5,592,138;
- Nine (9) payments to SCC (WA) in the sum of \$4,537,187; and
- Two (2) payments to unknown related parties in the sum of \$1,287,765.87.

We have been advised that these transactions largely represent payments for services rendered in respect to jobs that the Group has undertaken and that monies flowed between the different entities within the Group on a regular basis. However, a further detailed investigation will need to be undertaken by a Liquidator if one is so appointed.

We have yet to determine for what purpose the aforementioned transactions were made. In addition, a Liquidator could only seek to recover those payments made after the date the Company was insolvent, if such a date can be determined. Accordingly, further investigations will be undertaken by a Liquidator if one is appointed to the Company.

11.3.3 Fraudulent Dispositions

A transaction of a company may be set aside if the company was insolvent at the time it entered into the transaction or if it became insolvent because of the transaction and if the purpose of the transaction was to defeat, delay or interfere with the rights of any or all of its creditors on the winding up of the company.

Having regard to the above, our enquiries into the affairs of the Company have not identified any such transactions. Further investigation into this area may be required if creditors resolve to place the Company into liquidation. No provision has been made for any recoveries of fraudulent dispositions in the liquidation dividend scenarios.

11.3.4 Unfair Loans

Pursuant to Section 588FD of the Act, a Liquidator is able to treat as voidable an unfair loan.

A loan is considered unfair if, and only if:

- the interest on the loan was, or is extortionate; or
- the charges associated with the loan were, or are, extortionate.

Having regard to the above, our enquiries into the affairs of the Company have not identified any such transactions. Further investigation into this area may be required if Creditors resolve to place the Company into Liquidation. No provision has been made for any recoveries of unfair loans in the Liquidation dividend scenarios.

11.3.5 Unreasonable Director Related Transactions

A transaction of a company is an Unreasonable Director Related Transaction and may be set aside if the company entered into the transaction with a director or a close associate of a director of the company and if it may be expected that a reasonable person in the company's circumstances would not have entered into the transaction.

Transactions include payments, the issue of securities, conveyances or other dispositions of property by a company in favour of a director, a relative, de facto spouse or related entity of a director.

Similar to the comments above under "Uncommercial Transactions" the Company's dealings with Icon Australia and the transfer of funds to SCC (WA) could also be constituted as Unreasonable Director Related Transactions. Further investigation into this area may be required if creditors resolve to place the Company into liquidation.

We advise that a Liquidator could not recover the same amount twice under different voidable transaction sections; however, a Liquidator could commence proceedings alleging both voidable transaction categories to improve the prospects of a successful recovery.

11.4 Director's Personal Liability for Employee Entitlements

A director may be ordered to pay compensation if agreements or transactions were entered into with the intention of avoiding payment of employee entitlements or reducing the amount of entitlements that can be recovered.

Having regard to the above, our enquiries into the affairs of the Company have not identified any such transactions. Further investigation into this area of the law will be required to be undertaken by a Liquidator, if one is so appointed to the Company.

11.5 Director's and Officer's Duties

11.5.1 Sections 180 and 181 of the Act (Care and Diligence – Civil Obligation and Good Faith – Civil Obligation)

A director and other officers of the company have fiduciary duties to the company. Broadly, directors and officers must exercise their powers and discharge their duties:

- with reasonable care and diligence (section 180); and
- in good faith and in the best interest of the corporation and for proper purpose (section 181)

These duties are subject to the business judgment rule, whereby if the directors or other officers believe they have acted in good faith, and the judgment was in the best interests of the corporation, then they are taken to have acted rationally, unless a reasonable person in their position would not exercise the same judgment.

Director's also owe a fiduciary obligation to the creditors of the company. That is, in discharging their duties to the company, they must take into account the interest of its creditors in the circumstances where the company is of doubtful solvency.

The transactions identified above as possible Unreasonable Director Related, and Uncommercial Transactions could constitute a breach by the Directors of their duties under Section 181 and Section 182 of the Act, by not acting in good faith in the best interests of the Company and for a proper purpose, and/or improperly using his position to gain an advantage for someone else or causing a detriment to the Company. Furthermore, any insolvent trading contraventions may also be in breach of this Section of the Act.

Other issues raised through-out this report which may also be relevant with investigations of this nature include:

- the provision of security/guarantees to related entities and whether fair consideration was provided;
- the provision of loans to related entities; and

- the fact that the Company was the employing entity in the Group and absorbed such expenses without apparent consideration.

Similarly, a Liquidator could not recover the amounts as voidable transactions and also recoveries with respect to breach of Director's Duties from the Director as they relate to the same set of transactions.

11.5.2 Sections 182 and 183 of the Act (Use of Position – Civil Obligation and Use of Information – Civil Obligation)

A director or officer must not improperly use their position to:

- gain an advantage for themselves or someone else; or
- cause detriment to the corporation (section 182).

Furthermore directors, other officers and employees who obtain information because of their position, must not improperly use the information to:

- gain an advantage for themselves or someone else; or
- cause detriment to the corporation (section 183).

Again, the transactions identified above as possible, Unreasonable Director Related, and Uncommercial Transactions could also constitute a breach by the Director of his duties under Section 182 and Section 183 of the Act, by gaining an advantage for themselves and cause detriment to the Company.

Further detailed investigations will be required to be undertaken by a Liquidator, if one is so appointed to the Company.

11.5.3 Section 184 of the Act (Good Faith, Use of Position and Use of Information – Criminal Offences)

This section covers an offence committed by a director or officer under Section 180-183 with the intention to be dishonest or reckless.

Our investigations have not revealed any instance which warrants a criminal offence by the Director, other officers or employees.

11.6 Adequacy of Books and Records

Failure to maintain books and records in accordance with Section 286 of the Act provides a rebuttable presumption of insolvency. This presumption can be relied upon by a Liquidator in an application for compensation for insolvent trading and other actions or recoveries pursuant to Division 2 of Point 5.7B (Voidable Transactions) of the Act from related parties, including directors.

To date, we have been provided with sufficient book and records of the Company including bank statements, cheque butts, financial statements, management accounts and a complete backup of the Company's computing server which documents all correspondence received by the Company. In this regard, it appears the Company records may have been kept in accordance with Section 286 of the Act.

11.7 Company Officers' Personal Financial Position

As mentioned above we requested details of the Directors assets and liabilities. We have yet to receive this information, however as mentioned previously the Directors have agreed to provide such information. From publicly available information we have determined that the Directors are the owners of real property in NSW.

11.8 Report to the ASIC under Section 438D of the Act – Offences in Relation to the Company

As Administrators, we are also required to complete and lodge a report with ASIC (Section 438D of the Act) if we believe that a past or present officer, or member of the Company may have been guilty of an offence in relation to the Company or if a person has taken part in the formation, promotion, administration, management

or winding up of the Company:

- may have misappropriated money or property of the Company; or
- may be guilty of negligence, default, breach of duty or breach of trust in relation to the Company.

We are considering lodging the report subject to the outcome of further investigations into the affairs of the Company.

12. FINANCIAL POSITION – ESTIMATED DIVIDEND TO CREDITORS

12.1 Return to Creditors

At this stage of the administration, we are unable to comment in respect to the likelihood of a dividend distribution to the unsecured creditors of the Company. It is noted that a dividend is unlikely to be paid to any class of unsecured creditor based solely from asset realisations, having regard to the secured liabilities owing by the Company. However, any dividend distribution to the unsecured creditors of the Company will be dependent upon:

Priority Employee Creditors

- A surplus (however unlikely) being available from the realisation of the Company's floating charge or circulating assets after the payment of certain costs of the Receivers & Managers.
- Significant recoveries of any transactions that may be voidable pursuant to Part 5.7B of the Act, breaches of directors duties and/or insolvent trading claims;
- Quantification of all employee claims; and
- Costs of the administration and liquidation.
 - However, it is noted that in the event the Company is placed into liquidation employees may be eligible to claim under GEERS for their outstanding entitlements in full (except for superannuation) in the event insufficient realisations are made from the Company to allow them to be paid.

Non-priority Unsecured Creditors

- Significant recoveries of any transactions that may be voidable pursuant to Part 5.7B of the Act, breaches of directors duties and/or insolvent trading claims;
- Quantification of all creditor claims; and
- Costs of the administration and liquidation.

13. ANALYSIS OF OPTIONS AVAILABLE TO CREDITORS

13.1 Explanation of Alternatives Available to Creditors

It is our obligation to make a recommendation to creditors on which alternative is in creditors' best interests. Our recommendation is based on what is in creditors' interests with regard to repaying their existing debts and must also ensure that those creditors who have an ongoing relationship with the Company are comfortable in their dealings with the Company.

We make the following general comments in respect to each option:-

i) The Company to Execute a DOCA

As noted above, we are not in receipt of a DOCA. Therefore this is not an option available to creditors.

ii) Bringing the Administration to an End

It is possible that creditors may consider removing the Administrators and returning the Company to the existing Directors. **It is our opinion that this is not a commercial proposition at this stage due to the following:**

- The financial position of the Company and the professional assistance it requires to trade out of its difficulties;
- This course of action would not solve the Company's problems nor provide a forum for dealing with creditors' claims;
- Based on the 'Financial Position – Report as to Affairs' section of this report, the Company is clearly insolvent. Resolving to end the administration would leave the Company vulnerable to some other form of external administration; and
- Further investigations should be undertaken into the Company's affairs that are only possible if the Company is in administration or liquidation.

iii) Winding Up the Company

Creditors may resolve that the Company be wound up and that Messrs Ozem Kassem, Jason Tang and Bruno Secatore be appointed Joint and Several Liquidators. In these circumstances, the Act deems that the Company will have entered into creditors voluntary liquidation as at that date.

It is our opinion that creditors should vote in favour of the Company being wound up because:-

- A DOCA proposal has not been received

Our review of the financial position of the Company has determined that the Company is insolvent and given that a DOCA proposal has not been received the only alternative would be for creditors to place the Company into liquidation to allow a Liquidator to realise the assets of the Company and disburse them for the benefit of creditors.

- Business has ceased to trade

The Company no longer exists for the purpose of conducting business, and should be realised and wound up.

- Realisation of Assets

The Receivers and Managers and/or Liquidators' realisation of the above identified assets can continue to proceed for the benefit of creditors.

- Investigation of voidable transactions and insolvent trading

If the Company is placed into liquidation, certain transactions could be recovered as they are voidable. These include:-

- unfair preferences;
- uncommercial transactions; and
- unfair loans.

A Liquidator would also investigate whether the Directors continued to trade the Company whilst it was insolvent. Details of our investigations in relation to these matters are contained in the "Investigations – Offences, Insolvent Trading and Voidable Transactions" section of the Report.

Accordingly, it is our opinion that creditors should vote in favour of the Company being wound up.

iv) Adjournment

The Act provides for the meeting of creditors convened under Section 439B of the Act to be adjourned for up to forty-five (45) business days if creditors so decide. We are of the opinion that it is **not** in the best interests of creditors for the meeting to be adjourned.

13.2 Recommendation

We recommend that creditors attending the second meeting of creditors in person or by proxy should vote for a motion that:

"The Company be wound up."

AND

"To appoint Messrs Ozem Kassem, Jason Tang and Bruno Secatore as Joint and Several Liquidators of the Company in the event that a Consent to Act is received from an alternate insolvency practitioner."

14. ADMINISTRATORS' AND LIQUIDATORS' REMUNERATION

At the second meeting of creditors on Wednesday, 28 November 2012, we will be seeking the approval of the our remuneration based on time calculated in accordance with the hourly rates set by Cor Cordis from time to time.

A schedule of the rates currently employed is attached as **Annexure "E"** for creditors' reference. Each hour is charged in six (6) minute increments. The rates are calculated to reimburse this firm for its labour and operating overheads in carrying out the tasks required for this administration. We consider this method appropriate as it ensures creditors are only charged for work that is performed by us and our staff. Our staff are structured such that tasks are completed at the appropriate level of experience.

If creditors resolve that the Company be wound up we will be seeking the approval of future remuneration to cover our appointment as Joint & Several Liquidators.

In accordance with the IPA's Code of Professional Practice effective 1 January 2011, details of the remuneration being sought for the external administration of the Company are set-out under the headings below.

14.1 Declaration

We, Ozem Kassem, Jason Tang and Bruno Secatore of Cor Cordis Chartered Accountants, have undertaken a proper assessment of the remuneration claim hereunder for our appointment as external administrators of Southern Cross Constructions (NSW) Pty Limited, in accordance with the law and applicable professional standards. We are satisfied that the remuneration claimed is in respect of necessary work, properly performed or to be performed in the conduct of this external administration.

14.2 Administrators' Remuneration from 24 October 2012 to 18 November 2012

As noted above, the calculation of our remuneration and our staff is prepared on a time cost basis and calculated at an hourly scale of rates used by the firm Cor Cordis Chartered Accountants.

Attached as **Annexure "D(1)"** is a calculation of the work performed, and tasks completed, by appointee, employee and position, for the period of the administration from 24 October 2012 to 18 November 2012. These fees can be summarised as follows:

Classification	Hours	Hourly Rate (\$)	Total (\$)
Appointee / Partner	182.80	525	95,970.00
Senior Manager	50.90	400	20,360.00
Manager	189.60	375	71,100.00
Supervisor	75.70	325	24,602.50
Senior 1	137.10	275	37,702.50
Senior 2	165.40	250	41,350.00
Intermediate 1	2.20	190	418.00
Intermediate 2	0.90	160	144.00
Accountant	57.50	135	7,762.50
Senior Secretary	12.00	160	1,920.00
Secretary	11.60	120	1,392.00
Professional Fees Payable	885.70		302,721.50
plus: GST			30,272.15
Total Professional Fees Payable			332,993.65

14.3 Administrators' Remuneration from 19 November 2012 to 28 November 2012

Further time will be incurred from 19 November 2012 up to and including the second meeting of creditors on 28 November 2012. Any work done on or after 19 November 2012 is to be claimed in accordance with the above basis, which is estimated to be in the order of \$37,278.50 (plus GST). Attached as **Annexure "D(2)"** is a summary of the tasks that will be required to be completed during this period.

In summary, from the date of our appointment on 24 October 2012 to the forthcoming meeting of creditors on 28 November 2012, we will be seeking approval of our fees to the maximum amount of \$340,000.00 (plus GST).

14.4 Liquidators' Remuneration (if applicable)

In the event that the Company is placed into liquidation, a resolution for a Committee of Inspection will be considered. If a Committee of Inspection is appointed, the Committee will be requested to approve the future remuneration of the Liquidators from time to time.

At the forthcoming meeting of creditors, the Liquidators will seek to have creditors resolve that the remuneration of the Liquidators, their partners and staff, be fixed on a time basis at the Cor Cordis Guide to Hourly Rates as amended from time to time and that the Liquidators be empowered to draw their fees to an amount of up to \$100,000.00 (plus GST) from funds available in the administration.

The tasks that will be required to be completed during the winding-up are summarised in **Annexure "D(3)"**.

14.5 Supporting information

Summary of Receipts and Payments

Attached as **Annexure "F"** is a Summary of Receipts and Payments for the period of the administration from 24 October 2012 to 18 November 2012.

Statement of remuneration claim

Having regard to the discussion above, the following resolutions will be tabled at the forthcoming meeting of creditors:-

For the period of the voluntary administration from 24 October 2012 to 28 November 2012:

"To approve the remuneration of the Joint and Several Administrators for the period 24 October 2012 to 28 November 2012, to a maximum limit of \$340,000.00 (plus GST), with such amount to be calculated on a time cost basis using the hourly rates adopted by the firm of Cor Cordis Chartered Accountants as detailed in the Report to Creditors dated 20 November 2012."

In the event it is resolved that the Company be wound up at the forthcoming meeting of creditors, the following resolution will be tabled in respect to the Liquidators' fees:

"To approve the remuneration of the Joint and Several Liquidators for the period 28 November 2012 to the conclusion of the winding up to the amount of \$100,000.00 (plus GST), with such amount to be calculated on a time cost basis using the hourly rates adopted by the firm Cor Cordis Chartered Accountants as detailed in the Report to Creditors dated 20 November 2012, which may be varied from time to time with such annual increases (if any) be no greater than ten percent (10%), beyond which further approval may be sought from creditors."

Queries

Should creditors require any further information with respect to the remuneration being sought above, they should contact this office prior to the forthcoming meeting of creditors.

Information Sheet

A creditor information sheet providing information to creditors regarding the approval of remuneration of an external administrator, adopted by the IPA Code of Professional Practice, effective 1 January 2011, can be obtained from the following website address:

http://www.ipaa.com.au/user/docs/Creditor_Information_Sheet.pdf

Disbursements

In accordance with statute and the IPA's Code of Professional Practice, Insolvency Practitioners are not required to seek creditor approval for disbursements incurred, however they must account to creditors in a proper manner. Disbursements are generally divided into three types:

- a) disbursements that are externally provided professional services. These are recovered at cost. An example of this disbursement is legal fees.
- b) disbursements that are externally provided non-professional costs such as travel, accommodation and search fees. These disbursements are recovered at cost.
- c) disbursements that are internally provided non-professional costs, such as photocopying and document storage. These disbursements are charged at cost except for photocopying, printing and telephone calls which can be charged at a rate which is intended to recoup both variable and fixed costs.

We advise that an assessment is made to ensure that all disbursements are necessary and properly incurred in the conduct of this external administration. Creditors have the right to question the incurring of any disbursements and can challenge disbursements in Court.

Having regard to the above, creditors are referred to the attached Cor Cordis Guide to Hourly Rates and Disbursements (**Annexure "E"**).

15 MEETING OF CREDITORS

As disclosed in the attached Notice of Meeting, We have convened a meeting of creditors pursuant to Section 439A of the Act to decide the Company's future. Details of the meeting are as follows:-

Date: Wednesday, 28 November 2012
Time: 11:00 am
Registration: 10:45 am
Venue: Symantec House
Level 5, 207 Kent Street
Sydney NSW 2000

***Attached** is a Notice of Meeting for your information. Also ***attached** are a Form 535 Formal Proof of Debt or Claim Form and Proxy Form required to be completed and forwarded to this office prior to the meeting. Secured creditors are entitled to vote for the full amount of their debt without surrendering their security. **Those creditors who have previously lodged a Form 535 Formal Proof of debt form are not required to lodge a further claim. You will however be required to lodge another Proxy form for this meeting.**

At this meeting, creditors will have the option to vote on the future of the Company by resolving to either:

- Accept any proposal for a DOCA; or
- Place the Company into liquidation (that is, to have the Company wound up); or
- End the administration (in which case control of the Company will revert back to the Director).

If you are unable to attend the meeting of creditors you may still be involved by appointing someone to vote on your behalf. You may grant that person a general proxy to vote as he / she sees fit or a special proxy, which sets out your instructions as to how he / she is to vote. For more information on whom you can appoint and how to grant the power please refer to the Appointment of Proxy (Form 532) enclosed.

Please note, if the debt is owed to a Company, the Appointment of Proxy form must be completed. That is, as a separate legal entity, the Company has to authorise a specific person to attend and vote at the meeting of creditors on the Company's behalf. The form must be completed if a sole trader or a partner is not able to attend the meeting. Should you require any assistance in completing either the Appointment of Proxy or Formal Proof of Debt forms, please contact Mr James Burns of this office (02) 8221 8411.

Please find attached as **Annexure "G"** additional information for the meeting of creditors.

Questions from creditors

If creditors have any questions that will require answering at the meeting, it is requested that these questions be submitted in writing to jburns@corcordis.com.au by 12.00pm on 27 November 2012.

Voting

Resolutions are made by a simple majority in number unless two or more creditors request a poll. In the event of a poll, a majority in number and value is required. If this is not obtained, the chairperson has the casting vote.

Should you have any further queries in relation to the abovenamed administration, please contact Mr James Burns or Mr Rohan Dalal on (02) 8221 8433.

Dated this 20th day of November 2012.



Ozem Kassem
Administrator

LIST OF APPENDICES

ANNEXURE "A":	PERSONAL NAME EXTRACT OF THE DIRECTORS
ANNEXURE "B":	PPSR/PSMI SECURITY REGISTRATIONS
ANNEXURE "C":	SOUTHERN CROSS GROUP ENTITIES
ANNEXURE "D(1)":	ADMINISTRATORS' REMUNERATION FROM 24 OCTOBER 2012 TO 18 NOVEMBER 2012
ANNEXURE "D(2)":	ADMINISTRATORS' REMUNERATION FROM 18 NOVEMBER 2012 TO 28 NOVEMBER 2012
ANNEXURE "D(3)":	LIQUIDATORS' REMUNERATION (IF APPLICABLE)
ANNEXURE "E":	COR CORDIS SCHEDULE OF HOURLY RATES & DISBURSEMENTS
ANNEXURE "F":	SUMMARY OF RECEIPTS AND PAYMENTS
ANNEXURE "G"	ADDITIONAL INFORMATION FOR MEETING OF CREDITORS

ANNEXURE “A”

**Southern Cross Constructions (NSW) Pty Limited
(Administrators Appointed)**

Personal Name Extract of the Directors

Lewis Yazbek

Company	Officeholding	Shareholder	Appointment Date	Status
BFT (Aust.) Pty Limited	Director / Secretary	Former	03/12/2003	Registered
L Yazbek Settlement Pty Limited	Director	Yes	26/07/2012	Registered
Lion Pacific Management Pty Limited	Director	No	28/07/2009	Registered
Monterey Investments Australia Pty Limited	Director	No	28/07/2009	Strike-Off Action In Progress
Rilmcote Limited	Director	No	15/12/2003	Registered
Rocbit Pty Limited	Director	Yes	06/05/1994	Registered
Seika Pty Limited	Director / Secretary	No	03/05/1993	Strike-Off Action in Progress
Southern Cross Group (International) Pty Limited	Director	No	17/04/2009	Under External Administration
Southern Cross Constructions (NSW) Pty Limited	Director / Secretary	Former	01/07/1998	Under External Administration
Southern Cross Developments (Dumaresq) Pty Limited	Director	No	15/04/2004	Strike-Off Action in Progress
Southern Cross Development Group Pty Limited	Director	No	20/04/2004	Strike-Off Action in Progress
Southern Cross Project Group Pty Limited	Director / Secretary	Former	08/01/1990	Registered
Southern Cross Constructions (S.E. QLD.) Pty Limited	Director / Secretary	No	31/07/2012	Registered
Southern Cross Constructions (WA) Pty Limited	Director	No	10/10/2012	Under External Administration
Southern Cross Constructions (TAS) Pty Limited	Director	No	20/02/2011	Registered
Southern Cross Projects Pty Limited	Director / Secretary	No	22/03/1990	Registered
Southern Cross Constructions (ACT) Pty Limited	Director / Secretary	No	21/06/2012	Registered
SX Projects (NSW) Pty Limited	Director / Secretary	Yes	26/09/2012	Registered
The Hastings Redevelopment Company Pty Limited	Director	No	05/02/2004	Registered
Vilworth Pty Limited	Director / Secretary	Yes	08/05/1992	Registered
Willow Road Pty Limited	Director / Secretary	Yes	21/05/2009	Registered

Andrew Box

Company	Officeholding	Shareholder	Appointment Date	Status
A Box Settlement Pty Limited	Director	Yes	26/07/2012	Registered
Baly Investments Pty Limited	Director		12/12/2000	Registered
Bingemann Holdings Pty Limited	Director / Secretary	Yes	23/02/2000	Registered
East Sydney Property Development Pty Limited	Director	No	14/02/2003	Strike-Off Action In Progress
Foxan Pty Limited	Director / Secretary	Yes	20/08/1996	Registered
Frendina Pty Limited	Director	No	27/06/2008	Registered
Monterey Investments Australia Pty Limited	Director	No	28/07/2009	Strike-Off Action in Progress
Neutral Bay Project Pty Limited	Director / Secretary	No	22/05/2008	Registered
Noosa Investments (Hastings) Pty Limited	Director	No	18/01/2008	Registered
Riverway Investments Pty Limited	Director	Yes	27/08/2001	Registered
Southern Cross Group (International) Pty Limited	Director	No	26/03/2001	Under External Administration
Southern Cross Constructions (NSW) Pty Limited	Director	No	01/07/1998	Under External Administration
Southern Cross Developments (Mcintyre) Pty Limited	Director	No	15/04/2004	Registered
Southern Cross Developments (Dumaresq) Pty Limited	Director	No	15/04/2004	Strike-Off Action In Progress
Southern Cross Development Group Pty Limited	Director	No	20/04/2004	Strike-Off Action In Progress
Southern Cross Project Group Pty Limited	Director	No	30/06/2005	Registered
Southern Cross Constructions (WA) Pty Limited	Director	No	06/09/2007	Under External Administration
Southern Cross Constructions (TAS) Pty Limited	Director	No	01/09/2003	Registered
Southern Cross Constructions (SA) Pty Limited	Director	No	06/09/2007	Registered
Southern Cross Constructions (NT) Pty Limited	Director	No	01/07/1999	Registered
SX Interiors Pty Limited	Director	No	23/05/2006	Registered
SX Projects (NSW) Pty Limited	Director	No	26/09/2012	Registered
The Hastings Redevelopment Company Pty Limited	Director	No	05/02/2004	Registered

ANNEXURE “B”

**Southern Cross Constructions (NSW) Pty Limited
(Receivers and Managers Appointed)
(Administrators Appointed)**

PPSR/PSMI Security Registrations

The PPSR and PMSI security registrations shown in the Company Search are as follows:

PPSR Chargeholder Name	Registration No.	Start Date	End Date
Westpac Banking Corporation	201112151043835	30-01-2012	Not Stated
Waco Kwikform Limited	201112201390885	30-01-2012	16-12-2018
Coates Hire Operations Pty Limited	201112201943604	30-01-2012	17-12-2018
Coates Hire Operations Pty Limited	201112201943720	30-01-2012	17-12-2018
Allleasing Pty Limited	201112202818545	30-01-2012	17-12-2036
Allleasing Pty Limited	201112202818652	30-01-2012	17-12-2036
Alleasing Pty Limited	201112202818787	30-01-2012	17-12-2036
Allleasing Pty Limited	201112202818901	30-01-2012	17-12-2036
Royal Wolf Trading Australia Pty Limited	201112203285690	30-01-2012	18-12-2018
Aco Polycrete Pty Limited	201112230907055	30-01-2012	15-12-2018
Westpac Banking Corporation	201112280418764	30-01-2012	Not Stated
Macquarie Leasing Pty Limited	201112290297813	30-01-2012	01-03-2035
Kennards Hire Pty Limited	201201051114791	30-01-2012	31-10-2018
Hilti (AUST.) Pty Limited	201201051469854	30-01-2012	20-12-2036
St. George Finance Limited	201201110171515	30-01-2012	06-09-2014
St. George Finance Limited	201201110177635	30-01-2012	25-01-2015
Big River Group Pty Limited	201203080099378	08-03-2012	Not Stated
Ausco Modular Pty Limited	201203090007794	09-03-2012	09-03-2037
Ausco Modular Pty Limited	201203230007294	23-03-2012	23-03-2019
Hume Doors & Timber (AUST) Pty Limited	201203260050760	26-03-2012	Not Stated
Atco Structures & Logistics Pty Limited	201203270045246	27-03-2012	27-03-2019
St. George Finance Limited	201205160059271	16-05-2012	16-05-2019
St. George Finance Limited	201205160060025	16-05-2012	16-05-2019
Arrow Formwork and Scaffolding Pty Limited	201205160076800	16-05-2012	Not Stated
Royal Plywood Pty Limited	201205210057259	21-05-2012	21-05-2037
Royal Hire Pty Limited	201205210070128	21-05-2012	21-05-2037
Eagle Scaffolding (NSW) Pty Limited	201205240085251	24-05-2012	01-01-2016
AGF Metal Roofing Pty Limited	201205290108436	29-05-2012	29-05-2019
Botany Access Pty Limited	201205210013362	31-05-2012	01-05-2013
Botany Access Pty Limited	201205310013772	31-05-2012	01-05-2013
Botany Access Pty Limited	201205310013937	31-05-2012	01-05-2013
Botany Access Pty Limited	201205310014057	31-05-2012	01-05-2012
Botany Access Pty Limited	201205310034588	31-05-2012	01-05-2013
Botany Access Pty Limited	201205310034664	31-05-2012	01-05-2013
Botany Access Pty Limited	201205310034849	31-05-2012	01-05-2013
Fowler Scaffold Pty Limited	201206130039065	13-06-2012	31-12-2018
Fowler Scaffold Pty Limited	201206130039361	13-06-2012	31-12-2018
Southern Cross Constructions (NSW) Pty Limited	201207030009798	03-07-2012	31-12-2015
Ikon Doors Pty Limited	201208030060531	03-08-2012	03-08-2019
Coral Air Conditioning Pty Limited	201209190048592	19-09-2012	18-09-2019
Coral Air Conditioning Pty Limited	201209190051871	19-09-2012	18-09-2019
Coral Air Conditioning Pty Limited	201209199957120	19-09-2012	18-09-2019

ANNEXURE “C”

**Southern Cross Constructions (NSW) Pty Limited
(Receivers and Managers Appointed)
(Administrators Appointed)**

Southern Cross Group Entities

Detailed below is the entities comprising the Group:

Entity	Director(s)	Shareholder(s)
Southern Cross Project Group Pty Limited	Andrew Box Lewis Yazbek	Richard Yazbek Bruce Rowntree Bingemann Holdings Pty Limited Yorkland Pty Limited Fellmane Pty Limited
Southern Cross Constructions (NSW) Pty Limited (Receivers and Managers Appointed) (Administrators Appointed)	Andrew Box Lewis Yazbek	Southern Cross Project Group Pty Limited
Southern Cross Constructions (WA) Pty Limited (Administrators Appointed)	Andrew Box Lewis Yazbek	Southern Cross Project Group Pty Limited Rescom Building Services Pty Limited
Southern Cross Constructions (S.E. Q.L.D.) Pty Limited	Andrew Box Lewis Yazbek	Southern Cross Project Group Pty Limited
Southern Cross Constructions (NT) Pty Limited	Andrew Box	Southern Cross Project Group Pty Limited
Southern Cross Constructions (Tas) Pty Limited	Andrew Box Lewis Yazbek	Southern Cross Project Group Pty Limited
Southern Cross Constructions (SA) Pty Limited	Andrew Box	Southern Cross Project Group Pty Limited
Southern Cross Constructions (Act) Pty Limited	Lewis Yazbek	Vince Battaglia Richard Yazbek Fellmane Pty Limited
Southern Cross Developments Group Pty Limited	Andrew Box Lewis Yazbek Richard Yazbek Craig Irwin	BFT (Aust.) Pty Limited Bingemann Holdings Pty Limited Skyway Technology Pty Limited Yorkland Pty Limited
Southern Cross Group (International) Pty Limited	Andrew Box Lewis Yazbek Richard Yazbek Craig Irwin	BFT (Aust.) Pty Limited Bingemann Holdings Pty Limited Skyway Technology Pty Limited
Southern Cross Developments (McIntyre) Pty Limited	Andrew Box	BFT (Aust.) Pty Limited Bingemann Holdings Pty Limited Skyway Technology Pty Limited
McIntyre Joint Venture	N/A	Southern Cross Developments (McIntyre) Pty Limited LaMaison Gordon Pty Limited
Neutral Bay Joint Venture	N/A	Lion Pacific (Neutral Bay) Pty Limited Neutral Bay Projects Pty Limited
SX Projects (NSW) Pty Limited	Lewis Yazbek Andrew Box	Southern Cross Project Group Pty Limited
SX Projects Limited Partnership	N/A	Vince Battaglia Richard Yazbek Vince Battaglia ATF Andrew Box Richard Yazbek ATF Lewis Yazbek
Frendina Pty Limited	Richard Yazbek Andrew Box	Southern Cross Constructions (NSW) Pty Limited (Receivers and Managers Appointed) (Administrators Appointed)
Southern Cross Projects Pty Limited	Richard Yazbek Andrew Box	Southern Cross Project Group Pty Limited

ANNEXURE “D(1)”

Southern Cross Constructions (NSW) Pty Limited (Receivers and Managers Appointed) (Administrators Appointed)

**SOUTHERN CROSS CONSTRUCTIONS (NSW) PTY LIMITED
 (RECEIVERS AND MANAGERS APPOINTED) (ADMINISTRATORS APPOINTED)**

ABN: 78 083 223 107

Calculation of Administrators' Remuneration

For the period 24 October 2012 to 18 November 2012

Employee	Classification	Total Actual Hours	Total (\$)	Assets		Creditors		Administration		Employees		Investigation		Trade On	
				Hours	(\$)	Hours	(\$)	Hours	(\$)	Hours	(\$)	Hours	(\$)	Hours	(\$)
Ozem Kassem	Partner	32.4	17,010.00	0.6	315.00	13.7	7,192.50	5.5	2,887.50	-	-	11.1	5,827.50	1.5	787.50
Mark Hutchins	Partner	123.2	64,680.00	5.0	2,625.00	48.2	25,305.00	-	-	-	-	28.9	15,172.50	41.1	21,577.50
Jason Tang	Senior Manager	50.9	20,360.00	18.5	7,400.00	14.5	5,800.00	4.4	1,760.00	8.1	3,240.00	3.1	1,240.00	2.3	920.00
Michael De Rooy	Partner	27.0	14,175.00	-	-	2.2	1,155.00	-	-	-	-	-	-	24.8	13,020.00
Robert Kite	Partner	0.2	105.00	-	-	0.2	105.00	-	-	-	-	-	-	-	-
Neil Snail	Manager	150.1	56,287.50	12.6	4,725.00	60.9	22,837.50	-	-	10.7	4,012.50	25.2	9,450.00	40.7	15,262.50
Cino Tabla	Manager	39.5	14,812.50	16.9	6,337.50	14.3	5,362.50	1.0	375.00	-	-	6.7	2,512.50	0.6	225.00
Desmond Teng	Supervisor	65.9	21,417.50	14.2	4,615.00	2.8	910.00	0.5	162.50	-	-	48.4	15,730.00	-	-
Mohammad Najjar	Supervisor	9.8	3,185.00	-	-	9.8	3,185.00	-	-	-	-	-	-	-	-
Steven Bazouni	Senior 1	70.9	19,497.50	5.3	1,457.50	22.4	6,160.00	4.5	1,237.50	11.0	3,025.00	22.3	6,132.50	5.4	1,485.00
Jason Garcia	Senior 1	63.3	17,407.50	2.9	797.50	33.3	9,157.50	1.2	330.00	0.3	82.50	25.0	6,875.00	0.6	165.00
Sabrina White	Senior 1	2.9	797.50	-	-	2.9	797.50	-	-	-	-	-	-	-	-
Rohan Dalal	Senior 2	46.0	11,500.00	2.6	650.00	38.3	9,575.00	1.4	350.00	2.1	525.00	-	-	1.6	400.00
James Burns	Senior 2	68.0	17,000.00	4.5	1,125.00	42.2	10,550.00	-	-	16.7	4,175.00	2.1	525.00	2.5	625.00
Christopher Hillier	Senior 2	46.3	11,575.00	1.3	325.00	23.9	5,975.00	2.5	625.00	-	-	-	-	18.6	4,650.00
Andrea Kalik	Senior 2	2.7	675.00	-	-	2.7	675.00	-	-	-	-	-	-	-	-
Robert Thyer	Senior 2	2.4	600.00	-	-	2.4	600.00	-	-	-	-	-	-	-	-
Nicholas Chan	Intermediate 1	1.5	285.00	1.5	285.00	-	-	-	-	-	-	-	-	-	-
Kavan Ho	Intermediate 1	0.7	133.00	-	-	0.7	133.00	-	-	-	-	-	-	-	-
Seema Khatter	Intermediate 2	0.9	144.00	-	-	-	-	-	-	-	-	-	-	-	-
Hisham Kravem	Accountant	4.8	648.00	-	-	-	-	0.9	144.00	-	-	-	-	-	-
Clement Teng	Accountant	3.1	418.50	-	-	-	-	4.8	648.00	-	-	-	-	-	-
Gabrielle Aoun	Accountant	49.6	6,696.00	0.6	81.00	28.5	3,847.50	7.5	1,012.50	0.5	67.50	12.5	1,687.50	-	-
Kavleigh Taylor	Senior Secretary	12.0	1,920.00	-	-	10.1	1,616.00	1.9	304.00	-	-	-	-	-	-
Charlotte Williams	Secretary	7.2	864.00	-	-	1.7	204.00	5.5	660.00	-	-	-	-	-	-
Michaela Balelova	Secretary	0.6	72.00	-	-	-	-	0.6	72.00	-	-	-	-	-	-
Deanna Calcagno	Secretary	3.0	360.00	-	-	-	-	3.0	360.00	-	-	-	-	-	-
Naomi Meyer-Sebbag	Secretary	0.8	96.00	-	-	-	-	0.8	96.00	-	-	-	-	-	-
Sub Total		885.7	\$302,721.50	86.5	\$30,738.50	375.7	\$121,143.00	47.8	\$11,267.00	49.4	\$15,127.50	186.6	\$65,328.00	139.7	\$59,117.50
GST-10%			\$30,272.15												
Total (including GST)			\$332,993.65												
Average hourly rate (excl GST)			\$341.79		\$355.36		\$322.45		\$235.71		\$306.22		\$350.10		\$423.17

Southern Cross Constructions (NSW) Pty Limited
 (Receivers and Managers Appointed)
 (Administrators Appointed)

Administrators' Remuneration from 24 October 2012 to 18 November 2012

Task Area	General Description	Includes	Hours	Amount (\$)
Assets	Cash at Bank	Liaising with banks regarding accounts held. Preparing correspondence to CBA and NAB to freeze and transfer funds.	86.5	30,738.50
	Real Property	Conducting and summarising real property searches. Liaising and corresponding with Real Estate agents in respect to obtaining market appraisals of the Properties. Internal meetings to discuss realisation strategies for the properties.		
	Contracts	Review contracts to determine value (if any) and implications associated with trading on the business of the Company. Determine value of contracts held by the Company for projects as at the date of appointment. Prepare correspondence to Developers disclaiming interest in the contracts held.		
	Plant & Equipment	Reviewing asset listing. Investigations and reconciliation of Company's plant and equipment subject to pre-appointment sale agreement. Liaising with Valuers regarding valuation of the Company's plant and equipment.		
	Assets subject to Specific Security interests	Liaising and corresponding with secured parties in respect to Security Interest over the encumbered plant and equipment. Disclaiming plant and equipment subject to rental agreements.		
	Debtors	Reviewing and assessing trade debtor ledgers. Reconciling outstanding trade debtors. Investigations and reconciliation of loan accounts. Liaising and corresponding with Director in respect to collectability of outstanding trade debtors.		
	Insurance	Identifying potential issues requiring attention of insurance specialists. Liaising with PRM Managers regarding insurance requirements of the Company.		
Creditors	Creditors Enquiries	Receiving and following up creditor enquires via telephone. Maintaining creditor enquiry register. Review and prepare correspondence to creditors and their representatives via facsimile, email and post. Discussions with developers to determine liabilities incurred and paid for completion of projects and to ascertain rightful claims and subrogation of claims of creditors.	375.7	121,143.00
	Contingent Liabilities (Bonds)	Reviewing bond documents to assess the position for rightful claims and implications of cease of trade. Reconcile bonds and claims to determine current liability. Liaise with issuers to determine claims against Bonds from Developers. Liaise with Developers to determine background for claims against Bonds and intention for further claims.		
	Secured Creditor	Preparing letters/notice to secured creditors. Preparing preliminary report to St George. Meeting with the secured creditor. Liaising with secured creditors legal representatives in respect to ascertaining claims. Responding to secured creditors enquiries. Meetings with KordaMentha (Receivers and Managers) appointed by St George.		
	Creditor Reports	Drafting first circular to creditors. Drafting and amending this S439A Report to Creditors.		

	Meeting of Creditors	Preparing meeting notices, proxies and advertisements. Forwarding notice of meeting to all known creditors. Preparing meeting file including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. Attending first meeting of creditors. Preparing and lodging minutes of meetings with ASIC.		
	Dealing with Proofs of Debt	Receiving, reviewing and recording proofs PODs.		
Employees	Meeting of Employees	Meeting with employees regarding notification of appointment and termination of employment.	49.4	15,127.50
	Employee Enquiries	Preparing correspondence to employees advising them of termination of employment. Receiving and following up employee enquiries via telephone and email. Prepare and review correspondence to employees via email and post. Preparing correspondence to employees advising them of their outstanding entitlements and options available.		
	Calculation of Entitlements	Reviewing the Company's books and records. Calculating employee entitlements. Reviewing industry awards, collective bargaining agreements and National Employment Standards for the calculation of entitlements.		
Administration	Document Maintenance/File Review/Checklist	Preparing timetable for Voluntary Administration. Attending to Client Setup. Attending to mail outs & postage.	47.8	11,267.00
	ATO & Other Statutory Reporting	Notifying statutory bodies of appointment.		
	Bank Account administration	Preparing correspondence opening and closing accounts. Bank account reconciliations. Corresponding with bank regarding specific transfers.		
	Processing Receipts and Payments	Entering receipt and payments into accounting systems.		
Trade On	Trade on Management	Liaising with management and staff. Attendance on site. Liaising with suppliers in respect to property retained on site. Meetings to discuss trading position and implications. Assessing financial position of the Company to determine commercial viability to trade on the business. Discussions with suppliers and Developers in respect to the future trading position of the Company. Discussions with CMFEU regarding ongoing implications. Discussions with solicitors in respect to the novation of contracts between developers and subcontractors.	139.7	59,117.50
	Processing Payments	Attending to the payment of expenses and other liabilities. Entering receipts and payments into accounting systems.		
Investigation	Conducting Investigation	Attending Company's premises to collect books and records. Liaising with Company's solicitor to collect books and records and conduct investigations into the affairs of the Company. Reviewing the Company's books and records. Review and preparation of Company nature and history. Discussions with Director to conduct investigations into the affairs of the Company. Meetings with Director, and Company's advisors. Conducting and summarising Company searches. Conducting and summarising searches on Director. Conducting and summarising Land Title searches. Preparing and analysing financial statements schedule. Investigations with respect to legal proceedings against Company.	186.6	65,328.00

		Review of books and records and investigations in respect to breaches of director's fiduciary duties. Preliminary investigations regarding voidable transactions and insolvent trading. Enquiries and investigations into Director's personal asset position. Reviewing specific transactions and liaising with Director regarding certain transactions. Preparing Section 438D report. Preparing an investigation file.		
Total			885.7	302,721.50

ANNEXURE “D(2)”

**Southern Cross Constructions (NSW) Pty Limited
(Receivers and Managers Appointed)
(Administrators Appointed)**

Administrators' Remuneration from 19 November 2012 to 28 November 2012

Task Area	General Description	Description	Est Value (\$) (Exl GST)
Creditors	Creditors Enquiries	Dealing with creditors' enquiries, including telephone attendance and correspondences.	25,000.00
	Creditors Reports	Finalising and dispatching Section 439A Report.	
	Meeting of Creditors	Preparing 439A meeting of creditors. Attending 439A meeting of creditors. Adjudicating on creditor's claims for voting purposes at 439A meeting of creditors. Reviewing proxy forms received. Compiling attendance register and other meeting documents. Preparing and lodging minutes of meetings with ASIC.	
Investigation	Conducting Investigations	Further investigations into related party loan accounts. Obtaining information / explanation from the directors and internal bookkeeper into transactions identified. Prepare correspondence to creditors in respect to transactions to ascertain claims. Compile further documentation in respect to potential voidable transactions.	10,000.00
Administration	Document Maintenance/File Review/Checklist	Attending to general administration matters.	2,278.50
	ATO and Other Statutory Reporting	Entering receipt and payments into accounting system.	
Total			37,278.50

ANNEXURE “D(3)”

**Southern Cross Constructions (NSW) Pty Limited
(Receivers and Managers Appointed)
(Administrators Appointed)**

Liquidators' Remuneration (if applicable)

Task Area	General Description	Tasks Including	Estimated (\$) (Excl GST)
Assets	Cash at Bank	Preparing correspondence to St George and NAB to close pre-appointment accounts.	2,500.00
Creditors	Creditors Enquiries	Advising creditors of the appointment of the Liquidators. Dealing with creditors' enquiries, including telephone attendance and correspondence.	30,000.00
	Contingent Liabilities (Bonds)	Liaise with developers to determine intention to claim against bonds. Liaise with QBE, Assetinsure and St George to determine claims against bonds.	
	Secured Creditors	Liaising with secured creditors legal representatives in respect to ascertaining claims. Liaising with KordaMentha (Receivers and Managers) regarding shortfall (if any) for possible balance claim against the Company. Liaise with KordaMentha in respect to the assets and records of the Company.	
	Creditors Reports	Preparing general reports to creditors. Preparing final report to creditors.	
	Dealing with Proof of Debts	Receiving, reviewing and recording proofs. Maintaining proof of debt registry.	
	Meeting of Creditors	Preparing and lodging minutes of Section 439A meeting. Convening final meeting of members and creditors.	
Employees	GEERS	Correspondence with GEERS. Preparing notification spreadsheet. Preparing GEERS quotations. Preparing GEERS distributions.	12,500.00
	Employees Enquiry	Receive and follow up employee enquiries via telephone. Maintain employee enquiry register. Review and prepare correspondence to creditors and their representatives via email and post. Preparation of letters to employees advising of their entitlements and options available.	
Investigation	Conducting Investigation.	Liaising with the Director regarding the collection of further books and records of the Company. Reviewing the books and records of the Company. Investigating further into potential voidable transactions. Investigating issues raised by creditors. Further investigating the Company's affairs. Liaising with the Company's Director. Preparing Section 533(1) report. Commencing recovery action in respect to voidable transactions identified (if any) and claims for insolvent trading (if any).	50,000.00
Administration	Bank Account Administration	Maintaining bank account and preparing reconciliations. Closure of bank account.	5,000.00
	ASIC Form 524 and Other Forms	Preparing and lodging ASIC forms including F505, F524, F5011 etc. Corresponding with ASIC regarding statutory forms.	
	ATO and Other Statutory Reporting	Notifying statutory bodies of appointment of Liquidators. Preparing and lodging BAS.	

	Books and Records/Storage	Attending to records in storage. Forwarding job files to storage.	
Total			\$100,000.00

The above table does not take into account any potential time that may be incurred in the event the Liquidators become involved in legal proceedings or recovery of unknown assets or other unforeseen conduct. Should any additional time be required to be incurred in this regard additional approval will be sought from creditors.

In addition, the above fee resolution does not include any work conducted by the Liquidator in providing assistance in respect to entitlements paid out under GEERS. In the event that funds are advanced under GEERS, the Liquidator may seek a fee to be paid by the Department of Education, Employment and Workplace Relations by facilitating payments to employees under GEERS. This fee is in addition to any fees approved by creditors or Committee of Inspection, in accordance with Section 499(3) of the Act.

ANNEXURE “E”

**Southern Cross Constructions (NSW) Pty Limited
(Receivers and Managers Appointed)
(Administrators Appointed)**

**GUIDE TO HOURLY RATES
(GST EXCLUSIVE)**

Classification	Guide to Level of Insolvency Experience	Hourly Rate (\$)
Appointee/Partner	Registered liquidator/trustee, responsible for all aspects of administration. Non appointee bringing significant experience to the assignment.	525.00
Associate Director	Minimum of ten years insolvency experience, at least five years at manager level and capable of controlling all aspects of an administration. May be appropriately qualified to take appointments in his/her own right.	450.00
Senior Manager	More than seven years insolvency experience, more than three years as a manager. Answerable to the appointee but otherwise responsible for all aspects of administration. Experienced at all levels and considered very competent. Controls staff and their training.	400.00
Manager	Six to seven years insolvency experience, with well-developed technical and commercial skills. Should be constantly alert to opportunities to meet clients' needs and to improve the clients' future operation either by revenue enhancement or by reducing costs and improving efficiency.	375.00
Supervisor	Four to six years insolvency Experience. Will have conduct of minor administrations and experience in control of one to three staff. Assists planning and control of medium to larger jobs.	325.00
Senior 1	Two to four years insolvency experience. Assists planning and control of small to medium sized jobs as well as performing some of the more difficult work on larger jobs.	275.00
Senior 2	One to two years insolvency experience. Required to control fieldwork on small jobs and is responsible for assisting complete fieldwork on medium to large jobs.	250.00
Intermediate 1	0 to two years insolvency experience. Graduate with little or no professional experience. Required to assist in day to day fieldwork under supervision of more senior staff.	190.00
Intermediate 2	0 to two years insolvency experience. Required to assist in day to day fieldwork under supervision of more senior staff.	160.00
Accountant	0 to one year insolvency experience. Trainee undertaking a degree with an accountancy major. Required to assist in day to day fieldwork under supervision of more senior staff.	135.00
Senior Secretary	Appropriate skills	160.00
Secretary	Appropriate skills.	120.00

Notes:

1. The Guide to level of Insolvency Experience is intended only to be a guide as to the qualifications and experience of the staff engaged. It should be noted that in some instances staff may be engaged under an appropriate classification principally due to their experience.
2. Time spent on matters is recorded and charged in six (6) minute intervals.
3. This Guide to Hourly Rates is effective as at 1 March 2011.

**DISBURSEMENT COST
(GST EXCLUSIVE)**

Type of Disbursement	Cost Calculation
Advertising	At actual cost
ASIC Filing Fees	At actual cost
Courier Fees	At actual cost
File Establishment File	\$12.50 per file
Mail outs	At actual cost
Storage Costs	
• Upfront + 5 years storage	\$54.55 per box
• Retrieval	\$6.14 each way (into office, back to storage)
Searches	At actual cost
Printing & Stationery	At actual cost
Travel	
• Airfares	At actual cost
• Accommodation	At actual cost
• Meals	At actual cost
• Cents per Kilometre	1600cc – \$0.58 1601–2600cc – \$0.69 2601cc - \$0.70
Postage	At actual cost
Sundry	
• Legal fees	At actual cost
• Insurance Premiums	At actual cost
• Telephone Calls	At actual cost

Notes:

ANNEXURE “F”

Southern Cross Constructions (NSW) Pty Limited (Receivers and Managers Appointed) (Administrators Appointed)

**Southern Cross Constructions (NSW) Pty Limited
(Receivers and Managers Appointed)(Administrators Appointed)
ABN: 78 083 223 107**

**Statement of Receipts and Payments for the Period
24 October 2012 to 18 November 2012**

RECEIPTS	AMOUNT (\$)
Accounts Receivable (Pre-Appointment)	53,917.66
Cash at Bank (Pre-Appointment)	238,266.44
Interest Income	1,642.61
Reimbursements for Overheads & Salaries	83,099.13
Rental Income	48,674.65
Total Receipts	425,600.49
PAYMENTS	AMOUNT (\$)
Bank Charges	(90.60)
Liability to Receivers & Managers for Rental Income Received	(23,267.63)
Meeting Room Hire	(2,261.00)
PAYG Withheld	2,365.00
Reimbursement for Telephone & Fax	10,000.00
Superannuation Withheld	998.09
Superannuation Paid	(998.09)
Telephone & Fax	(10,000.00)
Wages	(11,090.03)
Total Payments	(34,344.26)
Balance as at 18 November 2012	\$ 391,256.23

ANNEXURE “G”

Southern Cross Constructions (NSW) Pty Limited (Receivers and Managers Appointed) (Administrators Appointed)

Additional Information for Meeting of Creditors

Manner of Voting

Voting at the meeting of creditors is regulated by the Act. A resolution must be decided on the voices unless a poll is demanded. A poll may be demanded before or on the declaration of the results of the voices by:

- The Chairperson; or
- Two (2) creditors present; or
- One (1) creditor present representing not less than 10% of the total voting rights of all persons entitled to vote at the meeting.

Where a poll is demanded a resolution is carried if:

- a majority of the creditors voting vote in favour of the resolution; and
- the value of the debts owed by the corporation to those voting in favour of the resolution is more than half of the total debts owed to all the creditors voting.

Where no result is reached, the Chairperson may exercise a casting vote in favour or against the resolution or elect not to exercise the casting vote.

Form 532 – Appointment of Proxy

Kindly read below to ensure that you are entitled to cast your vote at the meeting of creditors.

- A Form 532 – Appointment of Proxy (“Proxy”) is enclosed for your attention. A creditor may use this form to appoint a natural person over the age of eighteen (18) as his or her proxy to attend and vote at the meeting.
- **A new Proxy form is required for each meeting of creditors.** This means, that even if you lodged a Proxy with the Administrators / Chairperson at a previous meeting of creditors, a new Proxy will be required for this meeting if you wish to cast your vote. The only exception is where a meeting is adjourned, in which case, it is the same meeting being held on a different date, however, a fresh Proxy can be lodged if required.
- To assist you with determining whether you will be required to complete the Proxy for the meeting, kindly refer below:

When appointing a person as your Proxy, you may choose:

- General Proxy – which gives the proxy the discretion as to how he or she votes on behalf; or
 - Special Proxy – which specifies the manner in which the proxy is to vote on a particular resolution and the proxy is only entitled to vote on the resolution as specified on the form.
- For creditors that are companies, kindly note that the Proxy does not need to have the company seal affixed however, the Proxy must be signed by (pursuant to Section 127 of the Act):
 - Two (2) directors of the company; or
 - A director and a company secretary of the company; or
 - For a proprietary company that has a sole director who is also the sole company secretary – that director. In this event, the director must write next to his/her signature the words “I am the sole director and sole secretary of the company”.

Form 535 – Formal Proof of Debt or Claim

Kindly read below to ensure that you are entitled to cast your vote at the upcoming meeting of creditors.

- A Form 535 – Formal Proof of Debt or Claim (“Proof of Debt”) is enclosed for your attention. Kindly note that a person is not entitled to vote at the meeting unless a Proof of Debt is lodged with the Administrators or the Chairperson. Such Proof of Debt should attach documentation in support of the claim (“Supporting Documentation”).
- **A Proof of Debt is not specific to a meeting of creditors.** Therefore, if you have lodged a Proof of Debt previously in this administration, no further Proof of Debt is required for this meeting, unless you wish to amend your claim.
- Supporting Documentation.
 - (i) Kindly attach invoices, statements and other documentation to substantiate your claim.
 - (ii) If you have a claim for outstanding employee entitlements, kindly attach details of how your entitlements have been calculated.

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

**SOUTHERN CROSS CONSTRUCTIONS (NSW) PTY LIMITED
(RECEIVERS & MANAGERS APPOINTED) (ADMINISTRATORS APPOINTED)
ABN: 78 083 223 107
(the "Company")**

This document requires the Insolvency Practitioners appointed to an insolvent entity to make declarations as to:

- A. their independence generally;
- B. relationships, including
 - i) the circumstances of the appointment;
 - ii) any relationships with the Company and others within the previous twenty-four (24) months;
 - iii) any prior professional services for the Company within the previous twenty-four (24) months;
 - iv) that there are no other relationships to declare; and
- C. any indemnities given, or up-front payments made, to the Practitioner.

This declaration is made in respect of ourselves, our partners, and the firm Cor Cordis Chartered Accountants ("Cor Cordis").

A. INDEPENDENCE

We, Ozem Kassem, Jason Tang and Bruno A Secatore, of Cor Cordis have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as Joint & Several Administrators of 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.

B. DECLARATION OF RELATIONSHIPS

i. Circumstances of Appointment

On 11 October 2012, Ozem Kassem and Mark Hutchins of Cor Cordis were engaged by the Company to act as Investigating Accountants to provide the following advice to the Company and twelve (12) other related entities (entities not disclosed due to commercially sensitive reasons)

- their financial situation and solvency;
- clarifying and explaining the nature and consequences of insolvency;
- alternative courses of action in the case of insolvency;
- obtaining sufficient information for us to accept the appointment as Voluntary Administrators and enabling us to provide a Consent to Act, including:
 - Review of trading position, cash-flows and forecasts of the principal trading entities with particular regard to potential exposures/risks faced by an external administrator;

- Review (including seeking independent confirmation) of the asset position of each entity, including real property holdings and the status/terms of construction contracts;
- Review of key contracts/agreements entered into by each entity and the effect on same in respect to the appointment of an external administrator;
- Review of the corporate structure of the group, transactions, flow of funds, loan accounts and financial dependence between the entities, with particular regard to the impact of the appointment of an external administrator to each entity in the group;
- Review of security interest/bond/guarantee undertakings provided to secured creditors and assessment of potential consequences from the appointment of an external administrator; and
- Review of the accuracy of the group's management accounts and the manner in which transactions have been accounted/reported, in particular related entity transactions.

The Investigating Accountants appointment was referred to Cor Cordis by the Company's solicitors, Yates Beaggi Lawyers, who occasionally refers financially distressed parties to Cor Cordis to seek consent for formal appointments.

Prior to the appointment of Administrators, the amount of \$100,000 was paid by the Company (via Yates Beaggi Lawyers) into this firm's trust account in advance of any work being carried out for the purposes of the Investigating Accountant's engagement and was applied to associated fees, disbursements and expenses as follows:

	Amount (\$) (Excl. GST)
Accountant's Remuneration	81,644.69
Accountant's Disbursements	1,676.90
Legal Fees - External	7,587.50
Net	90,909.09
Plus GST (10%)	9,090.91
Total Fees & Disbursements	100,000.00

Advice was provided verbally to the Company in meetings with the Company's board of directors and the Company's legal advisers, Yates Beaggi Lawyers. In this regard, the reference to "Board of Directors" in the original declaration dated 26 October 2012 was meant to be a reference to the Company (reporting via the Board) and should not be taken to be nor was it an appointment by the directors personally. We did not prepare a written report for the Company.

This above advice does not affect our independence for the following reasons:

- It enabled us to develop a fuller understanding of the Company's business, property and affairs. This enabled us in turn to determine whether we might be able to accept an appointment as Administrators of the Company, and in doing so, how we might, upon appointment, be able to carry out our role as Administrators as set out in Section 437A of the Corporations Act
- Much of the investigatory work done during our pre-appointment engagement was work that would have been done by us as Administrators in order to be able to report to creditors under Section 439A of the Corporations Act. As such, this information has been included in the Report to Creditors and has thereby reduced the ultimate cost of the Administration of the Company.
- The Courts and the Insolvency Practitioners Association of Australia's ("IPA") Code of Professional Practice (**Code**) specifically recognise the need for practitioners to provide advice on the insolvency process and the options available, and do not consider that such advice results in a conflict or is an impediment to accepting the appointment;

- The nature of the advice provided to the Company was for purposes set out above which are acknowledged under the Code as being appropriate for pre-appointment advice and excluded any advice to the Company's directors in their personal capacity;
- The pre-appointment advice will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the external administration of the Company in an objective and impartial matter;
- The majority of the work conducted in the Investigating Accountants engagement involved an investigating, assessment and review function, with the advice provided only limited to the solvency of the Company and our eventual appointment as Administrators;
- No advice was provided to the Company or its directors in respect to specific transactions entered into by the Company prior to our appointment as Administrators; and
- The Company was expressly advised that:
 - No advice would be provided to the directors in respect to their respective personal financial circumstances or personal insolvency, nor the consequences for the directors in relation to insolvency.
 - No assurance would be given in respect to the outcome or results of insolvency.
 - Any information provided may be used for the purpose of a formal insolvency appointment.
 - The Company, related entities and their respective directors may be subject to demands and claims from Cor Cordis as a result of any subsequent formal insolvency appointment.

ii. Relevant Relationships

Neither we, nor our firm, have, or have had within the preceding twenty-four (24) months, any relationships with the Company, an associate of the Company, a former insolvency practitioner appointed to the Company or any person or entity that has a Security Interest on the whole or substantially whole of the Company's property, aside from the following:

Name	Nature of relationship	Reasons why no Conflict of Interest or Duty
Westpac Banking Corporation Limited (incorporating St George Bank Limited) ("Westpac")	Cor Cordis occasionally undertakes receivership and investigatory accountant roles for Westpac. Westpac holds a Security Interest over substantially all of the Company's assets.	Cor Cordis has never undertaken any work for Westpac in respect of the Company. The work that Cor Cordis undertakes for Westpac will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with this external administration of the Company in an objective and impartial manner.

In addition, we advise that Bruno Secatore, Richard Mansell and Ozem Kassem of Cor Cordis are currently on the Official Liquidators Panel of the Australian Taxation Office ("ATO"). Accordingly, from time to time they may be nominated as Official Liquidators to a Court in winding-up proceedings on an application by the ATO. The ATO is a creditor in this external administration. The above-disclosed relationship with the ATO will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the external administration of the Company in an objective and impartial manner.

iii. **Prior Engagements Professional Services with the Insolvent**

We, or a member of our firm, have provided the following professional services to the Company in the twenty-four (24) months prior to the acceptance of this appointment:

Nature of Professional Service	Reasons why there is no conflict of interest or duty
<p>On 11 October 2012, Ozem Kassem and Mark Hutchins of Cor Cordis were engaged by the Company to provide advice in respect to the Company (and related entities) in relation to:</p> <ul style="list-style-type: none"> • their financial situation and solvency; • clarifying and explaining the nature and consequences of insolvency; • obtaining sufficient information for us to agree to accept the appointment as Voluntary Administrators; • alternative courses of action in the case of insolvency. <p>The appointment concluded on 24 October 2012 prior to Ozem Kassem, Bruno Secatore and Jason Tang of Cor Cordis being appointed Joint & Several Voluntary Administrators of the Company.</p> <p>Cor Cordis has been directly remunerated for the fees and disbursements for the above advice in the amount of \$83,321.59 (plus GST).</p>	<p>The work undertaken during the Investigating Accountants engagement has assisted us in developing an understanding of the Company and its activities. The majority of the work conducted involved an investigating, assessment and review function, with the advice provided only limited to the solvency of the Company.</p> <p>Much of the investigatory work done during the Investigating Accountants engagement is work that would have been done by the Voluntary Administrators in order to be able to report to creditors under Section 439A of the Act. As such, this information has been made available to creditors by way of the Administrators' Report to Creditors pursuant to Section 439A of the Act and has thereby reduced the ultimate cost of the Administration of the Company.</p> <p>The nature of the advice provided to the Company is such that it was for purposes appropriate for pre-appointment advice.</p> <p>From the outset of the Investigating Accountants engagement, the Company was advised in writing that:</p> <ul style="list-style-type: none"> • No advice was to be provided in respect to the directors' personal financial circumstance or personal insolvency, nor the consequences for the directors in relation to the insolvency of the Company or its related entities. • No assurance would be given in respect to the outcome or results of the insolvency of the Company or its related entities. • Any information provided to Cor Cordis may be used for the purpose of a formal insolvency appointment to the Company and/or its related entities. • The Company, their related entities and their respective directors may be subject to demands and claims from Cor Cordis as a result of any subsequent formal insolvency appointment. <p>The Investigating Accountants engagement will not influence our ability to fully comply with the statutory and fiduciary obligations associated with the Voluntary Administration of the Company in an objective and impartial manner.</p>


iv. No Other Relevant Relationships to Disclose

There are no other known relevant relationships, including personal, business and professional relationships, from the previous twenty-four (24) months with the Company, an associate of the Company, a former insolvency practitioner appointed to the Company or any person or entity that has a charge on the whole or substantially whole of the Company's property that should be disclosed.

C. INDEMNITIES AND UP-FRONT PAYMENTS

We have not been indemnified in relation to this administration, other than any indemnities that we may be entitled to under statute, and we have not received any up-front payments in respect of our remuneration or disbursements.

Dated: 20 November 2012



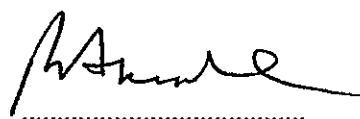
.....

Ozem Kassem
Administrator



.....

Jason Tang
Administrator



.....

Bruno A Secatore
Administrator

NOTE:

- 1. If circumstances change, or new information is identified, we are required under the Corporations Act and the IPA Code of Professional Practice to update this Declaration and provide a copy to creditors with our next communication as well as table a copy of any replacement declaration at the next meeting of the Company's creditors.*
 - 2. Any relationships, indemnities or up-front payments disclosed in this Declaration must not be such that the Practitioner is no longer independent. The purpose of components B and C of this Declaration is to disclose relationships that, while they do not result in the Practitioner having a conflict of interest or duty, ensure that creditors are aware of those relationships and understand why the Practitioner nevertheless remains independent.*
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ASIC

Australian Securities & Investments Commission

Insolvency information for directors, employees, creditors and shareholders

ASIC has 11 insolvency information sheets to assist you if you're affected by a company's insolvency and have little or no knowledge of what's involved.

These plain language information sheets give directors, employees, creditors and shareholders a basic understanding of the three most common company insolvency procedures—liquidation, voluntary administration and receivership. There is an information sheet on the independence of external administrators and one that explains the process for approving the fees of external administrators. A glossary of commonly used insolvency terms is also provided.

The Insolvency Practitioners Association (IPA), the leading professional organisation in Australia for insolvency practitioners, endorses these publications and encourages its members to make their availability known to affected people.

List of information sheets

- INFO 41 *Insolvency: a glossary of terms*
- INFO 74 *Voluntary administration: a guide for creditors*
- INFO 75 *Voluntary administration: a guide for employees*
- INFO 45 *Liquidation: a guide for creditors*
- INFO 46 *Liquidation: a guide for employees*
- INFO 54 *Receivership: a guide for creditors*
- INFO 55 *Receivership: a guide for employees*
- INFO 43 *Insolvency: a guide for shareholders*
- INFO 42 *Insolvency: a guide for directors*
- INFO 84 *Independence of external administrators: a guide for creditors*
- INFO 85 *Approving fees: a guide for creditors*

Getting copies of the information sheets

To get copies of the information sheets, visit ASIC's website at www.asic.gov.au/insolvencyinfosheets. The information sheets are also available from the IPA website at www.ipaa.com.au. The IPA website also contains the IPA's Code of Professional Practice for Insolvency Professionals, which applies to IPA members.

Important note: The information sheets contain 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. These documents may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances. You will need a qualified professional adviser to take into account your particular circumstances and to tell you how the law applies to you.

**FORM 532 – REGULATION 5.6.29
APPOINTMENT OF PROXY
CORPORATIONS ACT 2001**

**SOUTHERN CROSS CONSTRUCTIONS (NSW) PTY LIMITED
(RECEIVERS & MANAGERS APPOINTED) (ADMINISTRATORS APPOINTED)
ABN: 78 083 223 107 (the “Company”)**

A. Creditor Name and Contact Details

Name:

Company Name: Telephone No:

Address:

.....

B. Appointment of Proxy

I/We, a Creditor of the Company hereby appoint _____ or in his/her absence _____ or failing that, the Chairperson, as my/our proxy to vote at the meeting of creditors of the Company to be held in the above matter on Wednesday, 28 November 2012, commencing at 11:00 AM or at any adjournment thereof.

C. Voting By Proxy (please tick)

This proxy is to be used as a general proxy to vote on all matters arising at the meeting,

OR

This proxy is to be used as a special proxy to vote on the following matters as specifically indicated below.

	Resolution	For	Against	Abstain
(1)	To approve the remuneration of the Joint and Several Administrators for the period 24 October 2012 to 28 November 2012, to a maximum limit of \$340,000.00 (plus GST), with such amount to be calculated on a time cost basis using the hourly rates adopted by the firm of Cor Cordis Chartered Accountants as detailed in the Report to Creditors dated 20 November 2012.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(2)	(a) The Company be wound up; OR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(b) The administration ends; OR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(c) The meeting be adjourned pursuant to Section 439B(2) of the Corporations Act 2001.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
In the event that the Company is wound up				
(3)	(a) To appoint Messrs Ozem Kassem, Jason Tang and Bruno A Secatore as Joint and Several Liquidators of the Company in the event that a Consent to Act is received from an alternate insolvency practitioner.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(b) To approve the remuneration of the Joint and Several Liquidators for the period 28 November 2012 to the conclusion of the winding up to the amount of \$100,000.00 (plus GST), with such amount to be calculated on a time cost basis using the hourly rates adopted by the firm Cor Cordis Chartered Accountants as detailed in the Report to Creditors dated 20 November 2012, which may be varied from time to time with such annual increases (if any) be no greater than ten percent (10%), beyond which further approval may be sought from creditors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(c) To approve that a Committee of Inspection be appointed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(d) To authorise the Joint and Several Liquidators to destroy, at their discretion, the books and records of the Company within a period of six (6) months after dissolution of the Company, subject to obtaining prior approval from the Australian Securities & Investments Commission.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Note: One of the Administrators will act as Chairperson. If the Administrator is appointed Proxy or if the Chairperson is appointed Proxy, then the proxy vote cannot be exercised in favour of a resolution pertaining to the Administrators' remuneration unless it is marked as a special proxy.

D. Execution (in accordance with Sections 127 or 250D of the Corporations Act 2001)

Signature of individual or person authorised by corporate resolution to represent corporation

Print Name: _____

Dated this _____ day of _____ 2012

The common Seal was affixed hereto in the presence of:

Director

Director/Company Secretary

Certificate of Witness

(This certificate is to be completed only where the person giving the proxy is blind or incapable of writing. The signature is not to be attested to by the person nominated as proxy.)

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/her before he/she attached his/her signature or mark to the instrument.

Signature of witness: _____ Dated: _____

Place of Residence: _____

Kindly read below to ensure that you are entitled to cast your vote at the meeting of creditors.

- A creditor may use this form to appoint a natural person over the age of eighteen (18) as his or her proxy to attend and vote at the meeting.
- **A new Proxy form is required for each meeting of creditors.** This means, that even if you lodged a Proxy with the Joint Administrators / Chairperson at a previous meeting, a new Proxy will be required for this meeting if you wish to cast your vote. The only exception is where a meeting is adjourned, in which case it is the same meeting being held on a different date.
- To assist you with determining whether you will be required to complete this form for the meeting, kindly refer below:
- When appointing a person as your proxy, you may choose:
 - (i) General Proxy – which gives the proxy discretion as to how he or she votes; or
 - (ii) Special Proxy – which specifies the manner in which the proxy is to vote on a particular resolution, and the proxy is not entitled to vote on the resolution except as specified on the form.
- For creditors that are a company, kindly note that the Proxy does not need to have the company seal affixed however, the Proxy must be signed by (pursuant to Section 127 of the Act):
 - (i) Two (2) directors of the company; or
 - (ii) A director and a company secretary of the company; or
 - (iii) For a proprietary company that has a sole director who is also the sole company secretary – that director. In this event, the director must write next to their signature the words “I am the sole director and sole company secretary of the company”.

FORM 535

Subregulation 5.6.49(2)

Corporations Act (2001)

**FORMAL PROOF OF DEBT OR CLAIM
(GENERAL FORM)**

To the Administrators of **Southern Cross Constructions (NSW) Pty Limited
(Receivers & Managers Appointed) (Administrators Appointed)**

1. This is to state that the company was on **24 October 2012**, and still is, justly and truly indebted to:

_____ of _____
(full name and address of the creditor and, if applicable, the creditor's partners. If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor) for
 \$ _____ and _____ cents.

Date	Consideration (state how the Debt arose)	Amount \$ c	Remarks (include details of voucher substantiating payment)

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any satisfaction or security for the sum or any part of it except for the following: *(insert particulars of all securities held. If the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, show them in a schedule in the following form).*

Date	Drawer	Acceptor	Amount \$c	Due Date

*3. I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

*3. I am the creditor's agent authorised in writing to make this statement in writing. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

Signature: _____ Dated: _____

Occupation: _____

Telephone: _____ Email: _____

Address: _____

*Do not complete if this proof is made by the creditor personally.