



CJL PARTNERS

13 April 2006
TB/KW/ROAR100/VA10 – M1

ABN 94 858 342 031

Level 3
180 Flinders Lane
Melbourne Victoria 3000
Australia

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mail@cjlpartners.com.au
www.cjlpartners.com.au

TO THE CREDITOR AS ADDRESSED:

Dear Sir/Madam

ROARING FORTIES PTY LTD
(Administrators Appointed)
A.C.N. 095 686 212

As advised in my Notice to Creditors dated 21 March 2006, Peter Gountzos and I were appointed Joint and Several Administrators of the above company on 21 March 2006 pursuant to a resolution of the company's director in accordance with Section 436A(1) of the Corporations Act 2001 ("the Act").

On 28 March 2006, the first meeting of creditors confirmed our appointment as Joint and Several Administrators and a committee of creditors was formed.

The second meeting of creditors has now been convened for Monday, 24 April 2006 at 11.00am at the offices of CJL Partners, Level 3, 180 Flinders Lane, Melbourne, 3000 to consider the proposed resolutions to be put under the provisions of Section 439C of the Act.

The following documents are enclosed.

1. Notice of Meeting pursuant to Section 439A(3)(a) of the Act.
2. Appointment of Proxy Form.

This form will enable you to appoint another person to act on your behalf at the meeting. **It is important to note that a corporate creditor can only be represented by proxy or by a representative appointed, and any proxy lodged on behalf of a corporate creditor must be executed either under Common Seal, using a Power of Attorney or in accordance with the company's constitution.**

3. Proof of Debt for Voting Purposes.

Please ensure that you complete this form if you wish to participate in the meeting, as a person is not entitled to vote as a creditor at the meeting unless particulars of the debt or claim are provided to the Administrators before the meeting. However, this proof of debt form is for voting purposes only.

4. The agenda for the meeting.

5. A statement by me, as Joint and Several Administrator of the company, as to whether it is in creditors' interests for:

- (i) the company to execute any proposed Deed of Company Arrangement;
- (ii) the administration to end; or
- (iii) the company to be wound up.

and the reasons for such opinion.

6. Schedules outlining the CJL Partners - Guide to Hourly Rates, together with the former rates issued by the Insolvency Practitioners Association of Australia, with respect to our remuneration which creditors will be invited to approve and fix at the meeting.

7. A general summary of the tasks undertaken by our office during our appointment as Joint and Several Voluntary Administrators of the company from the beginning of our involvement to the above noted meeting of creditors.

Please note the Proof of Debt and Proxy Forms should be lodged with this office prior to the meeting. These forms may be lodged via **facsimile on (03) 9639 4773** however in accordance with Regulation 5.6.36A of the Act, the original signed copy of the Proxy Form must be lodged with my office within seventy two (72) hours of the lodging of the faxed copy. **All Proof of Debt and Proxy forms are to be returned to this office by 9.00am on Monday, 24 April 2006.**

Should you have any queries regarding this matter, please contact Mr Tim Brace or Mr Marcus Paciocco of this office.

Yours faithfully



RICHARD J CAUCHI
Joint and Several Administrator

Enclosures

FORM 529

Regulation 5.6.12(6)

Corporations Act 2001

A.C.N. 095 686 212

NOTICE OF MEETING UNDER SECTION 439A

ROARING FORTIES PTY LTD
(Administrators Appointed)

Notice is given that a meeting of the creditors of the company will be held at the offices of CJL Partners, Level 3, 180 Flinders Lane, Melbourne 3000 on Monday, 24 April 2006 at 11.00am.

AGENDA:

1. A resolution by creditors under the provisions of Section 439C:
 - that the company execute a Deed of Company Arrangement; or
 - that the administration should end; or
 - that the company be wound up.
2. Such other matters as may be dealt with by the meeting including:
 - the appointment of a committee of inspection;
 - remuneration of the Joint and Several Administrators of the company;
 - remuneration of the Joint and Several Administrators of the deed, or Joint and Several Liquidators, as applicable;
 - the compromise of debts by the Joint and Several Liquidators (if applicable) if the amount claimed by the company is greater than \$20,000; and
 - that the Joint and Several Liquidators (if applicable) be authorised to destroy all the books and records of the company within the period of two (2) years after the holding of the final meeting or upon dissolution of the company, whichever occurs first.

DATED: 13 April 2006



RICHARD J CAUCHI
Joint and Several Administrator

NOTE: A form of proxy is attached to enable you to appoint another person to act on your behalf at the meeting. **A corporate creditor can only be represented by proxy or by a representative appointed, and any proxy lodged on behalf of a corporate creditor must be executed either under Common Seal, using a Power of Attorney or in accordance with the company's constitution.**

A person is not entitled to vote as a creditor at the meeting unless particulars of the debt or claim are provided to the Administrator before the meeting. **A proof of debt form for VOTING PURPOSES ONLY is attached for completion.**

FORM 532

Regulation 5.6.29

Corporations Act 2001

A.C.N. 095 686 212

APPOINTMENT OF PROXY

*I/*We(1).....

of (address)

a creditor of **ROARING FORTIES PTY LTD (Administrators Appointed)**

appoint (2)

or in his absence

as *my/*our*general/*special proxy to vote at the meeting of creditors to be held on Monday, 24 April 2006 at 11.00am or at any adjournment of that meeting.

If special proxy please select one of the following:

- | | YES | NO |
|--|--------------------------|--------------------------|
| 1. To vote on all matters arising from the meeting | <input type="checkbox"/> | <input type="checkbox"/> |
| AND / OR ALTERNATIVELY | | |
| | FOR | AGAINST |
| 2. To vote specifically in the following manner: | | ABSTAIN |
| a) That the company execute a Deed of Company Arrangement (if applicable); | <input type="checkbox"/> | <input type="checkbox"/> |
| b) That the Voluntary Administration should end; | <input type="checkbox"/> | <input type="checkbox"/> |
| c) That the company be wound up; | <input type="checkbox"/> | <input type="checkbox"/> |
| d) That the Joint and Several Administrators' and Joint and Several Deed Administrators' / Joint and Several Liquidators' remuneration (whichever is applicable) be approved and fixed in accordance with the amounts specified in our Section 439A Report to Creditors dated 13 April 2006. | <input type="checkbox"/> | <input type="checkbox"/> |

Signature(3).....

THE COMMON SEAL of)
(name of company))
was hereunto affixed in accordance with)
its Articles of Association.)

Director

Director/Secretary

* *Strike out if inapplicable*

- (1) *If a firm, strike out "I" and set out the full name of the firm. If a company, the proxy must be completed under the company seal or by an attorney of the company or pursuant to the provisions of the company's constitution.*
- (2) *Insert the name, address and description of the person appointed.*
- (3) *The signature of the creditor is not to be attested by the person nominated as proxy.*

CERTIFICATE OF WITNESS

(This certificate is to be completed only if the person giving the proxy is blind or incapable of writing. The signature of the creditor, contributory, debenture holder or member must not be witnessed by the person nominated as proxy)

I, (name)

of (address)

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 or her before he or she signed or marked the instrument.

DATED this day of 2006

Signature of Witness

Description.....

Place of residence

When completed please return by **9.00 A.M. ON MONDAY, 24 APRIL 2006 TO:**

CJL PARTNERS

Level 3

180 Flinders Lane
MELBOURNE VIC 3000

Telephone: 9639 4779
Facsimile: 9639 4773

CORPORATIONS ACT 2001

ROARING FORTIES PTY LTD

(Administrators Appointed)

A.C.N. 095 686 212

**PROOF OF DEBT FOR PURPOSE OF VOTING AT
MEETING OF CREDITORS**

Name of Creditor

Amount of Debt Claimed (See note 1)

Nature of Debt

.....

Whether Debt secured or unsecured

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

.....

.....

Signature of Creditor

.....

OR

THE COMMON SEAL of)
(NAME OF COMPANY))

was hereunto affixed in accordance)
with its Articles of Association.)

Director

Director/Secretary

Note 1: A creditor may not vote on any unliquidated or contingent debt or claim, or a debt, the value of which is not established, unless a just estimate of its value has been made.

Note 2: A secured creditor shall be entitled to vote in respect of the total liability.

Note 3: This Proof should be signed by the creditor or a person in the employ of the Creditor duly authorised by that creditor to sign. **If a creditor is a company, it should be signed by a person authorised under the Seal of the company or by an attorney of the company or pursuant to the provisions of the company's Constitution to execute a Proof of Debt on its behalf. The Chairman of the meeting may admit or reject a Proof of Debt for the purpose of voting at the meeting.**

When completed please return by **9.00AM ON MONDAY, 24 APRIL 2006** to:

CJL PARTNERS

Level 3

180 Flinders Lane

MELBOURNE VIC 3000

Telephone: 9639 4779

Facsimile: 9639 4773

AGENDA

ROARING FORTIES PTY LTD

(Administrators Appointed)

A.C.N. 095 686 212

MEETING OF CREDITORS

PURSUANT TO SECTION 439A OF THE CORPORATIONS ACT 2001

Monday, 24 April 2006 at 11.00am
At the offices of CJL Partners
Level 3, 180 Flinders Lane, Melbourne 3000

1. Opening of the meeting and introduction of the Joint and Several Administrators and officers of the company;
2. Tabling of the proxies and attorneys;
3. Tabling of the company's report as to affairs; report by the Joint and Several Administrators about the company's affairs; and statement by the Joint and Several Administrators setting out their opinion about the company's future and the creditors' interests;
4. Statements by the Joint and Several Administrators, officers of the company and by creditors and their representatives;
5. Questions;
6. Joint and Several Administrator's summary of matters raised in statements and questions;
7. Proposal of resolution under Section 439C;
8. Consideration of appointment of a Committee of Inspection and, if required, election of the committee members;
9. Proposal of resolution to approve and fix the remuneration of the Joint and Several Administrators of the company;
10. Proposal of resolution to approve and fix the remuneration of the Joint and Several Administrators of the deed, or the Joint and Several Liquidators, as applicable;
11. Proposal of resolution that the Joint and Several Liquidators (if applicable) be able to compromise debts due to the company if the amount claimed is greater than \$20,000.
12. Proposal of resolution that the Joint and Several Liquidators (if applicable) be authorised to destroy all the books and records of the company within the period of two (2) years after the holding of the final meeting or upon dissolution of the company, whichever occurs first.
13. Any other matters.
14. Closure of meeting.

SECTION 439A

REPORT TO CREDITORS OF

**ROARING FORTIES PTY LTD
(Administrators Appointed)
A.C.N. 095 686 212**

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1. SUMMARY

1.1 Appointment

Peter Gountzos and I were appointed Joint and Several Administrators of Roaring Forties Pty Ltd ("Roaring") on 21 March 2006. This followed on from a resolution of the company's director in accordance with Section 436A(1) of the Corporations Act 2001 ("the Act") that in his opinion, the company was insolvent or likely to become insolvent at some future time.

1.2 Objection of Report and Limitations

Section 435A of the Act sets out that the objective of the Voluntary Administration Scheme as:

"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 as possible 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 and members than would result from an immediate winding up of the company."*

1.3 Limitations Inherent

This report has been prepared on the basis of the information contained in the company's records, the information provided by the director, the company's external accountants and on the basis of our own investigations. Our own investigations have been restricted by the limited timeframes, as set out in the Act, within which to conduct them.

Given the nature of this report, we have not verified all the information therein, nor have we conducted an audit of the company's records and financial information to hand.

1.4 Independence

We have adopted the Statement of Best Practice on the Independence of the Appointment of an Administrator released by the Insolvency Practitioners' Association of Australia ("IPAA") effective as of 1 July 2003. Accordingly, we provide the following information to creditors:

- Both Peter Gountzos and I are partners of CJL Partners, a firm specializing in the areas of Business Reconstruction and Insolvency. We have had over forty (40) years combined experience in the administration of corporate and personal insolvencies.

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- Section 448C of the Act outlines the circumstances whereby an Administrators' connection with the company may result in the disqualification of his/her appointment. We advise that we do not believe that we were prohibited from accepting the position of Joint and Several Administrators of the company on the basis of this Section.

In addition to the above, we advise that:

- We have had no prior relationships with the director of the company nor any associated entity.
- The appointment came about as a result of a referral from the company's solicitor.
- We have not been paid any monies or been provided with any form of indemnity as an inducement to accept our appointment.

1.5 First Meeting / Committee

The first meeting of creditors of the company was held on 28 March 2006 in accordance with the provisions of Section 436E of the Act. A committee of creditors was formed at this meeting consisting of the following members:

- Elizabeth Michael of City Pacific Lawyers, representing a number of overseas creditors;
- Lindley Hughes, representing Bolwell Corporation Pty Ltd; and
- Steve Herbstreit.

1.6 Second Meeting

Pursuant to the provisions of Section 439A of the Act, as Joint and Several Administrators of the company, we are required to convene a second meeting of creditors within twenty eight (28) days of the date of our appointment and to hold such a meeting within five (5) business days after the end of the convening period.

Accordingly, the second meeting of creditors has been convened for Monday, 24 April 2006 at 11.00am at the offices of CJL Partners, Level 3, 180 Flinders Lane, Melbourne, Victoria. A formal notice of meeting and a Proof of Debt for Voting Purposes and an Appointment of Proxy form accompany this report.

1.7 Proposal for Deed of Company Arrangement

As at the date of this report, a proposal for the company to enter into a Deed of Company Arrangement ("Deed") has not been received. Should a proposal be submitted by the director of the company or any other party prior to or at the scheduled meeting of creditors, an adjournment of the meeting may be considered by creditors. Our comments with respect to same are addressed in Section 3 of this report.

1.8 Assets Available

Based on information to hand and our investigations to date, the identifiable assets of the company that appear to be presently available to meet creditor claims are as follows:

- Cash at bank
- Trade Debtors
- Deposit Refund
- Stock (Subject to Retention of Title claims)
- Plant and Equipment and Office Furniture
- Motor Vehicles
- Intellectual Property
- Claim against CAMCO

1.9 Liabilities Identified

Based on our investigations and information to hand as at the date of this report, the company's liabilities as identified are as follows:

Leases / Rental Agreements

Premises

The company is party to a monthly tenancy agreement with respect to its leased premises located at Factory 2, 7 Dalkeith Road, Dromana, Victoria. Verbal advice received from the landlord indicates that an amount of approximately \$6,000 remains outstanding under the terms of the tenancy agreement.

We advise that we have continued to occupy the company's leased premises with the view of attempting to realise the company's assets.

Priority Creditors

Based on the information to hand, we note that the company employed six (6) full time staff including its director prior to our appointment. We confirm that all employees of the company were terminated on our appointment.

Based on information obtained from the company's books and records and our review of same, it would appear that outstanding priority creditor claims (employee entitlements) total approximately \$22,841.16. A breakdown of these claims is detailed below:

	\$
Wages	1,481.62
Annual Leave	3,756.33
Estimated Notice Due	15,071.56
Superannuation	2,531.65
Total Estimated Employee Entitlements	<u>\$22,841.16</u>

We note that any amounts due to the director and/or related parties with respect to outstanding wages and superannuation are limited to the statutory limit of \$2,000 and \$1,500 for leave pursuant to the provisions of Section 556(1B) of the Act.

Unsecured Creditors

Based on a review of the company's books and records and our own investigations to date, it would appear that there are ninety four (94) domestic ordinary unsecured creditors with claims totaling in excess of \$410,902.24. In addition to the above, there are approximately twenty seven (27) international ordinary unsecured creditors totaling approximately AUD\$624,866.60. The eventual amount due to all ordinary unsecured creditors may vary pending the receipt and adjudication of formal proofs and the finalisation of Retention of Title ("ROT") claims.

1.10 Insolvent Transactions

Our preliminary investigations indicate that the company may have traded whilst insolvent from as early as 30 June 2005. Given this, there may be a potential right of action against the current director of the company for insolvent trading. This is discussed in further detail later in this report.

Further detailed investigations will be required and conducted should creditors resolve that the company be wound up and prior to a final comment being made with respect to any potential rights of action in this regard.

Other potential voidable transactions such as unfair preferences, unfair loans and uncommercial transactions are also discussed in further detail later in this report.

1.11 Recommendation

Creditors may resolve that:

1. The company enter into a Deed of Company Arrangement.

As a proposal for a Deed has not been put forward for creditor consideration, this option is not available to creditors at this time.

2. The company be placed into liquidation.

As no proposal has been received for the company to execute a Deed, it is our recommendation that the company should be placed into liquidation in order to allow for an orderly realization of its assets and for a full investigation to be undertaken into its affairs.

3. The Voluntary Administration should end, with control reverting back to the company's director.

The Voluntary Administration should not end, with control of the company reverting back to the director, as this would not provide creditors with the opportunity to deal with the company's affairs in accordance with the provisions of the Act.

As noted above, we confirm that in the absence of any proposal for the company to enter into a Deed, it is our opinion that creditors should resolve that the company be placed into liquidation.

1.12 Dividend

As a proposal has not been received for the company to enter into a Deed and due to the various uncertainties associated with the quantum of realisations expected from the company's assets, the likely recoveries from potential voidable transactions and any potential insolvent trading claim against the director of the company at this juncture, we are unable to quantify the likely dividend that would be available to meet the claims of both priority and ordinary unsecured creditor claims should the company be placed into liquidation.

2. STATUTORY INFORMATION / BACKGROUND

Australian Securities & Investments Commission ("ASIC") Searches

An extract from the ASIC database discloses that the company was incorporated in Victoria on 23 January 2001 as Roaring Forties Pty Ltd. Prior to our appointment, the company's registered office was located at Factory 2, 7 Dalkeith Drive, Dromana, Victoria.

Details of directorship and shareholding are as follows:

Director: Robert William Logan - appointed on 23 January 2001

Shareholder: Robert William Logan - 10 fully paid ordinary shares

The current secretary of the company is Robert William Logan.

Background

Roaring specialised in the production of replica Ford GT 40 motor vehicles for both local and overseas customers. It manufactured and supplied complete turn key cars, together with self build kits to complete deluxe cars with options and extras.

The company's business operated from leased premises located at Factory 2, 7 Dalkeith Drive, Dromana, Victoria and the company ceased to trade as at the date of our appointment.

We note that the company employed six (6) full time staff, including its director. All six (6) employees were terminated on our appointment.

From investigations carried out to date, we note the history of the company as follows:

- The business of Roaring was originally commenced by Mr Robert Logan in June 1997 and was operated by him as a sole trader. During the initial years of operation, Mr Robert Logan invested in the research and development of the replica GT 40 cars, including sourcing of suitable materials and assembly of components used in the production process.
- The Roaring business continued to expand, focusing on international customers and by June 1999, Mr Robert Logan had manufactured and registered his first GT40.
- In 2000, Mr Robert Logan exported Roaring's first replica GT40 to a customer located in the United States of America ("US").
- In or around July 2001, the company contracted Mr Gordon Levy of Levy Racing Inc. as the company's sales agent and distributor in the US. Mr Levy had experience in the assembly and distribution of the Ford Cobra motor vehicle.
- On 23 January 2001, Mr Robert Logan incorporated the company Roaring Forties Pty Ltd which took over the business of producing replica GT 40's. During that year the company relocated to its current premises located at Factory 2 / 7 Dalkeith Drive, Dromana, Victoria.
- During the years 2002 and 2003, the company won numerous constructors awards increasing the brand awareness of Roaring Forties replica GT 40. This lead to the company experiencing an increase in demand for its product.
- In or around June 2004, the company's director terminated Mr Levy's arrangement as a distributor for Roaring in the US on the grounds of alleged misappropriation of customer funds. In October 2004, Mr Levy instituted legal proceedings against the company claiming wrongful breach of contract.
- Mr Hershale Byrd was appointed as the company's US agent following Mr Levy's dismissal. Mr Jerry Jansing was also later appointed as an agent in the US for Roaring.
- In or around August 2004, the company's director sought alternative overseas manufacturing sites to capitalize on lower production costs. Several countries were considered as possible manufacturing sites including Czechoslovakia, China and South Africa.
- In or around January 2005, Roaring engaged Mr Rick Chattel as the company's United Kingdom ("UK") agent. During this period the company's director commenced an association with a South African company, CAMCO, as its overseas manufacturer.
- In or around February 2005, Mr Robert Senekal of CAMCO was flown from South Africa to the company's workshop in Victoria in order to view the company's operations.

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- Investigations indicate that a letter of understanding was drafted as between Roaring and CAMCO outlining the manufacturing schedule and costs for the future production of cars to be manufactured in South Africa on behalf of Roaring. Pursuant to this agreement, Roaring was to pay 50% of the cost upfront to CAMCO with the balance to be paid on shipment of the completed cars to the company's customers. It would appear that this arrangement was subsequently altered to provide for a 75% deposit with the remaining balance payable on shipment. Such arrangement was to be put in place for the first twelve (12) months of production in order to accommodate the initial set up costs of CAMCO's manufacturing operations.
 - In or around March 2005, the company's director transported a high level kit to CAMCO, together with additional intellectual property required to manufacture the vehicles, including drawings, parts lists and body moulds.
 - In or around May 2005, the company engaged a production manager, Mr Robert Sharples to oversee its Dromana facility. It would appear that this change in management was necessary given that the director's time was largely devoted to the assistance he was providing to CAMCO in setting up their operations and producing the cars under order.
 - In or around July 2005, the company's director flew to South Africa in order to examine the progress of the GT 40 cars being produced by CAMCO. The company's director was concerned that CAMCO had fallen behind on the agreed production schedule.
 - In or around August 2005, the company's director sought to contract Mr Andre Loubser to provide him with reports regarding CAMCO's production. We have been advised that Mr Loubser's appointment was terminated by the company as a consequence of concerns regarding the quality and accuracy of the reports being received.
 - We have been advised that during September 2005, CAMCO sought further investment funding in order to complete the Roaring GT40 cars under production from associates of Mr Senekal, who apparently completed a due diligence of the CAMCO operations.
 - We have been advised that from around August 2005 to September 2005, further funds were provided to CAMCO by Mr Senekal's associates to fund the operation in order to complete the scheduled cars. According to the company's director, Mr Senekal's associates were to provide management advice and to oversee the operations of CAMCO while the company's director focused on production at its Australian factory.
 - We have been advised that during the month of December 2005, two quick build cars were delivered to UK customers (chassis numbers 118 and 119). Mr Logan advised that the kits delivered were of poor quality and were incomplete. The company's director advised that further investigations into the CAMCO operations revealed it was poorly organized and had not sourced appropriate suppliers nor completed its production schedule which had contributed to the increase in production times.
 - In or around December 2005, CAMCO required an overdraft facility to fund short term cashflow shortages. The director confirmed that he and Mr Senekal's associates provided a personal guarantee for an overdraft facility for an amount of approximately 300,000 ZAR.

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- Our investigations have revealed that whilst the director spent a significant amount of time in South Africa during the year of 2005, productivity at the company's Australian factory suffered.
 - It would appear that in or around January 2006, the company's director visited CAMCO and discovered that a number of employees had not been paid. In an attempt to bolster CAMCO's operations, Roaring transferred additional funds to South Africa at this time.

In early March 2006, the director sought independent advice regarding the future of the company and the options available to him. As a consequence of this advice, he was of the opinion that the affairs of the company would be best dealt with through the Voluntary Administration process and as such, Peter Gountzos and I were appointed Joint and Several Voluntary Administrators of the company on 21 March 2006.

We advise that a Report as to Affairs ("RATA") was received from the company's director on 11 April 2006.

Reasons for Failure

The director has provided the following reasons for the company's failure:

- Lack of time and focus on the running of the company's Australian operations;
- Spending extensive time in South Africa assisting the set up of CAMCO's operations;
- Roaring funds being directed towards the research and development of the 4.6 litre replica GT 40 in order to comply with Australian standards;
- Adverse movements in the foreign exchange rate between December 2005 and January 2006;
- Failed production and delays in the manufacturing of Roaring GT 40 orders by CAMCO for the company's US and UK customers; and
- Cost of the lawsuit issued by Gordon Levy against the company.

We believe that the comments made by the director as to the reasons for the failure of the company were contributing factors.

In addition to the director's comments, we note the following:

ROARING

Based on investigations to date and our review of the company's operations, it would appear that the company's director lacked the requisite management and financial skills required to expand the company's interests into offshore markets.

On the basis of our preliminary review of the financial information / accounts maintained by the company, it would appear that they lacked the necessary depth and completeness required to monitor a growing business.

Further we note that the company appears to have been under capitalized prior to the company outsourcing its orders to CAMCO.

CAMCO (“Classic Auto Manufacturing”)

As previously noted, Roaring contracted CAMCO to manufacture its replica GT40 cars in South Africa. Based on our investigations to date and information on hand it would appear that CAMCO lacked the requisite management and production skills and was under capitalized to facilitate production at the scale required. Consequently, it would appear that funds provided by Roaring to CAMCO for the production of the US and UK customers GT 40 cars were in the first instance utilized to assist in the set up of CAMCO’s operations in South Africa.

The initial production phase required the supply of parts, intellectual property, moulds and direct funds. Such resources / funds appear to have been required in addition to the costs of manufacturing the respective cars.

It would appear that CAMCO’s operations continued to be affected by a combination of increasing manufacturing and setup costs and the fact that it was seriously under capitalized. The issue as to CAMCO’s capacity to repay amounts owing to Roaring is dealt with later in this report.

Based on preliminary investigations and our review of the company’s books and records, it would also appear that the following amounts were expended both directly and indirectly by the company with respect to CAMCO’s operations from the period November 2004 to around February / March 2006.

	Approximate \$AUD
Funds forwarded to CAMCO from Roaring	252,949
Value of parts provided to CAMCO from Roaring	103,819
General expenses incurred by Roaring with respect to CAMCO	34,187
Travel expenses incurred by Roaring to send staff to South Africa	<u>24,215</u>
Total	<u>\$415,170</u>

(Note: The quantification of the above values reflect an average exchange rate of 4.71 Rand / AUD\$1.00 as outlined by the company’s director)

Lawsuit instituted by Gordon Levy

Mr Gordon Levy from Levy Racing Inc was contracted by Roaring in or around July 2001. Roaring subsequently terminated his contract in or around June 2004 on the basis that he had allegedly misappropriated customer funds held in trust. Mr Levy proceeded to institute counter proceedings against Roaring, claiming wrongful breach of contract.

Mr Levy's initial claim against the company was as follows:

	\$
Lost sales of vehicles and service income	1,000,000
Compensation for reasonable time spent	150,000
Advertising discounts	17,900
Access to North American Market	1,000,000
TOTAL CLAIM	<u>2,167,900</u>

Roaring engaged lawyers both locally and in the US to represent the company in relation to this matter. Roaring was advised that despite its claim, the matter was best dealt with by way of a settlement, given the likely protracted term and uncertainties associated with the costs of funding an ongoing litigation. Mr Levy was offered the sum of US\$30,000 in full and final settlement of his claim, which was accepted and paid from funds that appear to have been held by Hershal Byrd. We have been advised that significant sums were incurred in respect of legal costs, both in Australia and in the US in relation to this claim. We have not been able to quantify the amounts expended in this regard as these amounts were also paid from the account of Hershal Byrd.

Books and Records

Section 286 Obligation to Keep Financial Records

Section 286 of the Act provides that:

"A company, registered scheme or disclosing entity must keep written financial records that:

- (a) Correctly record and explain its transactions and financial position and performance;*
- (b) Would enable true and fair financial statements to be prepared and audited.*

The obligation to keep financial records of transactions extends to transactions undertaken as Trustee."

We advise that we are in receipt of the company's books and records and have undertaken preliminary investigations into the company's affairs in order to allow us to report to creditors.

The director of the company has provided us with the books and records held by him, as have the company's current external accountants.

From the records we have recovered, we make the following comments:

- The internal management accounts do not appear to reflect the cash balances and individual transactions of the company's overseas bank accounts;
- Expenses incurred in respect to the CAMCO operations do not appear to be recorded in the company's internal management accounts;

- Legal expenses incurred in respect to the Levy lawsuit do not appear to have been accurately recorded in the company's internal management accounts; and
- Accounting methods in relation to the general recording of individual transactions and other financial information have been incorrectly applied.

As a consequence of the above points, we have had to spend a considerable amount of time attempting to reconcile and investigate the company's accounts.

Given the deficiencies noted above, we advise that the company may be in breach of Section 286(1) of the Act.

Should creditors resolve that the company be placed into liquidation, further investigations will be undertaken in this regard.

3. PROPOSAL FOR A DEED OF COMPANY ARRANGEMENT

As at the date of this report, a proposal for the company to enter into a Deed has not been received from the director of the company. Should a proposal be submitted prior to or at the meeting of creditors, an adjournment of the meeting may be considered by creditors to allow us sufficient time to consider any proposal submitted and provide our opinion as to whether it is in the creditors' interests for the company to enter into a Deed.

4. FINANCIAL POSITION

An extract of the company's unaudited financial accounts as prepared by its external accountants for the financial years ended 30 June 2003, 30 June 2004 and 30 June 2005 are detailed below.

As these accounts are unaudited and given the deficiencies noted above, we advise that they may not accurately reflect the company's financial position or the appropriate recording of transactions that have occurred during the relevant period. We note that the company's internal management accounts for the period 1 July 2005 to 21 March 2006 do not appear to accurately reflect the company's present financial position and as such, have not been included as they may be misleading.

Unaudited Profit & Loss Statement

	As at 30 June 2005	As at 30 June 2004	As at 30 June 2003
Income			
Sales	1,476,869	1,129,237	997,078
Cost of Sales			
Opening Stock	102,308	79,211	64,878
Purchases	507,775	428,165	338,393
Subcontracting Costs	338,355	199,336	239,284



CJL PARTNERS

Wages	321,462	292,236	214,184
Superannuation	25,430	27,061	23,126
Freight & Cartage	32,414	31,665	20,323
Research & Development	-	6,665	6,379
Tools & Workshop Supplies	19,285	13,863	12,115
Workcover	15,648	9,109	5,165
Customs Duty	7,442	3,638	1,661
	<u>1,370,119</u>	<u>1,090,949</u>	<u>925,508</u>
Closing Stock	106,040	102,308	79,211
Cost of Goods Sold	<u>1,264,079</u>	<u>988,641</u>	<u>846,297</u>
GROSS PROFIT ON TRADING	<u>212,790</u>	<u>140,596</u>	<u>150,781</u>

Income

Profit on Trading Brought Forward	212,790	140,597	150,781
Interest Received	135	80	32
Rebates & Refunds	1,500	1,794	697
Total Income	<u>214,425</u>	<u>142,471</u>	<u>151,510</u>

Expenses

Accountancy	4,085	2,250	2,495
Advertising	28,350	14,166	16,563
Bank Charges & FID etc	6,644	6,957	6,927
Capital Allowance	86	86	86
Casual Labour	-	200	-
Cleaning & Rubbish Removal	605	413	454
Consultant's Fees	16,611	7,706	9,343
Credit Card Charges (NAB & CBA)	2,486	2,157	2,446
Depreciation	10,846	7,458	7,425
Donations	883	250	220
Filing Fees	382	200	200
Heat - Light & Power	5,582	3,209	3,514
Hire - Plant and Equipment	973	1,111	-
Interest - Bank (within Aust)	1,749	2,444	3,120
Interest - ATO	6,127	2,193	3,100
Journals & Periodicals	829	322	277
Legal Expenses	69,027	14,263	-
Motor Vehicle Expenses	8,211	9,134	14,933
Management Fees	-	-	26,000
Postage & Stationery	6,684	5,630	6,673
Rates & Taxes	120	304	175



CJL PARTNERS

Rent	18,000	18,000	17,591
Repairs & Maintenance	1,186	1,710	4,572
Security	267	260	282
Staff Amenities	4,062	1,933	1,118
Subscriptions & Memberships	248	1,132	-
Telephone	11,733	6,115	7,510
Travel & Accommodation	21,920	9,807	14,913
Total Expenses	<u>227,696</u>	<u>119,410</u>	<u>149,937</u>
NET PROFIT / (LOSS)	<u>(13,271)</u>	<u>23,061</u>	<u>1,573</u>

Unaudited Balance Sheet

	As at 30 June 2005	As at 30 June 2004	As at 30 June 2003
Current Assets			
Cash on Hand	10	10	10
USA Agent Bank Account	3,885	-	-
Trade Debtors	17,560	63,669	61,063
Trading Stock on Hand	106,040	102,308	79,211
Total Current Assets	<u>127,495</u>	<u>165,987</u>	<u>140,284</u>
Non-Current Assets			
Deposit Land	500	500	-
Buildings	3,422	3,422	3,422
Provision for Depreciation	(456)	(370)	(284)
Plant and Equipment	53,120	48,546	46,296
Provision for Depreciation	(34,335)	(30,717)	(26,720)
Office Equipment	13,998	7,234	6,962
Provision for Depreciation	(6,267)	(4,835)	(3,752)
Motor Vehicles	36,000	36,000	16,000
Provision for Depreciation	(11,326)	(5,530)	(3,152)
Rent Bond	500	500	500
Total Non-Current Assets	<u>55,156</u>	<u>54,750</u>	<u>39,272</u>
TOTAL ASSETS	182,651	220,737	179,556

Current Liabilities			
National Australia Bank Ltd	30,795	47,579	114,748
Suncorp Metway	-	12,054	-
Trade Creditors	66,679	52,701	97,100
Other Creditors	4,296	7,840	3,585
Loan - R Edwards	-	10,000	(10,000)
Loans - Robert Logan	66,205	91,414	13,665
GST Control Account	2,174	1,597	(6,628)
ATO Running Balance Account	52,319	21,200	20,692
GST on Debtors	1,596	2,361	364
GST on Creditors	(6,062)	(3,927)	(8,827)
Total Current Liabilities	218,002	242,819	224,699
TOTAL LIABILITIES	218,002	242,819	224,699
NET ASSETS	(35,351)	(22,082)	(45,143)
Equity			
Share Capital	10	10	10
Retained Profits	(34,985)	(21,713)	(44,773)
TOTAL SHAREHOLDER DEFICIT	(34,975)	(21,703)	(44,763)

5. REPORT AS TO AFFAIRS

Pursuant to Section 438B(2) of the Act, a director of a company in administration is required to provide the Administrator with a Report as to Affairs ("RATA") within seven (7) days from the date of the Administrator's appointment. A RATA is a summary of the company's financial position as at the date of the appointment of an Administrator. This summary details the company's assets and liabilities on both a book value and realizable value basis.

Detailed below is a schedule of the assets and liabilities of the company based on the RATA as completed by the director of the company as at the date of our appointment. The table below provides a summary of the company's assets and liabilities on both a book value and a realizable value, as provided by the director of the company.

We however note that as we are presently seeking offers for the acquisition of the company's assets, we have refrained from disclosing the realizable value attributed by the director with respect to various assets of the company. Further details will be provided at the second meeting of creditors, scheduled for 24 April 2006.

	Book Value \$	Realisable Value \$
Assets		
Cash at Bank	£100	£100
Trade Debtors	61,000	50,000
Stock / Inventory (Subject to Retention of Title	114,000	TBA
Plant & Equipment & Office Furniture	450,000	TBA
CAMCO claim (approximate)	500,000	TBA
Total Assets	TBA	TBA
Liabilities		
Priority creditors	7,700	7,700
Ordinary Unsecured Creditors	950,000	950,000
Total Liabilities	957,700	957,700
Total Deficiency	TBA	TBA

The above summary of the company's assets and liabilities should be read in conjunction with the information as noted below.

6. ASSETS AVAILABLE

Cash at Bank

As at the date of our appointment, the company operated four (4) bank accounts as noted below.

We note that the following accounts were in debit as at the date of our appointment and have since been frozen. The amounts noted represent unsecured claims in this administration.

	\$AUD
▪ Suncorp-Metway Limited business Cheque Account	20,071.61DR
▪ National Australia Bank Limited business Cheque Account	7,968.97DR

We note that the following accounts were in credit as at the date of our appointment and have since been frozen. We have requested that these amounts be forwarded to our control.

	£
▪ Barclays International Business Current Account	6.89
▪ Barclays International Business Premium Account	139.17

Trade Debtors

As at the date of our appointment, the records of the company disclosed outstanding trade debtors / receivables totaling approximately \$25,838.36. We note that these amounts relate to progress payments due in relation to work in progress on Australian customer's chassis's together with the sale of parts to Roaring's present customer base.

Deposit Refund

Based on our preliminary investigations to date and advice received from the company's director the company arranged for the purchase of one (1) Black GT 40 from a former customer of Roaring's in June 2005 in the sum of \$118,000. The car was to be purchased and sent to CAMCO as a master car for future production works. The records of the company disclose that a deposit of \$32,182 (US \$25,000) was paid on 3 August 2005 and that future payments were to be made in accordance with a payment arrangement agreed upon by both parties. We note that no further payments were made by Roaring and that the car was returned to its former owner prior to our appointment. We have since corresponded with the owner's solicitor who has indicated that the deposit funds in the amount of \$32,182 will be returned shortly.

Stock / Inventory

A stock take conducted at the company's premises indicates that stock/inventory on hand as at the date of our appointment was in the vicinity of \$90,000 (at cost). We have requested creditors who may hold valid retention of title or consignment rights to contact our office in order to clarify and substantiate any claims in this regard.

Pending the finalization of our review of the Retention of Title claims, we anticipate being in a position to deal with these claims in the near future.

At this juncture we are unable to provide any definitive comment as to the eventual likely realisations from the company's unencumbered stock.

Plant and Equipment & Office Furniture

Following our appointment, we commissioned a valuation of all of the company's office furniture and plant and equipment on a going concern and auction realisation basis.

As we are in the process of seeking offers for the purchase of the company's assets, we considered it inappropriate to provide specific details as to the values attributed by our agent to the company's assets in this regard.

Motor Vehicles

As at the date of our appointment, the company appears to have been the beneficial owner of a 1999 Jeep Cherokee Limited (Registration Number PUL 554) and a 1990 Holden Rodeo DLX 2600 Utility (Registration Number OCX 968). Investigations to date reveal that these motor vehicles appear to be unencumbered.

We again note that as we are in the process of negotiating with various parties regarding the sale of the company's assets, we are not in a position to provide specific details as to the values attributed by our agent to the company's owned motor vehicles.

Intellectual Property

On the basis of our investigations to date we have identified the following intellectual property:

- Website; and
- Drawings, part lists and construction manuals.

These items form part of the assets being offered in the sale process on hand. At this juncture we are unable to provide any definitive comment as to the likely realisation in this regard.

Sale of Assets

As Joint and Several Voluntary Administrators, we believed that it was in the best interest of creditors to attempt to realise the assets of the company's business as a whole.

The company's business assets essentially incorporate its plant and equipment, office furniture, motor vehicles, stock on hand (both owned and subject to Retention of Title) as well as its intellectual property which includes its website, drawings, construction manuals and customer database.

We sought expressions of interest by way of advertisement in "The Financial Review" on Tuesday, 28 March 2006 and posted notices for expressions of interest on the internet. An Information Memorandum was prepared and distributed to all interested parties seeking offers to acquire the assets of the company's business by no later than Friday, 21 April 2006. Since the advertisement was placed we have received approximately thirty (30) expressions of interest and have conducted viewings at the company's former premises in respect to those interested parties.

Claim against CAMCO

As discussed above, the company contracted CAMCO, a business located in CapeTown, South Africa to produce replica GT 40 cars with respect to the orders that they had received from their international client base. Based on advice received from the company's director and investigations to date, it is apparent that Roaring provided CAMCO with funds, car parts, jigs and moulds, intellectual know-how and direct assistance with the production of the GT 40 cars. Both Roaring's director and a member of his staff flew to South Africa on a

number of occasions to impart technical know-how and provide assistance with the set up of their production facility.

We note that we have advised CAMCO that Roaring retains ownership of all parts, jigs and moulds presently in their possession and that they are not authorised to sell, transfer or dispose of any assets that are the property of the company. We have issued a demand requesting the payment of R 1,621,581.06 and/or return of the items received as applicable.

We confirm that we have engaged agents in South Africa to investigate and pursue this matter on our behalf. At this point, investigations are continuing in this regard. In light of the cross border jurisdiction issues, we are seeking legal advice in relation to the most appropriate and efficient methods by which we can enforce our rights to seek recovery of the amounts owing by CAMCO.

7. LIABILITIES IDENTIFIED

Premises

As at the date of our appointment, the company occupied leased premises located at Factory 2, 7 Dalkeith Drive, Dromana, Victoria.

Our investigations indicate that the company was party to monthly tenancy arrangement and that no formal lease was ever entered into between the landlord and the company. We note that the monthly rental payable under the terms of the tenancy arrangement is in the sum of \$1,500 (inclusive of GST).

Priority Claims / Employees

The Act provides for employee entitlements to be given a priority over both unsecured creditors and secured creditors in certain instances.

Based on information provided by the company's director, information on hand together with our own review of the company's books and records, it would appear that outstanding priority creditor claims (employee entitlements) total approximately \$22,841.16. These claims relate to outstanding wages, annual leave, notice in lieu and superannuation entitlements.

We note that the eventual amounts due to priority creditors may vary pending the receipt of formal claims together with the final quantification / classification of the company's superannuation guarantee charge ("SGC") liability.

We further note that any amounts due to the director and/or related parties with respect to wages and superannuation are limited to a statutory limit of \$2,000 and \$1,500 for leave pursuant to Sections 556(1A) and 556(1B) of the Act respectively.

Unsecured Creditors

Based on a review of the company's books and records and information on hand, it would appear that the company is presently indebted to approximately one hundred and twenty one (121) ordinary unsecured creditors for amounts totaling in excess of \$1,035,768.84. These amounts primarily relate to deposits paid by US and UK customers, together with amounts due to local suppliers and statutory creditors.

The estimated claims of the company's major local unsecured creditors are as follows:

▪ Australian Taxation Office	\$38,520.99
▪ John Bosci	\$36,750.00
▪ Suncorp-Metway Limited	\$20,071.61
▪ Drage Automotive	\$18,500.00

The estimated claims of the company's major US unsecured creditors are as follows:

▪ Mr Ron Earp	\$37,000.00
▪ Mr Akex & Mrs Theresa Hirsbrunner	\$31,682.00
▪ Mr Brad Hokanson	\$30,000.00
▪ Mr Robert Zenor	\$29,450.00

The estimated claims of the company's major UK unsecured creditors are as follows:

▪ Mr Huw Poplow	\$43,196.43
▪ Mr John Bate	\$40,264.25
▪ Mr Chris Simpson	\$29,510.86
▪ Mr David York	\$28,583.04

We advise that our investigations are ongoing with respect to establishing the final quantum of ordinary unsecured creditor claims and as such the eventual amount due to ordinary unsecured creditors may vary pending the receipt and adjudication of formal proofs and the finalisation of any valid Retention of Title claims. We further note that the director disputes the claims of Mr Chris Simpson and Mr Huw Poplow. All claims will be subject to formal adjudication should sufficient funds be made available to enable a distribution to unsecured creditors.

Related Entities

We note that in accordance with the Statement of Best Practice as set out by the Insolvency Practitioners' Association of Australia ("IPAA"), related entities (as defined by the provisions of the Act) who claim to be a creditor of the company, must be disclosed.

Related entities are defined by the Act to be any of the following:

- A promoter of the body;
- A relative, or de facto spouse, of such a promoter;
- A relative of a spouse, or of a de facto spouse, of such a promoter;
- A director or member of the body or of a related body corporate;
- A relative, or de facto spouse, of such a director or member;
- A relative of a spouse, or of a de facto, of such a director or member;
- A body corporate that is related to the first mentioned body;
- A beneficiary under a trust of which the first mentioned body is or has at any time been a Trustee;
- A relative, or de facto spouse, of such a beneficiary;
- A relative of a spouse, or of a de facto spouse, of such a beneficiary;
- A body corporate, one of whose directors is also a director of the first mentioned body;
- A Trustee of a trust under which a person is a beneficiary, where the person is a related entity of the first mentioned body because of any other application or applications of this definition.

Should creditors resolve that the company execute a Deed (if applicable), any creditor of the company may apply to the Court for an Order to set aside or modify the resolution which authorised the execution of the Deed, if the resolution was carried as a consequence of a related entity's vote. Conversely, a failed resolution for the company to be wound up may be declared to have been carried, if it was defeated due to the vote of a related entity.

At the date of this report and based on the information to hand, it would appear that the following creditors are related parties pursuant to the provisions of the Act:

Name	Relationship	Claim	Amount \$
Mr Robert Logan	Director	Unsecured	123,853.93
Mrs Verona Logan	Director's Spouse	Unsecured	56,615.26

Our investigations suggest that the debt due to Mr Logan relates to advances provided to the company, which included the sale proceeds of the director's motor home.

Preliminary investigations to date reveal monies owed to Mrs Verona Logan by the company are in respect to payments and purchases made on behalf of Roaring on her personal credit cards.

We have yet to reconcile the director's loan account however investigations are continuing in this regard.

Preliminary investigations have been conducted into the remuneration received by the company's director. According to the books and records of the company the director's monthly remuneration for the period of 1 July 2004 to 31 June 2005 consisted of the following payments.

Vehicle Lease Payments	\$492.37
Computer Lease Payments	\$131.58
Mortgage Payments	<u>\$2,673.16</u>
TOTAL	<u>\$3,297.11</u>

During the months July 2005 to February 2006, the director opted to substitute the mortgage payments for director fees which were advanced directly into his personal bank account. For the period 3 August 2005 to 14 February 2006, this component totaled approximately \$21,700.

8. INSOLVENT TRANSACTIONS

In accordance with the Act, we are required to report on any transaction which appears voidable, ie where property or other benefits may be recoverable by a Liquidator under Part 5.7B of the Act. These provisions will not apply if the company enters into a Deed.

Solvency Investigation

In order for a transaction to be void as against a Liquidator, the company must have been insolvent at the time of the transaction. As such, we must form a preliminary view as to the point(s) when the company became insolvent.

Based on our preliminary investigations to date, we are of the view that the company may have traded whilst insolvent from around 30 June 2005 onwards. This view has been formed as a result of our investigations and assessment of the company's financial accounts and books and records on hand.

Unfair Loans

Section 588FD of the Act provides that:

Sub-section (1)

A loan to a company is unfair, if and only if:

- (c) the interest on the loan was extortionate when the loan was made, or has since become extortionate because of a variation; or*
- (d) the charges in relation to the loan were extortionate when the loan was made, or have since become extortionate because of a variation.*

even if the interest is, or the charges are, no longer extortionate.

Sub-section (2)

- (a) whether interest on a loan was or became extortionate at a particular time as mentioned in paragraph (1)(a); or*
- (b) whether charges in relation to a loan were or became extortionate at a particular time as mentioned in paragraph (1)(b);*

regard is to be had to the following matters as at the time:

- (c) the risk to which the lender was exposed; and*
- (d) the value of any security in respect of the loan; and*
- (e) the terms of the loan; and*
- (f) the schedule for payments of interest and charges and for repayments of principal; and*
- (g) the amount of the loan; and*
- (h) any other relevant matter.*

On the basis of our investigations to date, we have not discovered any unfair loans.

Unreasonable Director Related Transactions

Section 588FDA of the Act provides that:

Sub-section (1)

A transaction of a company is an unreasonable director related transaction of the company if, and only if:

- (a) the transaction is:*
 - i. a payment made by the company; or*
 - ii. a conveyance, transfer or other disposition by the company of property of the company; or*
 - iii. the issue of securities by the company; or*
 - iv. the incurring by the company of an obligation to make such a payment, disposition or issue; and*
- (b) the payment, disposition or issue is, or is to be, made to:*
 - i. a director of the company; or*
 - ii. a close associate of a director of the company; or*
 - iii. a person on behalf of, or for the benefit of, a person mentioned in subparagraph (i) or (ii); and*
- (c) it may be expected that a reasonable person in the company's circumstances would not have entered into the transaction, having regard to:*
 - i. the benefits (if any) to the company of entering into the transaction; and*
 - ii. the detriment to the company of entering into the transaction; and*
 - iii. the respective benefits to other parties to the transaction of entering into it; and*

iv. any other relevant matter.

The obligation referred to in subparagraph (a)(iv) may be a contingent obligation.

Note: Subparagraph (a)(iv) – This would include, for example, granting options over shares in the company.

Subsection (2)

To avoid doubt, if:

- (a) the transaction is a payment, disposition or issue; and*
- (b) the transaction is entered into for the purpose of meeting an obligation the company has incurred;*

the test in the paragraph (1)(c) applies to the transaction taking into account the circumstances as they exist at the time when the transaction is entered into (rather than as they existed at the time when the obligation was incurred).

Subsection (3)

A transaction may be an unreasonable director related transaction because of subsection (1):

- (a) whether or not a creditor of the company is a party to the transaction; and*
- (b) even if the transaction is given effect to, or is required to be given effect to, because of an Order of an Australian Court or a direction by an agency.*

On the basis of our investigations to date, we have not discovered any unreasonable director related transactions. We however note that further detailed investigations of the company's accounts would be required before a definitive comment could be made as to whether a right(s) of action exists.

Unfair Preferences

Section 588FA of the Act provides that:

A transaction is an unfair preference given by a company to a creditor of the company if, and only if:

- (a) the company and the creditor are parties to the transaction (even if someone else is also party); and*
- (b) the transaction results in the creditor receiving from the company, in respect of an unsecured debt that the company owes to the creditor, more than the creditor would receive from the company in respect of the debt if the transaction were set aside and the creditor were to prove for the debt in a winding up of the company;*

even if the transaction is entered into, is given effect to, or is required to be given effect to, because of an Order of an Australian Court or a director by an agency.

Unfair preferences apply to transactions entered into in a period of up to six (6) months prior to the appointment of an Administrator. In the case of this company, this is the period from 21 September 2005 to 21 March 2006.

On the basis of our investigations to date, it appears that payments to the Australian Taxation Office totaling \$12,000 may be recoverable as a preference.

A final determination of whether rights of action exist and their likely recoverability will require a complete review of the company's records. Should the company proceed into liquidation, further investigations into this matter will be carried out.

If any payments were to constitute a preference, the extent of any claim by a Liquidator will depend on a number of factors, including the extent to which a running account was maintained by the company and the creditor concerned.

Creditors have various defences available to them pursuant to Section 588FA of the Act and as such, any recovery in this regard is not capable of being quantified. Furthermore, given the associated costs of pursuing this form of recovery, any eventual return to creditors remains uncertain.

Should the company proceed into liquidation, further investigations will be carried out in this regard.

Uncommercial Transactions

Section 588FB of the Act provides that:

A transaction of a company is an uncommercial transaction of the company if, and only if, it may be expected that a reasonable person in the company's circumstances would not have entered into the transaction, having regard to:

- (a) the benefits (if any) to the company of entering into the transaction; and*
- (b) the detriment to the company of entering into the transaction; and*
- (c) the respective benefits to other parties to the transaction of entering into it; and*
- (d) any other relevant matter.*

This provision is especially relevant to circumstances where there has been an unreasonable director related transaction (Sections 588FDA and 588FF).

Given the limited information and the timeframes imposed in reporting to creditors, further investigations into the company's accounts would be required before a definitive comment could be made as to whether any right(s) of action exists (if any).

Related Entity Benefit Resulting from Insolvent Transaction

Section 588FH of the act provides that:

Subsection (1)

This section applies where a company is being wound up and a transaction of the company:

- (a) is an insolvent transaction of the company; and*
- (b) is voidable under Section 588FE; and*
- (c) has had the effect of discharging, to the extent of a particular amount, a liability (whether under a guarantee or otherwise and whether contingent or otherwise) of a related entity of the company.*

Subsection (2)

The company's Liquidator may recover from the related entity, as a debt due to the company, an amount equal to the amount referred to in paragraph (1)(c).

On the basis of our investigations to date, we have not discovered any related entity benefit resulting from an insolvent transaction. We however note that further detailed investigations of the company's accounts would be required before a definitive comment could be made as to whether a right(s) of action exists.

Insolvent Trading

Should the company eventually pass into liquidation, the director may be exposed to an action under Division 4 of Part 5.7B of the Act which relates to insolvent trading and may be ordered to compensate the company for liabilities incurred whilst the company was insolvent.

A full discussion of insolvent trading, including the defences available, is beyond the scope of this report. We have however, set out below some of the more relevant matters:

- (i) The provisions apply where debts are incurred at a time when the director(s) knew or should reasonably have suspected that the company was insolvent. In effect, the provisions call for the Court to reach a subjective conclusion on the basis of objective facts. Some of the objective facts which a Court may rely upon are:
 - deficiency in working capital;
 - cheques being dishonored;
 - losses being incurred;
 - unremitted group, PPS, payroll, sales tax and goods and services tax;
 - creditors restricting terms of trade;
 - expanding creditors' list and creditors being paid outside normal terms;
 - judgments, especially if unsatisfied;
 - banking facilities being operated outside approved limit.
- (ii) Insolvency in the context of the Section means an inability to pay debts as and when they fall due out of the debtor's own money, where there is no realistic prospect of generating funds by the sale of assets or further financial accommodation. The debtor's own monies are not limited to cash resources immediately available. They extend to monies which can be procured by realisation of assets within a relatively short time (relative to the nature and amount of the debts and the circumstances, including the nature of the business of the debtor) and not simply pious expectations.

The phrase “able to pay all its debts as and when they become due” does not mean an expectation that assets exceed liabilities, but instead that the company would be able to meet its current financial obligations.

- (iii) An action may only be brought by a Liquidator or creditor with the permission of the Liquidator or the Court.
- (iv) A failure by a director to involve him / herself with the management of the company is not a defence and non-executive directors are just as liable to an action as executive directors unless they can prove that because of illness or other good reasons, they could not take part in the management of the company.
- (v) The defences available are that there were reasonable grounds to expect that the company was solvent; there were reasonable grounds to rely upon information provided by others that the company was solvent; or if all reasonable steps were taken to prevent the company incurring the debt(s).

Based on our investigations to date and the information before us, it appears that the company may have traded whilst insolvent from as early as 30 June 2005. We have formed this view on the basis of the following:

- The company’s balance sheet recognise a consistent negative net asset position;
- The company’s profit and loss for the financial year ending 30 June 2005 recognise a trading loss;
- The company has been relying on financial support from both the director and his wife;
- The company failed to remit GST and PAYG amounts due to the ATO and approached them to enter into a payment arrangement on or around this time.
- The company was under capitalised relying on funds supplied by overseas customers to meet initial setup up costs of CAMCO and the additional operating costs associated with same.
- The company received several letters from Suncorp Metway Ltd dating back to July 2005 in respect to breaching the limit on its overdraft facility.

We note that should any right(s) of action for insolvent trading exist, the director may be exposed to proceedings in this regard.

We are unable to provide an accurate assessment of the likely amount that would be recovered in the case where the company was placed into liquidation due to the uncertainties as to the level of any claim that is likely, the defences that would be available to the director and the actual capacity of the director to meet any successful claim.

Should the company be placed into liquidation, a detailed investigation would be undertaken in this regard.

9. OTHER RIGHTS OF ACTION

Care and Diligence / Good Faith

Part 2D.1, Division 1 of the Act provides that directors and other officers have certain civil obligations. In particular, a director or other officer:

- Must exercise the degree of care and diligence that a reasonable person in a like position in a corporation would exercise in the corporation's circumstances;
- Must exercise their powers and discharge their duties in good faith and for a proper purpose;
- Must not improperly use their position to gain an advantage for themselves or someone else or cause detriment to the company; and
- Must not improperly use information obtained because of their position to gain an advantage for themselves or someone else or cause detriment to the company.

If an officer is found to have breached these obligations, he or she may be ordered to compensate the company for such breach(es).

At this stage, we are investigating whether the company's director has breached these provisions in light of the following:

- The acceptance of deposits from overseas customers whilst the company may have been trading whilst insolvent;
- Potential mismanagement of the company's operations; and
- The use of overseas customer deposits to meet liabilities unrelated to the production of the GT 40 cars on order.

Should the company be placed into liquidation, further investigations will be undertaken into the potential breaches noted above.

Employee Entitlements Protected

Part 5.8A of the Act contains provisions exposing directors and persons other than directors to a liability to compensate the company where agreements and/or transactions have been entered into for the purpose of avoiding or reducing the payment of employee entitlements.

Based on our preliminary investigations, we are of the view that these provisions will not apply in this instance. A further assessment of these provisions will be undertaken should the company be placed into liquidation, as these new provisions are closely linked with the insolvent trading provisions under the Act.

10. RESOLUTIONS AVAILABLE TO CREDITORS

Creditors may resolve that:

1. The company enter into a Deed of Company Arrangement.

As there is no proposal for the company to enter into a Deed, this is not an option available to creditors.

2. The company be placed into liquidation.

If creditors resolve that the company be placed into liquidation, we shall proceed to wind up the company's affairs, including the sale of its assets together with conducting further investigations aimed at establishing whether rights of action exist and, if relevant, distributing amounts to creditors.

3. The Voluntary Administration should end.

If creditors resolve that the Voluntary Administration should end, control of the company will pass back to its director. It will also mean that the moratorium inherent in the legislation preventing creditors legally pursuing the company will be lifted.

Potential Dividends

As indicated above, at this juncture, we are unable to provide a clear indication as to the likely dividend that would be available to meet the claims of both priority and ordinary unsecured creditors should the company be placed into liquidation. This is due to the various uncertainties associated with the eventual realisation of the company's assets, potential recoveries of voidable transactions (if any), any potential insolvent trading claim against the director of the company (if any) and any other rights of action (if any).

11. RECOMMENDATION

We are of the opinion that:

1. As a proposal for a Deed of Company Arrangement has not been put forward to creditors of the company, this option is not available to creditors in this regard.
2. The company should be placed into liquidation in order to allow for an orderly realisation of the company's assets and a full investigation of its affairs to be undertaken.
3. The Voluntary Administration should not end, with control of the company reverting back to the director, as this would not provide creditors with the opportunity of dealing with the company's affairs in accordance with the provisions of the Act.

12. ADJOURNMENT

Creditors should note that the Act provides that a meeting convened under Section 439A may be adjourned by a resolution of creditors, but only for a period of up to sixty (60) days from the date of the second meeting.

Please note that at this point in time, we do not believe that an adjournment of this meeting is warranted.

13. REMUNERATION

Activities and Remuneration of the Administrator

Since the date of our appointment, we have dealt with the affairs of the company and conducted investigations relevant to our statutory responsibilities and the preparation of this report.

Upon our appointment as Joint and Several Administrators of the company, we took immediate action in order to notify all of the known creditors of the company. We also took immediate action in order to complete all statutory requirements as required pursuant to the Act.

The director of the company has attended our office in order to assist us with our investigations into the company's affairs and the recoverability of assets.

A summary of the actions taken by us during the course of the administration is shown below:

- Initial interview of company officer to determine relevant issues
- Conduct statutory and other searches
- Investigate and compile details of assets
- Investigate and compile details of creditors
- Assess Retention of Title claims received from creditors
- Instruct director to provide company books and records
- Arrange insurance of the company's assets
- Various discussions, meetings and correspondence with director regarding assets and the company's affairs
- Various discussions with the director regarding the status and recoverability of receivables
- Arrange and attend to sale of assets of the company
- Discussions with various interested parties
- Attend to any aspect of potential realisation of assets
- Discussions with the director regarding the legal aspects of void transactions
- Investigations of books and records for void transactions for analysis in major report to creditors, including potential preferences to third party(ies) and/or related entities
- Collect in and review books and records of the company
- Compile and investigate available financial accounts for the company
- Attempt to verify loan accounts
- Solvency review, including investigation of available financial accounts and records and creditor communications

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- Convening and conduct of creditors' meetings
 - Investigation of payments and other transactions of the company to determine whether they may constitute transactions void as against a Liquidator
 - Investigate whether the company may have traded whilst insolvent
 - Dealing with queries from creditors
 - Preparation of report to creditors
 - General communication and correspondence with various parties

Administrators / Liquidators Remuneration

Please note that in accordance with the provisions of Section 443D(b) of the Act, we have a right of indemnity from the assets of the company with respect to our remuneration.

In normal circumstances, we would seek to have our remuneration approved by creditors at the hourly rates applicable to the grades and classifications set out in the CJL Partners Scale of Fees (Effective 1 July 2005). However, with a view to minimising the costs associated with this administration and in order to increase the likelihood of a return to all creditors, we propose to have our remuneration approved in accordance with the lower rates applicable to the former IPAA Scale of Fees for the period of the Voluntary Administration and subsequent liquidation (if applicable).

At the meeting to be conducted on 24 April 2006, creditors will be asked to approve and fix the Joint and Several Administrators' remuneration by passing the following resolution:

"That the remuneration of the Joint and Several Administrators be on a time basis and be fixed in respect of themselves, their partners and staff at the hourly rates applicable to the grades or classifications set out in the former IPAA Scale of Fees as presented to the meeting and fixed at \$43,000 (excluding GST).

Any goods and services tax payable on the remuneration so approved is to be in addition to the amounts approved.

Such remuneration as approved is subject to review by the Court upon the application of the Joint and Several Administrators or any officer, member or creditor of the company in accordance with the Corporations Act 2001."

We estimate that our remuneration (including future remuneration up to and including the conduct of the second meeting of creditors) for the period of the Voluntary Administration will total in the vicinity of \$43,000 (excluding GST). The work performed (whilst not exhaustive) and which is the basis of our costs to date as well as our future estimate, is as noted above.

The CJL Partners Scale of Fees (on the basis of the amount per hour) current at the time of this report as outlined above is as follows:

CJL Partners Scale of Fees

	\$
Appointee / Partner	415
Director	340
Senior Manager	320
Manager 1	270
Manager 2	220
Supervisor	200
Senior 1	170
Senior 2	150
Intermediate 1	135
Intermediate 2	120
Clerk – Professional	100
Secretary	130
Graduate	90
Junior	65

The former IPAA Scale of Fees (on the basis of the amount per hour) current at the time of this report as outlined above is as follows:

Former IPAA Scale of Fees

	\$
Appointee / Partner	359
Director	282
Manager 1	231
Manager 2	174
Supervisor	143
Senior 1	128
Senior 2	104
Intermediate 1	88
Intermediate 2	82
Clerk – Professional	70
Secretary	89
Junior	46

Accordingly, on the basis of the CJL Partners Scale of Fees, our remuneration to 11 April 2006, calculated per operative, is as follows:

Employee	Position / Title	Hours	Rate Per Hour \$	Amount \$
R. Cauchi	Partner	27.2	415.00	11,288.00
P. Gountzos	Partner	8.6	415.00	3,569.00
M. Carrafa	Manager 1	1.40	270.00	378.00
T. Brace	Supervisor	92.6	200.00	18,520.00
K. Waters	Secretary	24.9	130.00	3,237.00
M. Paciocco	Intermediate 2	60.5	120.00	7,260.00
G. Thomas	Intermediate 2	0.6	120.00	72.00
A. Hatzis	Intermediate 2	7.0	120.00	840.00
A. Cannizzaro	Junior	6.7	65.00	435.50
		Total		<u>\$45,599.50</u>

On the basis of the IPAA Scale of Fees, our remuneration to 11 April 2006, calculated per operative, is as follows:

Employee	Position / Title	Hours	Rate Per Hour \$	Amount \$
R. Cauchi	Partner	27.2	359.00	9,764.80
P. Gountzos	Partner	8.6	359.00	3,087.40
M. Carrafa	Manager 1	1.4	174.00	243.60
T. Brace	Supervisor	92.6	143.00	13,241.80
K. Waters	Secretary	24.9	89.00	2,216.10
M. Paciocco	Intermediate 2	60.5	82.00	4,961.00
G. Thomas	Intermediate 2	0.6	82.00	49.20
A. Hatzis	Intermediate 2	7.0	82.00	574.00
A. Cannizzaro	Junior	6.7	46.00	308.20
		Total		<u>\$34,446.10</u>

The above amount is the Work in Progress ("WIP") to 11 April 2006. The above amount is incorporated in the \$43,000 (excluding GST) referred to in the above mentioned resolution.

Based on the information to hand and the present conduct of the administration, it is estimated that should creditors resolve to wind up the company, our Joint and Several Liquidators' remuneration is estimated to total in the vicinity of \$40,000 (excluding GST) for the period of twelve (12) months commencing on the date of the second meeting of creditors.

If applicable and resolved at the meeting to be conducted on 24 April 2006, creditors will be asked to approve the Joint and Several Liquidators' remuneration by passing the following resolution:

"That the remuneration of the Joint and Several Liquidators be on a time basis and be fixed in respect of themselves, their partners and staff at the hourly rates applicable to the grades or classifications set out in the former IPAA Scale of Fees as presented to the meeting. The amount is to be fixed at \$40,000 (excluding GST) for the period of twelve (12) months from the date of this meeting.

Any goods and services tax payable on the remuneration so approved is to be in addition to the amounts approved.

Such remuneration as approved is subject to review by the Court upon the application of the Joint and Several Administrators or any officer, member or creditor of the company in accordance with the Corporations Act 2001."

Creditors should note that these estimates are based on the information to hand. Subsequent events may increase these amounts and where applicable, we may be required to seek further approval for our remuneration.

Where possible, we seek to ensure that the tasks required to be done are allocated to staff members with the lowest charge rate commensurate with the skills and experience necessary to perform the tasks.

Dated: 13 April 2006



RICHARD J CAUCHI
Joint and Several Administrator

CJL PARTNERS SCALE OF FEES

EFFECTIVE 1 JULY 2005

CJL PARTNERS – GUIDE TO HOURLY RATES

	\$
Appointee / Partner	415
Director	340
Senior Manager	320
Manager 1	270
Manager 2	220
Supervisor	200
Senior 1	170
Senior 2	150
Intermediate 1	135
Intermediate 2	120
Clerk – Professional	100
Secretary	130
Graduate	90
Junior	65

Disbursements

Photocopying	\$0.55 per page (incl GST)
Facsimile	\$1.10 per page (Local) (incl GST)
	\$2.20 per page (Long Distance) (incl GST)
Storage	\$0.46 per box per week
Searches	At Cost
Courier	At Cost
Mail	At Cost

RECOMMENDED SCALE OF FEES
INSOLVENCY PRACTITIONERS ASSOCIATION OF AUSTRALIA
Effective 1 December 1997

	\$
Partner \ Principal Appointee	359.00
Director	282.00
Manager 1	231.00
Manager 2	174.00
Supervisor	143.00
Senior Grade 1	128.00
Senior Grade 2	104.00
Intermediate Grade 1	88.00
Intermediate Grade 2	82.00
Secretary\WP Operator	89.00
Computer Operator	85.00
Clerk	70.00
Typist	61.00
Junior	46.00

ROARING FORTIES PTY LTD
(ADMINISTRATORS APPOINTED)

Summary of tasks undertaken by Joint and Several Administrators during the period of the Voluntary Administration from the beginning of their involvement to 24 April 2006.

PRE APPOINTMENT PROCEDURES

- Prepare Voluntary Administration appointment documents
- Obtain list of creditors
- Provide Minutes, Consents, Notices and advertisement
- Pre-Appointment ASIC searches
- Telephone conversations and meetings with the director and his advisors regarding the financial position of the company
- Telephone conversations with company accountant and solicitor

POST APPOINTMENT PROCEDURES

Internal Administration

- Complete office check-lists and computer forms
- Conduct a review of work completed in accordance with Quality Control
- Internal meetings regarding general progress of the matter and ongoing requirements to achieve optimum results

Statutory Obligations

- Advertise the appointment
- Lodge the Notice of Appointment with ASIC
- Notify the Australian Taxation Office and other relevant government authorities and utilities of appointment
- Write to director regarding appointment, Report as to Affairs, books and records and questionnaire
- Prepare and lodge the minutes of the initial meeting
- Consider any compliance / legal issues

Assessing / Securing Assets

- Freeze the company's bank accounts
- Telephone conversation and letters to banks regarding the company's bank accounts
- Review valuation of company assets
- Instruct director and company's accountant to provide company books and records
- Arrange insurance of the company's assets
- Various discussions, meeting and correspondence with the director regarding assets
- Various discussions with the director regarding the status and recoverability of receivables

Realisation of Assets

- Discuss collection of receivables with director
- Attend to all aspects of potential realisation of assets
- Arrange and attend to sale of assets of the company
- Discussions with various interested parties

Void Transactions

- Discussion with the director regarding the legal aspect of void transactions
- Investigations of books and records for void transactions for analysis in major report to creditors, including potential preferences to third party(ies) and/or related entities

Dealing with Creditors

- Enter and review all creditors and amounts outstanding on computer system
- Notify creditors of appointment by telephone or otherwise where appropriate and/or necessary
- Notify creditors of appointment in writing
- Attend to creditors' enquiries and correspondence
- Hold discussions with creditors by telephone regarding their respective issues and completion of Proof of Debt and Proxy Forms
- Prepare and arrange mailing of primary report to creditors
- Fax creditors notification of appointment if not previously listed and update creditors list
- Review documents relating to assets
- Assess Retention of Title claims received from creditors

Meetings of Creditors

- Prepare notices of meetings for first meeting of creditors
- Advertise meeting of creditors
- Attend first and second meetings of creditors
- Prepare and file minutes of meeting of creditors

Proofs of Debt (PODS)

- Enter all Proofs of Debt received
- Discussions with creditors regarding Proofs of Debt and supporting documentation pertaining to claims and the likelihood of any distribution from the administration

Dealings with Director

- Notify director of appointment
- Initial meetings and discussions with the director and his advisors regarding general matters and the company's status / affairs
- Discussions with the director regarding preparing a RATA

- Discussions with the director and his accountant regarding books and records and investigations into the company's affairs

Investigations and Formal Reports

- Review books and records of the company
- Conduct investigations of financial records in order to quantify potential insolvent trading action
- Investigate all transactions generally
- Prepare report for creditors pursuant to Section 439A of the Corporations Act 2001
- Conduct searches on Australian Securities & Investments Commission database
- Review of financial accounts and other records for details of assets and potential voidable transactions