

19 September 2006
MP/ROAR100/114 – C3



ABN 94 858 342 031

Level 3
180 Flinders Lane
Melbourne Victoria 3000
Australia

Phone 61 3 9639 4779
Fax 61 3 9639 4773

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

Dear Sir/Madam

A.C.N. 095 686 212 PTY LTD
(Formerly known as "Roaring Forties Pty Ltd")
(In Liquidation)
A.C.N. 095 686 212

I refer to previous communications regarding the abovenamed company.

This report has been prepared to keep creditors apprised of the progress and status of the above administration. This report should be read in conjunction with our Section 439A Report to Creditors dated 13 April 2006.

GENERAL

I advise that following the second meeting of creditors held on 24 April 2006, we continued to occupy the company's premises with the view to finalising negotiations for the sale of the company's business assets. I confirm that an offer was accepted for the acquisition of the company's business assets on the 4 May 2006 and an Asset Sale Agreement was executed on 26 May 2006.

ASSET REALISATIONS

Cash at Bank

As previously advised in my Section 439A report to Creditors dated 13 April 2006, the company operated two (2) Barclays bank accounts at the date of my appointment totalling approximately GBP£146.06. As a consequence of outstanding and continuing bank fees and charges, it is not expected that any funds will be available to the administration in this regard.

Trade Debtors

As noted in my previous report, I indicated that the company's books and records disclosed trade debtors totalling \$25,838.36 which mainly consisted of progress payments due for work in progress on incomplete chassis stored at the company's premises. My investigations disclosed that due to the difficulties in attributing detailed costs of the work carried out on the incomplete chassis, the amounts disclosed in the company's books and records appear to have been overstated by in excess of \$20,000. The three (3) remaining workshop debtors totalling \$4,182 have been referred to a collection agency for recovery.

At the date of my appointment, there were four (4) incomplete car chassis stored at the company's premises. I sought legal advice in respect to the ownership of chassis and in particular whether customers for whom the chassis were being built had legal ownership or an equity interest in respect to same. Advice received from my solicitor indicated that the legal titles of the respective chassis had not passed to the customer and were considered assets of the company.

Shortly after informing the customers of the company's legal position, two (2) of the chassis were illegally removed from the company's premises. I have reported this matter to the Crime Investigation Unit of the Victorian Police who are investigating this matter. I am considering advice from my solicitors in regard to issuing civil proceedings against those involved.

The remaining unfinished chassis have been realised.

Shortly after my appointment, one of the company's debtors had cancelled a cheque representing payment which was due and payable to Roaring, I have since instituted legal action in respect to the recovery of the payment totalling \$10,000 pursuant to the provisions of the Instruments Act 1958.

Deposit Refund

As previously advised, an amount of \$32,182 had been paid by Roaring in respect to a deposit on a failed purchase of a black GT40. I confirm that I have since recovered an amount of \$28,933.10 in full and final settlement of this claim.

Sale of Company Assets

As noted above, an Asset Sale Agreement was executed on 26 May 2006 with respect to the sale of the company's stock, plant and equipment, motor vehicle and intellectual property. The sale proceeds realised totalled \$206,750 (exclusive of GST).

The funds received into this administration will be distributed in accordance with the provisions of Section 556 of the Corporations Act 2001.

REMUNERATION

I confirm that at the second meeting of creditors held on 24 April 2006, creditors resolved to approve and fix our remuneration at \$43,000 (exclusive of GST) at the IPAA Scale of fees for the period of the Voluntary Administration.

I note that at the second meeting of creditors held on 24 April 2006, creditors also resolved to approve and fix our remuneration at \$40,000 (exclusive of GST) at the IPAA scale of fees for the period of twelve (12) months from the date of the second meeting with respect to the liquidation. I advise that I have currently drawn \$38,807 in respect of fees incurred during the liquidation period and currently have an amount of \$752 in outstanding work in progress (as calculated at the hourly rates applicable to the former IPAA Scale of Fees).

DIVIDEND

I confirm that I have declared a first and final dividend to priority creditors (employees and ATO) of the company.

It is not clear at this point in time as to when a distribution will be capable of being carried out and as to what rate in the dollar will be achieved. In the circumstances, a number of issues need to be resolved as follows:

- Net amounts recoverable in respect to the remaining debtors of the company.
- Net amounts recoverable in respect to Roaring's claim against Classic Auto Manufacturing Company ("CAMCO") (discussed later in this report); and
- Net amounts recoverable in respect to the stolen car chassis;
- Net amounts recoverable regarding the proposed preference recovery actions against creditors;
- Adjudication of formal claims received from creditors.

Upon the resolution of the above, creditors will be informed of the amounts available for distribution to them.

INVESTIGATIONS

Classic Auto Manufacturing Company ("CAMCO")

Since the second meeting of creditors held on 24 April 2006, CAMCO in South Africa was placed in Provisional Liquidation pursuant to an Order made by a local Court on 8 May 2006. In light of the present situation my solicitors in South Africa have investigated my options regarding the company's claim against CAMCO. I have supplied my solicitors with all the necessary documentation in an attempt to recover the inventory items sent to CAMCO prior to my appointment. The Provisional Liquidator in South Africa has confirmed in writing that the entire Administration of CAMCO is valued at approximately SAR 40,000 (approximately AUD\$8,492).

I note that given the complexity of cross border laws in addition to the inability of the stock to be specifically identified as being supplied by Roaring, I do not anticipate a recovery in respect to the company's claim against CAMCO. I however note that my solicitors are currently investigating what rights of actions may exist against Mr Rob Senekel, the director of CAMCO. Certain information has come to light in this regard which is presently being reviewed by the solicitors acting for me in South Africa.

United States Trust Account

As previously advised in my Section 439A Report to Creditors, Mr Hershall Byrd was appointed the United States of America ("USA") sales agent for Roaring. Mr Logan has advised that the company required a USA bank account in order to receipt deposits from USA customers. Given the difficulties associated with foreign ownership of bank accounts, Mr Byrd offered to operate an account on behalf of Roaring.

The company's director has advised that he instructed Mr Byrd to transfer funds from this account, which would be confirmed by Mr Byrd at the time of the transaction.

Mr Byrd would provide Roaring with a monthly spreadsheet detailing the transactions and account balance.

A summary of income and expenses from this account as provided by Mr Byrd is shown below:

	2004-2005 USD\$	Notes	2005-2006 USD\$	Notes
Opening Cash at Bank	4,611.30		18,072.92	
Income				
Deposits from Customers	184,900.50		81,574.03	
<u>Less: Customer Refunds</u>			(25,100.00)	4
Refunds Received	1,424.95			
	<u>184,900.50</u>		<u>56,474.03</u>	
Expenses				
Legal Costs	43,873.45	1		
Transfer of Funds	87,817.77	2	67,000.00	2
Purchases	17,805.49		2,000.00	
Advertising	650.00		1,575.00	
Postage / Freight	1,506.43		1,981.44	
Bank Fees	172.08		173.00	
Travel Expense	3,413.61		909.58	
Show Expenses	625.00		850.00	
Marketing Expenses	17,000.00	3		
	<u>172,863.83</u>		<u>74,489.02</u>	
Closing Balance	<u>18,072.92</u>		<u>57.93</u>	

Notes

1. Legal expenses relate to solicitor costs and settlement monies in relation to the wrongful dismissal lawsuit issued against the company by the former sales agent for the company Mr Gordon Levy of Levy Racing Inc. I am not in possession of any information which disputes that these funds were paid.
2. These funds consist of amounts transferred to Roarings Australian business cheque account and funds directly sent to CAMCO. A further breakdown follows:

Recipient	USD \$
CAMCO	104,539.00
Roaring Business Cheque Account	25,278.77
Ron Bishop ("Deposit for Black GT40")	25,000.00
TOTAL	<u>\$154,817.77</u>

In respect to the amounts transferred to CAMCO, I do not have sufficient information in my possession to verify specific amounts paid across to CAMCO.

I have verified USD\$25,278.77 as being transferred into the company's Australian business cheque account as reported by Mr Byrd and the payment of \$25,000 to RM Bishop.

3. Classified as commissions received from Mr Byrd for the year 2004.

The company's director has advised that Mr Byrd was contracted and paid on the following commission structure:

South African Built Chassis

Turn-Key minus car	\$8,000
Quick Build Kit	\$7,000
Deluxe Kit	\$6,000
In addition to 10% on all options	

Australian Built Cars

10% commission

The amount disclosed as being paid to Mr Byrd as a commission is not refuted by the director.

4. This amount appears to consist of deposits refunded to customers for cancelled orders

I note that the amount transferred to Ron Bishop relates to the deposit subsequently returned for the purchase of the black GT40 mentioned above.

PREFERENCE RECOVERIES

I advise that further investigations have been conducted in respect to preference recoveries which may be available to me pursuant to Section 588FA of the Corporations Act 2001 ("ACT"). I have issued two (2) demands for payments in respect to these claims. I am awaiting further advice from my solicitors in respect to the merits of my claims before commencing legal proceedings for recovery of same.

INSOLVENT TRADING

I have received a Statutory Declaration which details the director's personal assets and liabilities. This statement discloses personal assets in the amount of \$51,650 and liabilities of \$56,351.08. The company's director also noted that he had recently sold a motorcycle which was included as an asset in this statement for an amount of \$25,000 in order to meet ongoing personal liabilities.

I have conducted investigations surrounding the purchase of the director's house located at Mount Martha, Victoria. A search of the Victorian Land Title's Office database reveals that this house was purchased on 22 January 2004 by the director's spouse and the director does not appear to have been a proprietor of this property at any time.

I note that due to the uncertainties and risks associated with litigation, I do not believe it to be in the creditors' best interest to institute proceedings against Mr Logan as my investigations reveal the company's director does not appear to have sufficient assets in which to satisfy a successful Order of the Court if one is obtained.

I however note that should creditors wish for proceedings to be instituted in relation to the potential insolvent trading claim against the company's director, I would require an indemnity for the costs associated with same. I advise that I anticipate costs associated with such a proceeding may range between \$20,000 and \$30,000. In the event that creditors wish to take this issue further, please advise me of same in writing.

REPORTING TO REGULATORY BODY

On 4 July 2006, I filed my report with the Australian Securities and Investment Commission ("ASIC") pursuant to Section 533 of the Corporations Act 2001 reporting possible breaches by the company's director. I have subsequently received a request by ASIC to provide a supplementary report which I anticipate lodging shortly. These reports are privileged and as such, I am not in a position to disclose their contents. Creditors will be informed where possible of the outcome of this process.

RECEIPTS AND PAYMENTS

I attach a copy of our Receipts and Payments for the period of the liquidation to the date of this report for your information.

Should you have any questions in relation to this administration, please contact Mr Marcus Paciocco of this office.

Yours faithfully

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

RICHARD J CAUCHI
Joint and Several Liquidator

Enclosure

A.C.N. 095 686 212 PTY LTD
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(In Liquidation)
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Joint & Several Liquidator's Receipts and Payments
as at 19 September 2006

Receipts

Sundry Receipt	100.00
Sundry Debtors	29,373.27
Stock	6,250.00
Plant & Equipment	202,000.00
Interest Received	909.22
Refunds	18.18
GST on Receivable	18,990.46
	<u>257,641.13</u>

Payments

Insurance	2,231.37
Transfer from Voluntary Administrators Account	40.80
Freedom of Information	100.00
OHS Plant Report	2,744.84
Computer Maintenance	450.00
Agents/Valuers Fees	2,000.00
TFN Withholding Tax	421.00
Bank Charges	71.60
Freight and Cartage	840.00
Liquidators Remuneration	38,807.20
Liquidators Disbursements	1,214.02
Administrators Remuneration	43,000.00
Administrators Disbursements	6,041.25
Legal Fees	28,663.60
Light & Power	351.26
PAYG Withholding Tax	4,613.34
Employees	10,043.04
BAS - Tax Paid	10,356.00
GST on Receivables	10,731.99
	<u>162,721.31</u>

Cash at Bank	<u>94,919.82</u>
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