

RSM Bird Cameron Partners

Chartered Accountants

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11 June 2010

TO CREDITORS

Dear Sir/Madam

Barnes Developments Pty Ltd (In Liquidation)
ACN 082 954 952 ("the Company")
Formerly trustee of the Barnes Family Trust
As trustee of the Sapphire Superannuation Fund

I refer to my appointment as Official Liquidator of the abovenamed Company on 1 December 2009 pursuant to an order of the Federal Court of Australia.

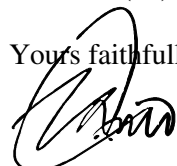
I now enclose for your information:-

1. **Notice of meeting** of creditors to be held at the offices of RSM Bird Cameron Partners, 8 St Georges Terrace, Perth WA **on Monday, 28 June 2010 at 12:00p.m. (WST)**;
2. Report to creditors dated 11 June 2010;
3. Remuneration Report dated 11 June 2010;
4. Proof of Debt form for the purposes of voting;
5. Proxy form;
6. Declaration of Independence dated 28 October 2009; and
7. ASIC/IPAA information for Creditors on approving fees.

Please note that Proofs of Debt and Proxy forms should be lodged at this office by 4.00pm Friday, 25 June 2010.

Should you have any queries regarding the above matter, please contact Breck Robertson of this office on (08) 9261 9116.

Yours faithfully



NEIL CRABB
Official Liquidator

Encl

Document2

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Professional Standards
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Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

RSM Bird Cameron Partners is an
independent member firm of RSM
International, an affiliation of independent
accounting and consulting firms.

FORM 529

Subregulation 5.6.12(6)

CORPORATIONS ACT 2001

NOTICE OF MEETING OF CREDITORS

Barnes Developments Pty Ltd (In Liquidation)
ACN 082 954 952 ("the Company")
Formerly Trustee of the Barnes Family Trust
As trustee of the Sapphire Superannuation Fund

NOTICE is hereby given that a meeting of the creditors of the Company will be held at the offices of RSM Bird Cameron Partners, 8 St George's Terrace, Perth WA on Monday, 28 June 2010 at 12:00p.m. WST.

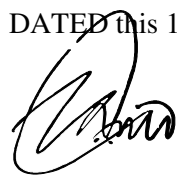
A G E N D A

1. To receive and consider the Liquidator's report to creditors;
2. To receive questions as to the administration of the winding up;
3. To consider, and if thought appropriate, fix the remuneration of the Liquidator;
4. To consider, and if thought appropriate, fix the future remuneration of the Liquidator; and
5. Any other business that may be lawfully brought.

Proxies to be used at the meeting should be lodged at the office of the Liquidator by 4.00pm on Friday, 25 June 2010. A corporate creditor can only be represented by proxy or by an attorney pursuant to corporations Regulations 5.6.28 and 5.6.31A or if a body corporate by a representative appointed pursuant to Section 250D of the Corporations Act 2001.

In accordance with Regulation 5.6.23(1) of the Corporations Regulations, creditors will not be entitled to vote at this meeting unless they have previously lodged particulars of their claim against the Company with the Official Liquidator.

DATED this 11th day of June 2010.



NEIL CRABB
Official Liquidator

RSM Bird Cameron Partners

Chartered Accountants

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Email: breck.robertson@rsmi.com.au

11 June 2010

To the Creditors of:

Barnes Developments Pty Ltd (In Liquidation)
ACN 082 954 952 (“the Company”)
Formerly trustee of the Barnes Family Trust
As trustee of the Sapphire Superannuation Fund

1. Introduction

- 1.1. I was appointed Official Liquidator of the Company on 1 December 2009, by order of the Federal Court of Australia in proceedings WAD 198 of 2009 and upon an application made by the Australian Taxation Office (“ATO”).
- 1.2. The Company’s tax debt arose from a garnishee notice issued upon the Company by the ATO pursuant to Section 260-5 of the Taxation Administration Act 1953 (“the Tax Act”) on 22 June 2007, in respect of the personal tax liabilities payable by Mr John Barnes and Mrs Judith Barnes, the Company’s directors (“the Directors”).
- 1.3. The Directors were made bankrupt on 12 December 2008 upon the application of the ATO and Mr Anthony Warner of CRSWarnerKugel (“the Bankruptcy Trustee”) became their Trustee.
- 1.4. My investigations into the Company’s affairs and the Directors’ conduct have been limited given the lack of books and records recovered and that I have been unable to make any contact with the Directors. In this regard, the Directors have resided overseas since prior to my appointment and have not cooperated with or willing made themselves available to assist with the Bankruptcy Trustee with his investigations.
- 1.5. This report outlines the findings of my investigations to date and the focus of future work.

2. Meeting of Creditors

- 2.1. A meeting of creditors of the Company is to be convened at the office of RSM Bird Cameron Partners, 8 St Georges Terrace, Perth, Western Australia at 12.00pm (WST) on Monday, 28 June 2010.

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ABN 36 965 185 036

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accounting and consulting firms.

- 2.2. Attendance by telephone conference will be available. If you wish to attend the meeting by telephone, please contact Mr Breck Robertson of my office by no later than 4.00pm on Friday, 25 June 2010.

3. Balance of Report

- 3.1. The balance of this report is set out under the following main headings:

Section	Details	Page
4	Nature of the Business and Statutory Information	3
5	Trading History	4
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7	Investigations into the Company's affairs	7
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Annexures

A	Comparative Statement of Company's Trading Performance
B	Comparative Statement of Company's Financial Position
C	Liquidator's Receipts and Payments

4. Nature of the Business and Statutory Information

- 4.1. The Company was incorporated on 11 June 1998 and appears to have operated as a trustee and as an investment vehicle.
- 4.2. The Company's registered office and principal place of business was 41 Shiralee Bend Carramar WA 6031. The Company's former registered office was c/- Paul M Tayler & Co Pty Ltd Level 5, 231 Adelaide Terrace Perth WA 6000
- 4.3. The Company was the Trustee for the following two (2) entities, being:-
 - 4.3.1. The Barnes Family Trust ("the Family Trust") from the date of incorporation. The Directors were previously the Trustees of the Family Trust; and
 - 4.3.2. Sapphire Superannuation Fund ("the Super Fund").
- 4.4. It appears that the Company may remain as the Trustee of the Super Fund. The beneficiaries and assets, if any, of the Super Fund, are unknown at this time.
- 4.5. The beneficiaries of the Family Trust include the Directors and their children who I understand to be:-
 - 4.5.1. James Robert Barnes;
 - 4.5.2. Richard John Barnes; and
 - 4.5.3. Andrew Edward Barnes.
- 4.6. The Company ceased to act as Trustee of the Family Trust on 1 December 2009 (the date of my appointment as liquidator) as pursuant to Clause 16.3 of the Family Trust Deed, the Company ceases to act as Trustee if the Company is liquidated.

Officers

- 4.7. A summary of the officers of the Company are detailed below in Table 1:-

Name	Position	Appointed	Ceased
John Eric Barnes	Director	11 June 2008	-
Judith Angela Barnes	Director & Secretary	11 June 2008	-
James Robert Barnes	Director & Secretary	12 August 2006	30 June 2009
Richard John Barnes	Director	12 August 2006	30 June 2009
James Robert Barnes	Alternative Director	20 March 2001	30 June 2009
Paul Michael Tayler	Alternative Director	20 March 2001	1 October 2008

Table 1: Summary of Company Officers

- 4.8. As discussed above, Mr James Robert Barnes and Mr Richard John Barnes ("the Previous Directors") are also beneficiaries of the Trust.
- 4.9. Mr Paul Michael Tayler was an Alternate Director until October 2008 and the Company's accountant at the date of my appointment.

Shareholders

- 4.10. The records of the Australian Securities and Investments Commission (“ASIC”) show that the paid up capital of the Company is \$2.00, being two (2) fully paid ordinary shares. The current shareholders are detailed in Table 3 below.

Name	No. Held	Fully Paid
John Eric Barnes	1	Yes
Judith Angela Barnes	1	Yes

Table 2: Shareholders at Date of Appointment

5. Trading History

- 5.1. A summary of the Company’s trading performance for the financial years ended 30 June 2005 to 30 June 2008 inclusive, as extracted from the financial statements prepared by the Company’s external accountant, is summarised below in Table 3:-

	Year Ended 30 June 2005	Year Ended 30 June 2006	Year Ended 30 June 2007	Year Ended 30 June 2008
	\$	\$	\$	\$
<u>Income</u>				
Realisation of Investment Units	295,566	549,509	429,689	216,572
Interest Received	10,432	5,998	5,043	2,533
Profit on Sale of Non- Current Asset	4,449	-	357,664	(38,329)
Total Revenue	310,447	555,507	792,664	180,683
Total Expenses	(60,732)	(38,319)	(25,851)	(24,820)
Net Profit	249,715	517,188	766,545	155,863
Accumulated Profit	249,715	766,903	1,533,448	1,689,311

Table 3: Summary of Financial Performance

- 5.2. The Company traded profitably in each of these years with reported accumulated profits of \$1.7 million as at 30 June 2008. The nature of the business allowed it to have minimal operating expenses.
- 5.3. Preliminary investigations indicate the Company’s primary source of income was derived through cash investment accounts with Commonwealth Financial Services (“CFS”).
- 5.4. A detailed trading analysis of the Company in its capacity as Trustee of the Family Trust for the years ended 30 June 2005 to 30 June 2008 is attached as Annexure A.

6. Report as to Affairs (“RATA”)

- 6.1. A director of a company under external administration must make out, verify and submit a report to a liquidator as to the affairs of the company. The report must disclose the assets and liabilities of the company and the directors’ estimated realisable value of the assets, as at the date of winding up of the company.
- 6.2. Upon my appointment I requested the Directors of the Company to submit a Report as to Affairs (“RATA”) as required by Section 475 of the Corporations Act (“the Act”).
- 6.3. The Directors have failed to respond to my request such that no RATA has been received, nor has any communication been received from the Directors.
- 6.4. I have reported this contravention of the Act to the ASIC. The ASIC have advised that they have also been unable to contact the Directors. However, just prior to the issuing of this report, the Bankruptcy Trustee advised that he had recently located the Directors in North Yorkshire, England. I will endeavour to communicate with the Directors at this location and liaise with the ASIC to enforce the Directors’ cooperation.
- 6.5. Whilst I have not received the RATA from the Directors, I have continued with my investigations with limited books and records.
- 6.6. A summary of my initial findings are detailed in Table 4 below:-

	Paragraph Reference	RATA	Financial Position as at 30 June 2008	Liquidator’s Estimated Realisable Value
		\$	\$	\$
Current Assets				
Cash & Cash Equivalents	6.8	-	22,496	402
Debtor	6.12	-	12,150	Unknown
Total Current Assets		-	34,646	402
Current Liabilities				
ATO	6.13	-	-	432,428
Loans - The Directors	6.15	-	117,816	117,816
Loans – Previous Directors	6.19	-	22,293	22,293
Andrew Edward Barnes	6.19	-	32,213	32,213
Total Current Liabilities		-	172,322	604,750
Working Capital/(Deficiency)		-	(137,676)	(604,348)
Non-Current Assets				
Financial Assets	6.8	-	136,207	146,073
Intangible Assets		-	997	Nil
Total Non-Current Assets		-	137,204	146,073
Non-Current Liabilities				
Other Bank Accounts		-	(492)	-
Total Non-Current Liabilities		-	(492.00)	-
Net Liabilities		-	(20)	(458,275)

Table 4: Summary Liquidator’s Findings

- 6.7. A detailed Comparative Statement of Financial Position of the Company for the years ended 30 June 2005 to 30 June 2008 is attached as Annexure B.

Cash and Cash Equivalents

- 6.8. Upon my appointment I wrote to numerous financial institutions seeking to identify accounts currently held or previously held in the name of the Company, either in its own capacity or as Trustee of the Family Trust or the Super Fund.
- 6.9. Numerous accounts have been identified but only 2 remained operative with funds at the date of my appointment, these being:-
- 6.9.1. A cheque account with a balance of \$402.21 held in the name of the Company as trustee for the Family Trust; and
- 6.9.2. An investment account with a balance of \$146,703.12 held in the name of the Company.
- 6.10. These funds have now been recovered and are shown as receipts in the Statement of Receipts and Payments attached as Annexure C.
- 6.11. Another investment account was closed on 16 May 2008 with the balance at that date of \$768,162.35 being disbursed to beneficiaries of the Family Trust under the guise of a Trust distribution in part satisfaction of beneficiary loan accounts. The recipients of those funds were:-
- 6.11.1. James Robert Barnes in the amount of \$236,112.65;
- 6.11.2. Richard James Barnes in the amount of \$247,264.86; and
- 6.11.3. Andrew Edward Barnes in the amount of \$284,784.84.

Debtor

- 6.12. The Company's Financial Statements as at 30 June 2008 refer to an amount owed of \$12,150 from an unknown individual. My investigations are continuing.

ATO

- 6.13. The creditor of \$432,428 represents the ATO judgement debt obtained in the Federal Court of Australia against the Company and upon which the Company was wound up.
- 6.14. Apart from possible claims for loans owing as noted below, the ATO is the only known creditor at this time.

Loans – the Directors

- 6.15. The loans owed to the Directors (John Barnes and Judith Barnes) represent unpaid trust distributions as at the relevant dates.
- 6.16. As at 30 June 2006, the Director loans owed totalled \$1,430,787. During the year ended 30 June 2007 cash distributions to the Directors were made in reduction of their loan accounts totalling \$1,283,103.
- 6.17. Further small reductions were made in the Director loan accounts during the year ended 30 June 2008.

6.18. Whilst the records of the Company indicate the Directors are creditors, my preliminary investigations lean towards a claim existing against the Directors which would counter any creditor claim. Indeed, the reduction in the Director loan accounts may be voidable as outlined further in paragraphs 7.14 to 7.16. However, as the Directors are bankrupt, a commercial recovery may not be possible.

Loans – the Previous Directors and Andrew Edwards Barnes

6.19. The Previous Directors and Andrew Edwards Barnes are beneficiaries of the Family Trust and the children of the Directors (“the Related Parties”).

6.20. As beneficiaries of the Family Trust, they have received entitlements to trust profits by way of resolutions of the Directors at various times giving rise to loan accounts for monies owed; that is the profits were at the relevant time not distributed to the Related Parties.

6.21. However, investigations indicate that prior to the winding up, cash payments were made from Company funds controlled by the Directors to or for the benefit of the Related Parties as summarised below in Table 5.

	\$
James Robert Barnes	501,127.65
Richard John Barnes	369,150.86
Andrew Edward	376,468.84
Total	<u>\$1,246,747.25</u>

Table 5: Summary of Known Payments to Related Parties

6.22. The reduction in the loan accounts were initiated by the Directors, and possibly others, at times when:-

6.22.1. The Previous Directors were directors of the Company;

6.22.2. The Company’s accountant was also an Alternate Director; and

6.22.3. The ATO had previously issued a Garnishee Notice against the Company and which remained unsatisfied.

6.23. I believe these circumstances give rise to claims against various parties which are discussed further in paragraphs 7.15 and 7.16 below.

7. Investigations into the Company’s Affairs

7.1. As noted above, my investigations to date have been limited and are preliminary in nature at this time. Details of the work undertaken to date and my key findings are outlined below together with possible recovery avenues, if any.

7.2. As previously noted my investigations are continuing. The focus of these investigations is outlined at paragraph 7.24 below.

Investigations Undertaken

- 7.3. Various investigative tasks have been undertaken for the purposes of seeking to identify assets and recovery actions for the benefit of creditors, including the following:
 - 7.3.1. Numerous searches on both the Company and the Directors, including:
 - 7.3.1.1. Current / historical ASIC organisational search on the Company and related entities;
 - 7.3.1.2. A current / historical ASIC personal search on the Directors;
 - 7.3.1.3. National Land Title searches;
 - 7.3.1.4. Business Name searches;
 - 7.3.1.5. Motor vehicle searches, and
 - 7.3.1.6. Contacting all the major banks.
 - 7.3.2. A review of Company books and records to hand.
 - 7.3.3. Investigations of the Company's records to identify possible recoveries including voidable transactions under s588FA to s588FE of the Act for the benefit of creditors.
 - 7.3.4. These searches gave no indication of any property or other assets in the name of the Directors and the Previous Directors.

Causes of Failure

- 7.4. My preliminary investigations suggest that the failure of the Company was caused by the conduct of the Directors, and possibly others including Alternate Directors, particularly in facilitating the disbursement of significant sums of money to the Related Parties and possibly others, including themselves.
- 7.5. As noted above, I have been unable to ascertain from the Directors what they consider to be the cause or causes of the Company's failure.

Books and Records

- 7.6. Upon my appointment I issued demands to the Directors and the Company's accountant for the Company's books and records.
- 7.7. As noted above, I have had no contact with the Directors and accordingly, no records have been provided by them.
- 7.8. The Company's accountant provided books and records of the Company but specifically declined to provide the records relating to the Family Trust on the basis that the Company was no longer the Trustee of the Family Trust as noted at paragraph 4.6.
- 7.9. I subsequently sought and obtained the assistance of the ASIC in requiring the Company's accountant to deliver up the books and records of the Family Trust.

- 7.10. On 17 March 2010 the Company's accountant provided the books and records of the Family Trust and the Super Fund.
- 7.11. The books and records now in my possession include Balance Sheets and Statements of Profit and Loss for the financial years ended 30 June 2005 to 30 June 2008, various bank statements and working papers in support of the abovementioned financial statements.
- 7.12. Whilst I believe not all the books and records of the Company have been provided at this time, particularly source records, I believe the books and records of the Company have been properly maintained in accordance with Section 286 of the Act.

Chronology of Relevant Events

- 7.13. To provide creditors with an understanding of the pre-cursors to the Company's insolvency and my appointment as Liquidator, I have set out below a chronology of relevant events:

Date	Comment
11 June 1998	Date of incorporation of the Company; the Directors were appointed as directors of the Company, the Company was appointed as Trustee of the Family Trust and the Company consented to act as Trustee of the Super Fund
20 April 2001	Mr James Robert Barnes and Mr Tayler were appointed as alternate directors of the Company
2005	ATO suspected that the Directors had transferred large amounts of moneys offshore to avoid paying tax
12 September 2006	James Robert Barnes and Richard John Barnes were appointed as directors of the Company
February 2007	The Directors departed Australia
26 March 2007	A sum of \$500,028 was withdrawn from a Company bank account and transferred. Enquiries are continuing
22 June 2007	Garnishee Notices pursuant Section 260-5 of the Tax Act were issued by the ATO against the Company in relation to the personal tax liabilities of the Directors
Year ended 30 June 2007	Repayment of Directors Loans in the amount of \$1,283,103
August 2007	James Robert Barnes, Richard John Barnes and Andrew Edward Barnes left Australia
18 October 2007	A total sum of \$478,585.00 was withdrawn from a CFS account and transferred or paid to the benefit of:- <ul style="list-style-type: none"> • James Robert Barnes in the amount of \$265,015.00; • Richard John Barnes in the amount of \$121,886.00; and

	<ul style="list-style-type: none"> • Andrew Edward Barnes in the amount of \$91,684.00
October 2007	The Directors' residence located in Subiaco, Western Australia was sold for approximately \$1.8 million with the proceeds garnisheed by the ATO;
16 May 2008	<p>A total sum of \$768,162.35 was withdrawn from a CFS account and transferred or paid to the benefit of:-</p> <ul style="list-style-type: none"> • James Robert Barnes in the amount of \$236,112.65; • Richard John Barnes in the amount of \$247,264.86; and • Andrew Edward Barnes in the amount of \$284,784.84
1 October 2008	Mr Tayler ceased to act as Alternate Director of the Company;
12 December 2008	Mr Warner was appointed as Trustee of the Directors
30 June 2009	James Robert Barnes and Richard John Barnes ceased to act as directors and James Robert Barnes ceased to act as Alternate Director
7 August 2009	A judgement debt was made against the Company for an amount of \$432,428.02 (including interest) in the Federal Court of Australia
28 October 2009	Date of Winding up Petition filed by the ATO
1 December 2009	Official Liquidator appointed

Voidable Transactions

7.14. Pursuant to Part 5.7B of the Act, a liquidator may void certain transactions of a company in respect of money, property or other benefits for the benefit of creditors. Such voidable transactions may consist of:-

7.14.1. Unfair Preferences (section 588FA) – these are transactions between the Company and a creditor resulting in the creditor receiving more than the creditor would receive if the transactions were set aside and the creditor claimed for this amount in the winding-up. Any such voidable transactions must arise in the period beginning six months prior to the relation back day. For the purposes of the Company, the relation back period commenced on 20 October 2008.

7.14.2. Uncommercial Transactions (section 588FB) – these are transactions entered into that a reasonable person would not have entered into having regard to the benefit to the Company, the detriment to the Company and the benefit to the other parties involved in the transaction. In this instance, it is not necessary for a creditor to be a party to the transaction. Such transactions are only voidable if the Company was insolvent at the time of the transaction.

7.14.3. Insolvent Transactions (section 588FC) – these transactions are unfair preferences or uncommercial transactions (refer above) entered into when the

Company was insolvent or became insolvent as a result of entering into the transaction. Only unfair preferences which have occurred within six months of the relation back day and uncommercial transactions which have occurred within two years of the commencement of the liquidation can be recovered.

- 7.14.4. Unfair Loans to a Company (section 588FD) – representing loans made to the Company where interest or other charges on the loan were extortionate. These transactions can be recovered regardless of when they were entered into.
- 7.14.5. Unreasonable Director-Related Transactions (section 588FDA) – being transactions that a reasonable person in the Company’s circumstances would not have entered into having regard to the benefit to the Company (and other parties to the transaction) and the detriment to the Company. These transactions may be voided if they occurred within four years of the relation back day.
- 7.14.6. Related Party Transactions (section 588FE (4)) – representing insolvent transactions (unfair preferences or uncommercial transactions) with a related party within four years prior to the relation back date.
- 7.14.7. Transactions Entered into for the Purpose of Defeating Creditors (section 588FE (5)) – representing insolvent transaction (unfair preferences or uncommercial transactions) entered into for the purpose of defeating, delaying or interfering with the rights of creditors within ten years prior to the commencement of the liquidation.

Unreasonable Director Related Transactions

- 7.15. My preliminary investigations have not identified any voidable transaction with the exception of Unreasonable Director Related Transactions pursuant to Section 588FDA, in relation to payments made to the Related Parties totalling approximately \$1.25 million as outlined at paragraph 6.21 above.
- 7.16. Further investigations into these transactions and others will be undertaken to ascertain the likelihood of recovery and whether the Company and/or the Liquidator may have valid claims and/or equitable interests in assets held overseas.

Insolvent Trading Analysis

- 7.17. A company is insolvent when it is unable to meet its debts as and when they fall due.
- 7.18. The determination of insolvency is a question of fact, at a particular point in time, to be assessed by considering the tests of insolvency known as the “cash flow test” and the “balance sheet test”. Other factors of a commercial and financial nature will also be considered by the Courts. Common law precedents have determined the “cash flow test” as being the more relevant test.
- 7.19. Pursuant to Section 588G of the Act, a director of a company has a duty to prevent a company from incurring a debt when a company is insolvent or there are reasonable grounds to suspect a company is or would become insolvent.
- 7.20. Pursuant to Section 588M of the Act, a liquidator (and in some circumstances a creditor) may recover from a Director, losses suffered by creditors from transactions entered into at a time when a company was insolvent.
- 7.21. Section 588H of the Act provides a number of defences for Directors in respect of actions under Section 588G and 588M of the Act.

- 7.22. Where a company has failed to keep adequate financial records for a period as required by subsection 286(1) of the Act the company is presumed pursuant to section 588E(4) to have been insolvent throughout the period.
- 7.23. In order to establish a case for insolvent trading against a Director, a liquidator must establish that a Director or a reasonable person in the Director's position ought to have been aware that the company was insolvent at a particular time. Furthermore, the liquidator ought to investigate the financial position of the Director in question, prior to pursuing any claim for insolvent trading to establish whether the potential litigation is commercially viable.

Future Investigations

- 7.24. Investigations are continuing and are likely to include the following:-
- 7.24.1. Tracing of monies disbursed to Related Parties and totalling at least \$1.246 million (refer to paragraph 6.21 and Table 5);
 - 7.24.2. Tracing of monies possibly disbursed to the benefit of the Directors, locally and overseas;
 - 7.24.3. Continue to liaise with the Bankruptcy Trustee regarding his investigations particularly in relation to assets known by him to exist overseas;
 - 7.24.4. Ascertaining the existence of any equitable claim or other interests that the Company and / or the Liquidator may have in any assets, including overseas assets;
 - 7.24.5. Public examinations of various parties, including the Company's accountant and Related Parties;
 - 7.24.6. The verification and commercial merits of pursuing voidable transaction claims against Related Parties (refer paragraphs 7.15 and 7.16);
 - 7.24.7. Continue to liaise with the ATO regarding the findings and conduct of the liquidation; and
 - 7.24.8. Liaising with and reporting to statutory authorities as deemed necessary and appropriate.

8. Dividend

- 8.1. The likelihood of a dividend to creditors is uncertain at this time and is dependent upon the following factors:-
- 8.1.1. The extent of ongoing investigations;
 - 8.1.2. The identification and successful recovery of possible claims including voidable transactions;
 - 8.1.3. The quantum of creditor claims;
 - 8.1.4. The extent of investigations undertaken by statutory authorities, if any; and
 - 8.1.5. Costs of the winding up including possible legal costs.

9. Report to Australian Securities and Investments Commission

- 9.1. Pursuant to Section 533 of the Act, I am required to lodge a report with the ASIC where I am of the opinion that :
- 9.1.1. A past or present officer or employee, or a member or contributory, of the company may have been guilty of an offence under a law of the Commonwealth or a State or Territory in relation to the company; or
 - 9.1.2. A person who has taken part in the formation, promotion, administration, management or winding up of the company:
 - 9.1.2.1. May have misapplied or retained, or may have become liable or accountable for, any money or property of the company; or
 - 9.1.2.2. May have been guilty of any negligence, default, breach of duty or breach of trust in relation to the company; or
 - 9.1.2.3. The company may be unable to pay its unsecured creditors more than 50 cents in the dollar;
- 9.2. A report will be lodged prior to the forthcoming meeting of creditors.

10. Liquidator's Receipts and Payments

- 10.1. Attached as Annexure C is a Summary of the Liquidator's Receipts and Payments for the period 1 December 2009 to 10 June 2010.

11. Liquidator's Remuneration

- 11.1. Please refer to the attached the Liquidator's Remuneration Report.

12. Finalisation

- 12.1. The liquidation will be finalised upon obtaining necessary clearance from statutory bodies, including the ASIC, and having concluded all necessary and appropriate investigations and asset recoveries on a commercial basis.

Should you have any queries, please contact Breck Robertson of my office on (08) 9261 9116 or the undersigned.

Yours faithfully



NEIL CRABB
Official Liquidator

Barnes Developments Pty Ltd (In Liquidation)
ACN 082 954 952
As Trustee for "The Barnes Family Trust"

Comparative Statement of Financial Performance

	Prepared by External Accountant			
	Year Ended 30-Jun-05	Year Ended 30-Jun-06	Year Ended 30-Jun-07	The Period to 30-Jun-08
<u>Income</u>	\$	\$	\$	\$
Revenue	305,998	283,824	434,732	181,839
Other Income	-	-	357,664	(1,156)
Gross Profit from Trading	-	271,683	-	-
Profit (Loss) on Disposal of Investments	4,449	-	-	-
Gross Profit	310,447	555,507	792,396	180,683
<u>Expenses</u>				
Accountancy Fees	2,887	1,410	11,870	18,025
Depreciation & Amortisation Expenses	1,823	3,665	588	4
Bank Charges	642	1,599	-	-
Filing Fees	212	-	-	-
General Expenses	-	126	-	-
Interest Paid	45,141	13,627	-	-
ISP Provider	763	454	-	-
Legal Costs	8,177	-	-	-
Parking Fees	98	43	-	-
Postage	20	-	-	-
Printing & Stationery	360	453	-	-
Repairs & Maintenance	208	778	-	-
Selling Commission	-	14,545	-	-
Selling Expenses	-	734	-	-
Staff Training & Welfare	-	360	-	-
Telephone	401	525	-	-
Other Expenses	-	-	13,393	6,791
Total Expenses	60,732	38,319	25,851	24,820
Net Profit/(Loss)	249,715	517,188	766,545	155,863
Accumulated Profits / (Loss)	249,715	766,903	1,533,448	1,689,311

Barnes Developments Pty Ltd (In Liquidation)
ACN 082 954 952
As Trustee for "The Barnes Family Trust"

Comparative Statement of Financial Position

	Prepared by External Accountant			
	Year Ended 30-Jun-05	Year Ended 30-Jun-06	Year Ended 30-Jun-07	The Period to 30-Jun-08
<u>Current Assets</u>				
Cash & Cash Equivalents	107,144	41,418	7,056	21,242
Trade & Other Receivables	1,003	-	-	-
Inventories	222,318	-	-	-
Accrued Income	107,832	95,550	180,493	1,254
Prepaid Borrowing Expenses	3,006	-	-	-
Less Amortisation	(251)	-	-	-
Total Current Assets	441,052	136,968	187,549	22,496
<u>Current Liabilities</u>				
John Barnes	448,647	1,035,444	73,842	58,908
Judith Barnes	448,648	395,343	73,842	58,908
James Robert Barnes (26-11-80)	159,470	265,015	236,113	872
Richard John Barnes (11-12-81)	32,682	121,866	247,265	21,421
Andrew Edward Barnes (23-6-88)	-	91,684	243,859	32,213
Dorothy Walton	-	-	-	(12,150)
Other Creditors	-	327	-	-
Tax Clearing Account	-	23,516	-	-
Total Current Liabilities	1,089,447	1,933,195	874,921	160,172
Working Capital/(Deficiency)	(648,395)	(1,796,227)	(687,372)	(137,676)
<u>Non-Current Assets</u>				
Financial Assets	1,892,501	1,892,501	886,207	136,207
Property, Plant and Equipment	2,658	1,748	1,160	-
Intangible Assets	997	997	997	997
Total Non-Current Assets	1,896,156	1,895,246	888,364	137,204
<u>Non-Current Liabilities</u>				
Loan - Viridian Line of Credit	(49)	98,999	100,335	(90)
Loan - 675208707	43,502	-	-	-
Loan - 675208504	123,988	-	-	-
Loan - 70817206	1,080,300	-	-	-
Loan - Line of Credit - 10859256	-	-	100,637	(402)
Total Non-Current Liabilities	1,247,741	98,999	200,972	(492)
Net Assets: Surplus/(Deficiency)	20	20	20	20

Barnes Developments Pty Ltd (In Liquidation)
ACN 082 954 952
Formerly trustee of the Barnes Family Trust
As trustee of the Sapphire Superannuation Fund

Liquidator's Receipts & Payments
For the period from 1 December 2009 to 10 June 2010

RECEIPTS	\$
Funds Recovered from Commonwealth Investment Funds (Account Number: 39057500)	146,703.12
Funds Recovered from Commonwealth Bank of Australia (Account Number 60001089256)	402.21
Bank Interest Earned	824.79
Total Receipts to 10 June 2010	<u>147,930.12</u>
PAYMENTS	
Bank Charges	47.00
Total Payments to 10 June 2010	<u>47.00</u>
Cash at Bank as at 10 June 2010	<u><u>147,883.12</u></u>

Email: breck.robertson.rsmi.com.au

11 June 2010

LIQUIDATOR'S REMUNERATION REPORT

Barnes Developments Pty Ltd (In Liquidation)
ACN 082 954 952 ("the Company")
Formerly trustee of the Barnes Family Trust
As trustee of the Sapphire Superannuation Fund

1. Statement of Remuneration Claim

- 1.1. This Remuneration Report is prepared in accordance with the Insolvency Practitioners Association of Australia Code of Professional Practice, for the purpose of providing creditors with meaningful disclosure on the work undertaken to allow creditors to make an informed decision on approving the Liquidator's current and future remuneration resolutions.

Current Remuneration Claim

- 1.2. At the forthcoming meeting of creditors, the Liquidator will be seeking creditors' approval for the remuneration of the Liquidator and his staff for the period 1 December 2009 to 10 June 2010 in the amount of \$28,857.55 (plus GST).
- 1.3. Creditors will be asked to consider and, if thought appropriate, resolve:-
- "That the remuneration of the Liquidator and his staff is hereby affixed on a time basis in accordance with the hourly rates set by RSM Bird Cameron Partners from time to time for the period from 1 December 2009 to 10 June 2010 in the sum of \$28,857.55 (plus GST) be approved and paid".*
- 1.4. A description of the work completed and a calculation of my remuneration for the period 1 December 2009 to 10 June 2010 are attached as "Annexure A" and "Annexure B" respectively.

Future Remuneration Claim

- 1.5. At the forthcoming meeting of creditors, the Liquidator will be seeking creditors' approval for the future remuneration of the Liquidator and his staff for the period from 11 June 2010 in the amount of \$80,000.00 (plus GST).

Document9

Liability limited by a
scheme approved under
Professional Standards
Legislation

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

RSM Bird Cameron Partners is an
independent member firm of RSM
International, an affiliation of independent
accounting and consulting firms.

- 1.6. Creditors will be asked to consider and, if thought appropriate, resolve:-

“That the future remuneration of the Liquidator and his staff from 11 June 2010 is hereby affixed on a time basis in accordance with the hourly rates set by RSM Bird Cameron Partners from time to time subject to an overall limit of \$80,000.00 (plus GST) and that the Liquidator be authorised to make payments on account of such accruing remuneration.”

- 1.7. A description of work expected to be undertaken and a calculation of my expected remuneration from 11 June 2010 to finalisation of the liquidation is attached as “Annexure C” and “Annexure D” respectively.
- 1.8. The above listed tasks and associated costs are estimates only. These estimates are based on our understanding of the Company’s affairs. Actual tasks undertaken and associated costs will be dependant on the matters encountered in finalising the liquidation.

Explanation of Hourly Rates

- 1.9. The rates for the remuneration calculation are set out in the following table together with a general guide showing the qualifications and experience of staff engaged in the administration and the role they take in the administration. The hourly rates charged encompass the total cost of providing professional services and should not be compared to an hourly wage.

Classification	Rate (\$)	Experience
Partner/Appointee	384.31	The Partner/Appointee is a registered Liquidator and member of the ICAA and IPAA bringing specialist skills to the administration or insolvency task. For specific experience and other details of the appointee/s, please visit our website at www.rsmi.com.au
Manager I	277.56	Generally, more than 7 years experience with at least 2 years as a Manager. University degree; member of the ICAA and IPAA; very strong knowledge of relevant insolvency legislation and issues.
Supervisor	202.83	Generally, 4 – 6 years chartered accounting or insolvency management experience. University degree; member of the ICAA; completing IPAA Insolvency Education Program. Good knowledge of relevant insolvency legislation and issues.
Senior I	160.13	Generally, 2 – 4 years chartered accounting or insolvency management experience. University degree; completing the ICAA’s CA program. Good knowledge of basic insolvency legislation and issues.
Senior II	149.45	Generally, 2 – 3 years chartered accounting or insolvency management experience. University degree, ICAA’s CA program commenced.

Intermediate I	138.78	0 to 2 years experience. Has completed or substantially completed a degree in finance/accounting. Under supervision, takes direction from senior staff in completing administrative tasks.
Intermediate II	117.43	0 – 1 year experience. Undertaking a degree part-time in finance/accounting. Under supervision, takes direction from senior staff in completing administrative tasks.
Personal Assistant	123.83	Appropriate skills including machine usage.
Secretary	123.83	Appropriate skills including machine usage.

2. Disbursements

2.1. Disbursements are divided into three types: **A, B1, B2.**

A Disbursements are all externally provided professional services and are recovered at cost. An example of an A disbursement is legal fees.

B1 Disbursements are externally provided non-professional costs such as search fees, advertising and storage. B1 disbursements are recovered at cost.

B2 Disbursements are internally provided non-professional costs such as photocopying and document storage. B2 disbursements are charged at cost except for photocopying, printing and telephone calls which are charged at a rate which is intended to recoup both variable and fixed costs.

Disbursements for the period from 11 June 2010.

2.2. Full details of estimated disbursements up to finalisation of the appointment are as follows:

A Legal fees \$50,000.00;

B1 Advertising and search fees \$1,200.00; and

B2 Faxes, postage, stationery and printing to a maximum of \$300.00.

2.3. I note the above listed costs are estimates only. These estimates are based on my limited understanding of the Company's affairs. Actual costs incurred will be dependent on the matters encountered in the liquidation.

Should you have any queries, please contact Breck Robertson on (08) 9261 9116.

Yours faithfully



NEIL CRABB
Official Liquidator

Barnes Developments Pty Ltd (In Liquidation)
Formerly trustee of the Barnes Family Trust
As trustee of the Sapphire Superannuation Fund
ACN: 082 954 952

Remuneration Report

Part 2: Description of Work Completed

Period From 01 December 2009 to 10 June 2010

Task Area	General Description	Includes
Assets [\$1,332.16]	Other Assets	Correspondence with Commonwealth Bank re cash balances in the company's accounts and the investment assets and closure of bank accounts
Creditors [\$4,469.96]	Creditor Reports	Preparing reports, investigation and meeting
	Creditor Enquiries	Receive and follow up creditor enquiries via telephone / email Review and prepare correspondence to creditors via letter/fax/email
	Meetings of Creditors	Preparation of notices, proxies and advertisements Forwarding notice of meeting to all known creditors Preparation for meeting including agenda, attendance register, list of creditors, advertisement, draft minutes
Trade On [\$517.85]	Processing Receipts	Preparation of receipt forms for input into internal computer system Liaising with accounts receivable regarding receipts
	Processing Payments	Preparation of payment forms for input into internal computer system Liaising with accounts payable regarding payments
Investigation [\$15,835.58]	Conducting Investigation	Searches company's Commonwealth Bank and Commonwealth Financial Services accounts Traces of certain bank transactions Collection / copying relevant company books and records Searches (property, charges, ASIC) ASIC correspondence regarding access to RATA and records Correspondence with Commonwealth Bank re transactions of the company's accounts Liaised with bankruptcy trustee of the company's directors re addresses and assets Review of company records / financial statements Review of cashbook for voidable transactions and dealings of the company's directors Preparation of investigation file
	Litigation / Recoveries	Liaised with ASIC re position of accountants of the company
	ASIC Reporting	Preparation of statutory investigation reports (e.g. 496/533) Correspondence with ASIC re non lodgement of books and records Report to ASIC re no RATA Correspondence with ASIC re assistance for pursuing RATA and company records
Administration [\$6,702.00]	Checklists / File Review	Initial and bi monthly reviews File review Checklist completion
	Appointment Documents	Court order
	RATA	Liaising with ASIC and Court re non lodgement of RATA
	Directors / Officers	Email correspondence to directors and accountants re RATA, company records Liaised with ASIC re non lodgement of RATA
	ASIC Forms	Preparing and lodgement of ASIC forms including 524, 505, 911 etc Correspondence with Accountants re company records
	ATO & other statutory reporting	Notification of appointment and registration Preparation and lodgement of BAS returns
	Bank Account Administration	Opening administration bank account Bank account reconciliations Bank correspondence
	Insurance	Notification to Willis
	Books and Records / Storage	Preparation records listing Liaised with Accountants re company records Review of books and records Make determination of correct books and records per Section 286 of the Corporations Act 2001

Barnes Developments Pty Ltd (In Liquidation)
Formerly trustee of the Barnes Family Trust
As trustee of the Sapphire Superannuation Fund
ACN: 082 954 952

Remuneration Report

Part 1: Calculation of Remuneration

Period From 01 December 2009 to 10 June 2010

Employee	Position	Average \$ / hour (ex GST)	Total actual hours	Total (\$)	Task Area				
					Assets (\$)	Creditors (\$)	Trade on (\$)	Investigation (\$)	Administration (\$)
Mark Conlan	Partner	384.30	0.7	269.01	269.01				
Neil Cribb	Partner	384.31	14.7	5,649.30	115.29	2,613.30		2,036.82	883.89
Clare Hayman	Manager 1	277.55	0.4	111.02					111.02
Lalitha Samykanno	Manager 2	202.83	9.0	1,825.49	324.53	60.85		1,156.15	283.96
Breck Robertson	Senior 1	160.13	76.5	12,250.16	80.07	1,393.14	400.33	8,791.29	1,585.33
Miranda Ho	Senior 2	149.45	25.3	3,781.12	164.40	254.07		3,272.98	89.67
Johnathon Busing	Intermediate 1	130.61	23.2	3,030.05	65.00		78.88	143.00	2,743.17
Mei Huang	Intermediate 1	137.14	3.9	534.85	249.81		13.88	97.15	174.01
Terri Hoy	Personal Assistant	123.83	1.2	148.60			24.76		123.84
Hayley Forshaw	Secretary	123.83	5.4	668.68		148.60		37.15	482.93
COREY TURNER	Junior	64.05	9.2	589.27	64.05			301.04	224.18
TOTAL (excluding GST)		170.25	169.5	28,857.55	1,332.16	4,469.96	517.85	15,835.58	6,702.00
GST				\$2,885.76					
TOTAL (including GST)				\$ 31,743.31					

Disbursements

Type A		\$ -
Type B1	Advertising	269.80
	Search Fees	947.90
	Storage	3.00
Type B2	Faxes	27.00
	Photocopying	63.20
	Postage	99.85
TOTAL		1,410.75
GST		141.08
TOTAL (Including GST)		\$1,551.83
GRAND TOTAL		\$33,295.13

Notes:

Type A: Externally provided - professional services

Type B1: Externally provided - non-professional services

Type B2: Internally provided - non-professional services

ANNEXURE "B"

Barnes Developments Pty Ltd (In liquidation)
Formerly trustee of the Barnes Family Trust

ACN: 082 954 952

Remuneration Report

For the period from 11 June 2010

Task Area	General Description	Includes
Creditors [\$15,000.00]	Creditor Reports	Preparing Creditor Reports, investigation, meeting and general reports
	Creditor Enquiries	Receive and follow up creditor enquiries via telephone / email Review and prepare correspondence to creditors via letter/fax/email Correspondence with committee of creditors meetings
	Meetings of Creditors	Preparation of notices, proxies and advertisements Forwarding notice of meeting to all known creditors Preparation for meeting including agenda, attendance register, list of creditors, advertisement, draft minutes Finalisation and lodgement of minutes with ASIC Stakeholders queries re meeting outcomes
	Proofs of Debts - Receipt	Receipting and filing POD's
Trade On [\$1,600.00]	Processing Receipts	Preparation of receipt forms for input into internal computer system Liaising with accounts receivable regarding receipts
	Processing Payments	Preparation of payment forms for input into internal computer system Liaising with accounts payable regarding payments
Investigation [\$55,000.00]	Conducting Investigation	Collection / copying relevant company books and records ASIC correspondence regarding access to RATA and records Review of company records / financial statements Further investigation into potential voidable transactions Preparation of investigation files
	Public Examinations	Preparation of brief to solicitors and discussions with solicitors Liaison with bankruptcy trustee of the Company's directors Assessment of potential public examination of relevant individuals and parties Assessment of further actions available Attendance at examination
	Litigation / Recoveries	Determination of potential actions and brief to solicitors Liaising with solicitors in respect to recoveries and legal advice for cross boarder jurisdictions Settlement negotiations
	ASIC Reporting	Preparation of statutory investigation reports (e.g. 496/533) Liaising with ASIC
Dividend [\$4,600.00]	Processing Proofs of Debt	Correspondence to creditors calling for POD's Receipt and registration of POD's Assessment and adjudication of POD's Correspondence to claimant requesting further information Advising claimant of outcome of adjudication (admit/reject)
	Dividend Procedures	Preparation of notices to creditors of intention to declare dividend Advertisement of dividend Calculation of dividend Preparation of dividend distribution (cheques/letters) Preparation of dividend file Correspondence to creditors with dividend payment
Administration [\$3,800.00]	Checklists / File Review	Initial and bi monthly reviews File review Checklist completion
	RAT	Liaising with Directors / accountants / debtor re preparation Receipt and lodgement at ASIC Processing into internal computer system Application for extension of time / ASIC report re non compliance
	ASIC Forms	Preparing and lodgement of ASIC forms including 524,505, 911 etc Correspondence with ASIC regarding statutory forms
	Bank Account Administration	Bank account reconciliations Bank correspondence
	Finalisation	Notifying statutory authorities of finalisation (ATO/OSR) Cancellation of ABN/GST/PAYG registration Completing checklists Finalising WIP / Billings
	Books and Records / Storage	Dealing with records in storage Sending job files to and from storage
	Remuneration	Workpapers re WIP reports / Billings Schedule of Fee approvals Preparation of billing reports

Barnes Developments Pty Ltd (In liquidation)
Formerly trustee of the Barnes Family Trust
As trustee of the Sapphire Superannuation Fund
ACN: 082 954 952

Remuneration Report

For the period from 11 June 2010

Employee	Position	Average \$ / hour (ex GST)	Total actual hours	Total (\$)	Task Area				
					Creditors (\$)	Trade on (\$)	Investigation (\$)	Dividends (\$)	Administration (\$)
Neil Cribb	Partner	384.31	55.9	21,500.00	7,000.00		13,000.00	1,500.00	
Lalitha Samykanno	Supervisor	202.83	14.8	3,000.00			3,000.00		
Breck Robertson	Senior I	160.13	146.8	23,500.00	6,000.00		15,000.00	1,500.00	1,000.00
Miranda Ho	Senior II	149.45	114.4	17,100.00	2,000.00		13,500.00	600.00	1,000.00
Johnathon Busing	Intermediate I	117.43	51.9	6,100.00			5,500.00	600.00	
Corey Turner	Intermediate II	117.43	42.6	5,000.00			5,000.00		
Terri Hoy	Personal Assistant	123.83	14.5	1,800.00		800.00		200.00	800.00
Hayley Forshaw	Secretary	123.83	16.2	2,000.00		800.00		200.00	1,000.00
TOTAL (excluding GST)		175.01	457.1	80,000.00	15,000.00	1,600.00	55,000.00	4,600.00	3,800.00

GST \$8,000.00

TOTAL (including GST) \$ 88,000.00

Disbursements

Type A Legal Fees \$ 50,000.00

Type B1 Advertising 1,000.00
Search Fees 200.00

Type B2 Faxes 100.00
Photocopying 100.00
Postage 100.00

TOTAL 51,500.00

GST 5,150.00

TOTAL (Including GST) \$56,650.00

GRAND TOTAL \$144,650.00

Notes:

Type A: Externally provided - professional services

Type B1: Externally provided - non-professional services

Type B2: Internally provided - non-professional services

ANNEXURE "D"

FORM 535
CORPORATIONS ACT 2001

Subregulation 5.6.49(2)

FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)

ACN 082 854 852

To the Liquidator of Barnes Developments Pty Ltd (In Liquidation)

1. This is to state that the company was, on 1 December 2009 ⁽¹⁾ and still is, justly and truly indebted to ⁽²⁾

for
dollars and cents.

Particulars of the debt are:

Date	Consideration ⁽³⁾	Amount \$	GST included \$	Remarks ⁽⁴⁾

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any manner of satisfaction or security for the sum or any part of it except for the following:⁽⁵⁾
- 3.^{(6)*} I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.
- 3.^{(6)*} I am the creditor's agent authorised in writing to make this statement in writing. I know that the debt was incurred and for the consideration stated and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.

DATED this day of 2010

Signature of Signatory

NAME IN BLOCK LETTERS

Occupation

Address.....

See Directions overleaf for the completion of this form

OFFICE USE ONLY

POD No:		ADMIT - Ordinary	\$
Date Received:	/ /	ADMIT - Preferential	\$
Entered into IPS/Computer:		Reject	\$
Amount per RATA	\$	H/Over for Consideration	\$
PREP BY/AUTHORISED		TOTAL PROOF	\$
DATE AUTHORISED	/ /		

Directions

* Strike out whichever is inapplicable.

- (1) Insert date of Court Order in winding up by the Court, or date of resolution to wind up, if a voluntary winding up.
- (2) Insert full name and address (including ABN) of the creditor and, if applicable, the creditor's partners. If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor.
- (3) Under "Consideration" state how the debt arose, for example "goods sold and delivered to the company between the dates of", "moneys advanced in respect of the Bill of Exchange".
- (4) Under "Remarks" include details of vouchers substantiating payment.
- (5) Insert particulars of all securities held. Where the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, specify them in a schedule in the following form:

Date	Drawer	Acceptor	Amount	Date Due
	\$	¢		

-
- (6) If proof is made by the creditor personally, strike the two (2) paragraphs numbered 3.
-

Annexures

- A. If space provided for a particular purpose in a form is insufficient to contain all the required information in relation to a particular item, the information must be set out in an annexure.
- B. An annexure to a form must:
 - (a) have an identifying mark;
 - (b) and be endorsed with the words:

"This is the annexure of (insert number of pages) pages marked (insert an identifying mark) referred to in the (insert description of form) signed by me/us and dated (insert date of signing); and
 - (c) be signed by each person signing the form to which the document is annexed.
- C. The pages in an annexure must be numbered consecutively.
- D. If a form has a document annexed the following particulars of the annexure must be written on the form:
 - (a) the identifying mark; and
 - (b) the number of pages.
- E. A reference to an annexure includes a document that is with a form.

CORPORATIONS ACT 2001

APPOINTMENT OF PROXY
CREDITORS MEETING

Barnes Developemnts Pty Ltd (In Liquidation)
ACN 082 954 952
("the Company")
Formerly trustee of the Barnes Family Trust
As trustee of the Sapphire Superannuation Fund

*I/*We (1)
of.....
a creditor of Barnes Developments Pty Ltd (In Liquidation), appoint (2)
.....
or in his or her absence
as *my/our *general/special proxy (3) to vote at the meeting of creditors to be held on Monday, 28 June 2010
at 12.00pm, or at any adjournment of that meeting.

Resolution	For	Against	Abstain
<i>"That the remuneration of the Liquidator and his staff is hereby affixed on a time basis in accordance with the hourly rates set by RSM Bird Cameron Partners from time to time for the period from 1 December 2009 to 10 June 2010 in the sum of \$28,857.55 (plus GST) be approved and paid".</i>			
<i>"That the future remuneration of the Liquidator and his staff from 11 June 2010 is hereby affixed on a time basis in accordance with the hourly rates set by RSM Bird Cameron Partners from time to time subject to an overall limit of \$80,000.00 (plus GST) and that the Liquidator be authorised to make payments on account of such accruing remuneration."</i>			

DATED this day of 2010.

Signature

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, of
certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him or her before he or she signed or marked the instrument.

Dated:
Signature of Witness:
Description:
Place of Residence:

- * Strike out if inapplicable
- (1) If a firm, strike out "I" and set out the full name of the firm.
 - (2) Insert the name, address and description of the person appointed.
 - (3) If a special proxy add the words "to vote for" or the words "to vote against" and specify the particular resolution.

Declaration of Independence, Relevant Relationships and Indemnities

BARNES DEVELOPMENTS PTY LTD
ACN 082 954 952
("the Company")

Independence

I, Neil Raymond Cribb of RSM Bird Cameron Partners have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as Official Liquidator of Barnes Developments Pty Ltd. This assessment identified no real or potential risks to our independence. We are not aware of any reasons that would prevent us from accepting this appointment.

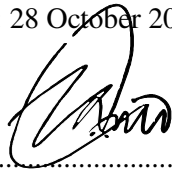
Relevant Relationships

I, nor my firm, have, or have had within the preceding 24 months, any relationships with the Company, an associate of the Company, a former insolvency practitioner appointed to the Company or any person or entity that has a charge on the whole or substantially whole of the Company's property.

Prior Engagements with the Insolvent

I, nor our firm, has undertaken any prior engagements for Barnes Developments Pty Ltd or its directors.

Dated: 28 October 2009



.....
NEIL RAYMOND CRIBB
Official Liquidator

***NOTE:** If circumstances change, or new information is identified, I am required under the IPA Code of Professional Practice to update this Declaration and provide a copy to creditors with my next communication as well as table a copy of any replacement declaration at the next meeting of the company's creditors.*



ASIC

Australian Securities & Investments Commission

INFORMATION SHEET 85

Approving fees: a guide for creditors

If a company is in financial difficulty, it can be put under the control of an independent external administrator.

This information sheet gives general information for creditors on the approval of an external administrator's fees in a liquidation of an insolvent company, voluntary administration or deed of company arrangement (other forms of external administration are not discussed in this information sheet). It outlines the rights that creditors have in the approval process.

Entitlement to fees and costs

A liquidator, voluntary administrator or deed administrator (i.e. an 'external administrator') is entitled to be:

- paid reasonable *fees*, or remuneration, for the work they perform, once these fees have been approved by a creditors' committee, creditors or a court, and
- reimbursed for out-of-pocket *costs* incurred in performing their role (these costs do not need creditors' committee, creditor or court approval).

External administrators are only entitled to an amount of fees that is reasonable for the work that they and their staff properly perform in the external administration. What is reasonable will depend on the type of external administration and the issues that need to be resolved. Some are straightforward, while others are more complex.

External administrators must undertake some tasks that may not directly benefit creditors. These include reporting potential breaches of the law and lodging a detailed listing of receipts and payments with ASIC every six months. The external administrator is entitled to be paid for completing these statutory tasks.

For more on the tasks involved, see ASIC's information sheets INFO 45 *Liquidation: a guide for creditors* and INFO 74 *Voluntary administration: a guide for creditors*.

Out-of-pocket costs that are commonly reimbursed include:

Important note: This information sheet contains a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. This document may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances. You will need a qualified professional adviser to take into account your particular circumstances and to tell you how the law applies to you.

- legal fees
- valuer's, real estate agent's and auctioneer's fees
- stationery, photocopying, telephone and postage costs
- retrieval costs for recovering the company's computer records, and
- storage costs for the company's books and records.

Creditors have a direct interest in the level of fees and costs, as the external administrator will, generally, be paid from the company's available assets before any payments to creditors. If there are not enough assets, the external administrator may have arranged for a third party to pay any shortfall. As a creditor, you should receive details of such an arrangement. If there are not enough assets to pay the fees and costs, and there is no third party payment arrangement, any shortfall is not paid.

Who may approve fees

Who may approve fees depends on the type of external administration: see Table 1. The external administrator must provide sufficient information to enable the relevant decision-making body to assess whether the fees are reasonable.

Table 1: Who may approve fees

	Creditors' committee	Creditors	Court
Administrator in a voluntary administration	✓ ¹	✓	✓
Administrator of a deed of company arrangement	✓ ¹	✓	✓
Creditors' voluntary liquidator	✓ ¹	✓ ⁵	✗ ³
Court-appointed liquidator	✓ ¹	✓ ^{4, 5}	✓ ²

¹ If there is one.

² If there is no approval by the committee or the creditors.

³ Unless an application is made for a fee review.

⁴ If there is no creditors' committee or the committee fails to approve the fees.

⁵ If insufficient creditors turn up to the meeting called by the liquidator to approve fees, the liquidator is entitled to be paid up to a maximum of \$5000, or more if specified in the Corporations Regulations 2001.

Creditors' committee approval

If there is a creditors' committee, members are chosen by a vote of creditors as a whole. In approving the fees, the members represent the interests of all the creditors, not just their own individual interests.

There is not a creditors' committee in every external administration. A creditors' committee makes its decision by a majority in number of its members present at a meeting, but it can only act if a majority of its members attend.

To find out more about creditors' committees and how they are formed, see ASIC's information sheets INFO 45 *Liquidation: a guide for creditors*, INFO 74 *Voluntary administration: a guide for creditors* and INFO 41 *Insolvency: a glossary of terms*.

Creditors' approval

Creditors approve fees by passing a resolution at a creditors' meeting. Unless creditors call for a poll, the resolution is passed if a simple majority of creditors present and voting, in person or by proxy,

indicate that they agree to the resolution. Unlike where acting as committee members, creditors may vote according to their individual interests.

If a poll is taken, rather than a vote being decided on the voices or by a show of hands, a majority in *number* and *value* of creditors present and voting must agree. A poll requires the votes of each creditor to be recorded.

A separate resolution of creditors is required for approving fees for an administrator in a voluntary administration and an administrator of a deed of company arrangement, even if the administrator is the same person in both administrations.

A proxy is where a creditor appoints someone else to represent them at a creditors' meeting and to vote on their behalf. A proxy can be either a *general* proxy or a *special* proxy. A general proxy allows the person holding the proxy to vote as they wish on a resolution, while a special proxy directs the proxy holder to vote in a particular way.

A creditor will sometimes appoint the external administrator as a proxy to vote on the creditor's behalf. An external administrator, their partners or staff must not use a general proxy to vote on approval of their fees; they must hold a special proxy in order to do this. They must vote all special proxies as directed, even those against approval of their fees.

Calculation of fees

Fees may be calculated using one of a number of different methods, such as:

- on the basis of *time spent* by the external administrator and their staff
- a quoted *fixed fee*, based on an upfront estimate, or
- a percentage of asset realisations.

Charging on a time basis is the most common method. External administrators have a scale of hourly rates, with different rates for each category of staff working on the external administration, including the external administrator.

If the external administrator intends to charge on a time basis, you should receive a copy of these hourly rates soon after their appointment and before you are asked to approve the fees.

The external administrator and their staff will record the time taken for the various tasks involved, and a record will be kept of the nature of the work performed.

It is important to note that the hourly rates do not represent an hourly wage for the external administrator and their staff. The external administrator is running a business—an insolvency practice—and the hourly rates will be based on the cost of running the business, including overheads such as rent for business premises, utilities, wages and superannuation for staff who are not charged out at an hourly rate (such as personal assistants), information technology support, office equipment and supplies, insurances, taxes, and a profit.

External administrators are professionals who are required to have qualifications and experience, be independent and maintain up-to-date skills. Many of the costs of running an insolvency practice are fixed costs that must be paid, even if there are insufficient assets available to pay the external administrator for their services. External administrators compete for work and their rates should reflect this.

These are all matters that committee members or creditors should be aware of when considering the fees presented. However, regardless of these matters, creditors have a right to question the external administrator about the fees and whether the rates are negotiable.

It is up to the external administrator to justify why the method chosen for calculating fees is an appropriate method for the particular external administration. As a creditor, you also have a right to question the external administrator about the calculation method used and how the calculation was made.

Report on proposed fees

When seeking approval of fees, the external administrator must send committee members/creditors a report with the notice of meeting setting out:

- information that will enable the committee members/creditors to make an informed assessment of whether the proposed fees are reasonable
- a summary description of the major tasks performed, or to be performed, and
- the costs associated with each of these tasks.

Committee members/creditors may be asked to approve fees for work already performed or based on an estimate of work yet to be carried out.

If the work is yet to be carried out, it is advisable to set a maximum limit ('cap') on the amount that the external administrator may receive. For example, future fees calculated according to time spent may be approved on the basis of the number of hours worked at the rates charged (as set out in the provided rate scale) up to a cap of \$X. If the work involved then exceeds this figure, the external administrator will have to ask the creditors' committee/creditors to approve a further amount of fees, after accounting for the fees already incurred.

Deciding if fees are reasonable

If asked to approve an amount of fees either as a committee member or by resolution at a creditors' meeting, your task is to decide if that amount of fees is reasonable, given the work carried out in the external administration and the results of that work.

You may find the following information from the external administrator useful in deciding if the fees claimed are reasonable:

- the method used to calculate fees
- the major tasks that have been performed, or are likely to be performed, for the fees
- the fees/estimated fees (as applicable) for each of the major tasks
- the size and complexity (or otherwise) of the external administration
- the amount of fees (if any) that have previously been approved
- if the fees are calculated, in whole or in part, on a time basis:
 - the period over which the work was, or is likely to be performed
 - if the fees are for work that has already been carried out, the time spent by each level of staff on each of the major tasks
 - if the fees are for work that is yet to be carried out, whether the fees are capped.

If you need more information about fees than is provided in the external administrator's report, you should let them know before the meeting at which fees will be voted on.

What can you do if you think the fees are not reasonable?

If you do not think the fees being claimed are reasonable, you should raise your concerns with the external administrator. It is your decision whether to vote in favour of, or against, a resolution to approve fees.

Generally, if fees are approved by a creditors' committee/creditors and you wish to challenge this decision, you may apply to the court and ask the court to review the fees. Special rules apply to court liquidations.

You may wish to seek your own legal advice if you are considering applying for a court review of the fees.

Reimbursement of out-of-pocket costs

An external administrator should be very careful incurring costs that must be paid from the external administration—as careful as if they were dealing with their own money. Their report on fees should also include information on the out-of-pocket costs of the external administration.

If you have questions about any of these costs, you should ask the external administrator and, if necessary, bring it up at a creditors' committee/creditors' meeting. If you are still concerned, you have the right to ask the court to review the costs.

Queries and complaints

You should first raise any queries or complaints with the external administrator. If this fails to resolve your concerns, including any concerns about their conduct, you can lodge a complaint with ASIC at www.asic.gov.au/complain, or write to:

ASIC Complaints
PO Box 9149
TRARALGON VIC 3844

ASIC will usually not become involved in matters of commercial judgement by an external administrator. Complaints against companies and their officers can also be made to ASIC. For other enquiries, email ASIC through infoline@asic.gov.au, or call ASIC's Infoline on 1300 300 630 for the cost of a local call.

To find out more

For an explanation of terms used in this information sheet, see ASIC's information sheet INFO 41 *Insolvency: a glossary of terms*. For more on external administration, see ASIC's related information sheets at www.asic.gov.au/insolvencyinfosheets:

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

These are also available from the Insolvency Practitioners Association (IPA) website at www.ipaa.com.au. The IPA website also contains the IPA's Code of Professional Practice for Insolvency Professionals, which applies to IPA members.