

STATEMENT OF ADMINISTRATORS' OPINION

Corporations Act - Section 439A(4)

**Supa Steel (WA) Pty Ltd (Administrators Appointed)
ACN 112 395 721 (“the Company”)**

Document1

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RSM Bird Cameron Partners is an
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accounting and consulting firms.

1. Introduction

- 1.1. On 2 July 2009, Greg Dudley and I were appointed Joint and Several Voluntary Administrators of the Company pursuant to Section 436C of the Corporations Act 2001 (“the Act”).
- 1.2. The first meeting of creditors was held on 13 July 2009, at which creditors ratified our appointment as the Joint and Several Voluntary Administrators.
- 1.3. As required by Section 439A(4)(a) of the Act, and to assist creditors in determining the future of the Company, we have conducted preliminary investigations into the Company’s business, property, affairs and financial circumstances.
- 1.4. The outcome of our enquiries and opinions in accordance with Section 439A(4)(a) of the Act are contained in this report.

Statement of Independence

- 1.5. In accordance with the Insolvency Practitioners Association of Australia – Code of Professional Conduct and Section 436DA of the Act, a Declaration of Independence, Relevant Relationships and Indemnities (“DIRRI”) was sent to creditors with notification of our appointment and was tabled at the first meeting of creditors. A copy is attached as Annexure A.
- 1.6. There have been no changes to the DIRRI since 2 July 2009.
- 1.7. Accordingly, we remain satisfied that we are not precluded by Section 448 of the Act from acting independently for the benefit of all creditors.

Second Meeting of Creditors

- 1.8. The second meeting of creditors of the Company will be held on Thursday, 6 August 2009 at 11:00am WST. Notice of the meeting is attached.
- 1.9. The purpose of the meeting is for creditors to decide the future of the Company.
- 1.10. At the meeting creditors may resolve that:
 - 1.10.1. The Company execute a Deed of Company Arrangement (“DOCA”); or
 - 1.10.2. The Administration should end; or
 - 1.10.3. The Company should be wound up; or
 - 1.10.4. Pursuant to Section 439B(2) of the Act, creditors may adjourn the meeting for up to 60 days.

Balance of Report

1.11. The balance of our report is set out under the following major headings.

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A	Declaration of Independence, Relevant Relationships and Indemnities
B	Dividend Estimate
C	ASIC Guideline for Creditors – Approving Fees
D	Schedule of Hourly Rates & General Guide to Staff Experience
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F	Description of work completed by task for the period 2 July 2009 to 27 July 2009
G	Description of work by task to be undertaken for the period 28 July 2009 to 6 August 2009
H	Description of work by task to be undertaken by future Liquidator (if any)
I	Administrators' Statement of Receipts and Payments for the period 2 July 2009 to 27 July 2009

2. Executive Summary

- 2.1. The Company has continued to trade under our control during the Voluntary Administration period with the assistance of the Directors and staff for the purpose of:-
 - 2.1.1. Completing work in progress to crystallise unrealised profits and increase future debtor and retention recoveries by limiting unliquidated damages claims;
 - 2.1.2. Facilitating a sale of the Business and Business assets as a going concern; and
 - 2.1.3. Facilitating the possible restructure of the Company pursuant to a DOCA.
- 2.2. As a result, additional funds generated for the benefit of creditors are estimated to total more than \$300,000, however endeavours to sell the Business and Business assets as a going concern have not been successful.
- 2.3. Furthermore, a DOCA proposal to settle creditor claims has not been forthcoming from either the Directors or a third party.
- 2.4. Accordingly, we believe it is in the best interest of creditors if the Company is liquidated. Further comment is made below in Section 14 – Administrators’ Opinion.
- 2.5. Our preliminary investigations into the Company’s business, property, affairs and financial circumstances indicate that:
 - 2.5.1. The Company was insolvent as at 1 January 2009 if not before;
 - 2.5.2. The secured creditor will be paid in full;
 - 2.5.3. Employee entitlements will be paid in full; and
 - 2.5.4. The return to ordinary unsecured creditors of the Company is likely to be in the order of 26 cents in the dollar but may range between 2.4 cents in the dollar and to a maximum of 69 cents in the dollar (refer to Annexure B); and
 - 2.5.5. The return to unsecured creditors is dependent upon the ultimate realisation from:-
 - 2.5.5.1. The Company’s assets, including the Premises, debtors, contract retentions, and plant and equipment;
 - 2.5.5.2. The quantum of creditor claims including the secured creditor and the outcome of guarantees provided, partly secured creditors and the claims of related parties and creditors generally; and
 - 2.5.5.3. Recoveries of Voidable Transactions that can only pursued by a Liquidator, including:-
 - 2.5.5.3.1. Unfair preference claims of approximately \$750,000 (Refer Section 9); and
 - 2.5.5.3.2. Potential insolvent trading claims against the Directors totalling approximately \$700,000 (Refer Section 10).

3. Business and Statutory Information

Nature of Company's Business

- 3.1. The Company was incorporated on 6 January 2005 and commenced trading about this time as a steel fabricator for residential and commercial construction ("the Business").
- 3.2. At the time of our appointment, the Company operated from 65 Discovery Drive, Bibra Lake ("the Premises") in the newly established Cockburn Commercial District. The Premises are owned by the Company which purchased the land in 2006 and subsequently constructed a steel fabricating workshop and office.

Officers

- 3.3. The current and former Directors and Company Secretaries are detailed in Table 1 below:

Name	Position	Appointed	Cessation
Paolo Luigi D' Alessandro	Director & Company Secretary	06-Jan-2005	
Antonio Adamo D' Alessandro	Director	06-Jan-2005	
Jason John Ford	Director	06-Jan-2005	23-Feb-2009

Table 1: Company officers at date of appointment

- 3.4. Jason Ford was removed as Director pursuant to a resolution passed by the Shareholders at a General Meeting of the Company on 23 February 2009. Mr Ford's removal as a Director was the result of a dispute between Mr and Mrs Ford and the other shareholders.

Shareholders

- 3.5. The paid up capital of the Company is \$6.00, being 6 ordinary shares. The current shareholders are detailed in Table 2 below.

Name	No. Held	Fully Paid
Paolo Luigi D' Alessandro	1	Yes
Susuan Violet D' Alessandro	1	Yes
Antonio Adam D' Alessandro	1	Yes
Michelle Lisa D' Alessandro	1	Yes
Jason John Ford	1	Yes
Joedy May Ford	1	Yes

Table 2: Shareholders at date of appointment

- 3.6. The Company has been named as a respondent in Family Court proceedings, relating to Mr and Mrs Ford's shareholding and guarantees provided by Mr Ford during his time as Director.

Related Entities

- 3.7. Both current Directors are also Directors and shareholders of a related entity, Steel Detailing Australia Pty Ltd ("SDA"). SDA provided drafting services to the Company and is a substantial unsecured creditor of the Company (refer to paragraph 8.47).

4. Sale of Business as a Going Concern

- 4.1. As noted above, to facilitate an improved return to creditors, endeavours have been made to sell the Business and Business assets as a going concern.
- 4.2. Avenues utilised in seeking expressions of interest included:-
 - 4.2.1. Advertisements being placed in The West Australian on 8 July and 11 July 2009 and The Financial Review on 14 July 2009 with an initial closing date for offers of 22 July 2009, subsequently extended to 24 July 2009;
 - 4.2.2. A circular to RSM Bird Cameron Partner's database of accountants, lawyers, bankers and others; and
 - 4.2.3. The preparation of a database of steel fabricators throughout Australia and direct email contact with that database.
- 4.3. Twenty two (22) expressions of interest were received.
- 4.4. Upon the signing of a Confidentiality Agreement the interested parties were provided with an Information Memorandum ("IM") providing necessary details of the Company's assets including a list of plant and equipment (as prepared by a licensed valuer under our instructions) and the Premises, contract details and financial performance.
- 4.5. The IM was issued to seventeen (17) parties including parties that had previously expressed an interest in purchasing the Business prior to our appointment.
- 4.6. No offers were received for the Business or Business assets as a going concern.
- 4.7. Offers received were well below valuation and those parties have declined to negotiate at this time.
- 4.8. Accordingly, should creditors resolve that the Company be placed into Liquidation and subject to other offers being received in the meantime, we will enlist the services of a reputable real estate agent to progress the sale of the Premises and a licensed valuer and auctioneer to sell the plant and equipment by way of auction.

5. Reasons for Failure

- 5.1. The Directors have listed the following reasons as contributing factors to the failure of the Company:
 - 5.1.1. Abandonment by former Director, Jason Ford;
 - 5.1.2. Significant increase in the price of steel and its impact on contract profitability; and
 - 5.1.3. Inability to generate sufficient cashflow to meet day to day trading needs.
- 5.2. Whilst the above issues would impact upon the Company's financial affairs, it is apparent from our preliminary investigations that other factors in the Company's financial decline include:
 - 5.2.1. Under capitalisation to fund significant business growth; and

- 5.2.2. The failure of the Directors to:-
- 5.2.2.1. Effectively manage the Company's construction projects;
 - 5.2.2.2. Efficiently use available resources;
 - 5.2.2.3. Curtail unnecessary expenditure;
 - 5.2.2.4. To recognise and manage financial warning signs on a timely basis;
and
 - 5.2.2.5. Properly manage accounts receivable.

6. Books and Records

- 6.1. Pursuant to Section 286(1) of the Act a company is required to maintain sufficient books and records which:
- 6.1.1. Correctly record and explain transactions and the financial position; and
 - 6.1.2. Enable true and fair financial statements to be prepared and audited.
- 6.2. Our review of the Company's books and records indicates that adequate book and records have been maintained.

7. Historical Trading Performance

- 7.1. Set out below in Table 3 is a summary of the Company's Statement of Financial Performance as detailed in unaudited accounts for the years ended 30 June 2006, 2007, 2008 and the Management Accounts for the year ended 30 June 2009:-

	Externally Prepared			Mgt Accounts
	Year ending 30 June 2006 \$	Year ending 30 June 2007 \$	Year ending 30 June 2008 \$	Year ending 30 June 2009 \$
Sales	2,456,895	3,521,789	4,866,817	6,454,834
Cost of Goods Sold	1,446,968	2,118,508	2,779,374	4,507,828
Gross Profit	1,009,927	1,403,281	2,087,443	1,947,006
Gross Profit %	41%	40%	43%	30%
Expenses	808,896	1,413,594	2,214,257	3,180,643
Other Income	6,735	11,536	18,560	105,591
Net Profit/(Loss)	207,766	1,223	(108,254)	(1,128,046)

Table 3: Summary of Historical Trading Performance

- 7.2. As is evident, the Company experienced rapid growth during its four (4) years of operation. This growth placed significant pressure on the Company's working capital position and emphasised that the Company was under capitalised to fund business growth.
- 7.3. This is evidenced by increases in the Company's operating expenses, most notably:-

- 7.3.1. Subcontracting costs for the year ended 30 June 2009 totalled \$974,200 and relates primarily to rigging contractors utilised by the Company due to the Company's ongoing growth and under capitalisation, the level of work on hand at the relevant time, and the Company's difficulty in hiring the appropriate rigging staff and retaining those staff at the relevant time. These costs also include the cost of utilising other fabrication firms due to the Company's extended work schedule and desire to meet client expectations and construction timetables; and
- 7.3.2. Equipment hire for the year ended 30 June 2009 totalled \$566,694 and relates primarily to the hire of boom lifts, scissor lifts and to a lesser extent cranes which the Company did not own.
- 7.4. The Company adopted a policy of reporting work in progress ("WIP") for the year ended 30 June 2008. The value of WIP as at 30 June 2008 was \$320,000, and resulted in a lowering of the Company's reported operating loss for the year by \$320,000 to \$108,254.

8. Directors' Report as to Affairs

- 8.1. In accordance with Section 438B(2) of the Act, the Directors are required to provide us with a Report as to Affairs ("RATA") detailing the Company's business, property, affairs and financial circumstances as at 2 July 2009.
- 8.2. The RATA was received from the Directors on 10 July 2009.
- 8.3. Set out below in Table 4 is a summary of the RATA and our own estimates of the Company's financial position as at 2 July 2009:

	Paragraph	RATA		Administrator's Estimate	
		Book Value \$	Estimated Realisable Value \$	Low \$	High \$
Assets					
Debtors	8.5	1,169,042	1,169,042	563,855	1,006,124
Cash on Hand	8.9	-	82	84	84
Cash at Bank	8.9	-	(14,735)	-	-
Stock	8.11	-	7,500	Commercially Sensitive	
Work in Progress	8.14	254,507	254,507	Unknown	
Plant & Equipment	8.18	53,667	53,667	Commercially Sensitive	
Motor Vehicles	8.20	211,000	211,000	Commercially Sensitive	
Land & Building	8.22	1,200,000	2,000,000	Commercially Sensitive	
Shareholders Loan	8.24	-	-	20,748	20,748
Total Assets		2,888,216	3,681,063	Unknown	
Creditors					
Secured Creditors	8.27	1,450,000	1,450,000	1,650,501	1,514,766
Partly-Secured Creditors	8.32	246,600	246,600	361,213	361,213
Priority Creditors – Employees	8.36	212,754	212,754	251,174	251,174
Unsecured Creditors	8.45	1,552,191	1,552,191	1,835,672	1,835,672
Total Liabilities		3,461,545	3,461,545	4,072,959	3,962,825
Estimated Surplus/(Deficiency)		(573,329)	219,518	(1,281,064)	(592,388)

Table 4: RATA and Administrators' Estimated Realisable Values

8.4. We now address each of the asset and liability classifications.

Debtors

8.5. Set out below in Table 5 is a summary of trade debtors as outlined in the RATA:

	RATA \$	Administrators’ Estimated Realisable Value \$
Retentions	449,739	50,000
Trade Debtors	719,303	500,000
Total	1,169,042	550,000

Table 5: Summary of Trade Debtors

8.6. Since the date of our appointment, demands have been issued to all identified debtors in respect to the balances outstanding. As at 27 July 2009, \$321,585 of pre-appointment debtors have been received.

8.7. The Company records do not readily identify the retentions held nor when practical completion and maintenance periods expire. Accordingly, we will continue to liaise with the relevant parties to determine whether these retentions are either due or will be paid upon the expiration of contractual warranty periods.

8.8. Accordingly, whilst we consider there will be recoveries in respect of these debts, the timing and amount of likely recoveries is unknown. An estimate of \$550,000 has been made for dividend estimate purposes only.

Cash on Hand and Cash at Bank

8.9. At the date of our appointment the Company’s operating bank account was overdrawn in the amount of \$1,168.

8.10. Cash of \$84 was recovered from the petty cash float.

Stock

8.11. At the date of our appointment the Company had minimal stock on hand consisting of a small amount of steel off cuts. Some stock has been utilised in trading the Business during the Voluntary Administration period.

8.12. Shortly after our appointment, a Retention of Title (“ROT”) claim was made by Southern Steel (WA) Pty Ltd in the amount of \$11,524.

8.13. It was determined that the stock supplied was required to complete a viable project resulting in the stock being utilised and paid for in the normal course of business.

Work in Progress

8.14. Upon our appointment, we undertook a detailed review of the Company’s current projects in order to determine their profitability and the merits in finalising.

- 8.15. The Company's contract records did not enable a determination of WIP to be made readily. Accordingly, it was necessary to gather and verify relevant information and documentation on a piecemeal basis.
- 8.16. This review identified 16 contracts with an original contract value of \$1.986 million which were due to be completed.
- 8.17. Our assessment determined the remaining value to be billed to complete the identified projects was only \$265,575.
- 8.18. We estimate the completion of these projects will release cash of \$356,156 in accounts receivable, invoicing and retentions (subject to claims on retentions and disputes).

Plant & Equipment

- 8.19. The Company has office furniture and workshop plant and equipment located at the Premises.
- 8.20. A valuation report was commissioned in respect to these assets. The values have not been disclosed as they are considered commercially sensitive to a future sale.

Motor Vehicles

- 8.21. At the date of our appointment, the Company had an extensive fleet of both owned and leased vehicles. A valuation was obtained for all vehicles to ascertain if any equity existed in the financed vehicles.
- 8.22. The values have not been disclosed as they are considered commercially sensitive to a future sale.
- 8.23. A review of the Business needs resulted in a number of leased vehicles being disclaimed and returned to the control of the relevant financier.

Land & Buildings

- 8.24. The Company is the registered owner of Premises situated at 65 Discovery Drive, Bibra Lake. As discussed above, the Company purchased the land in 2006 and constructed a purpose built office and workshop.
- 8.25. Upon our appointment we enlisted the services of a licenced property valuer. The value has not been disclosed as it is considered to be commercially sensitive to a future sale.

Shareholders Loans

- 8.26. Our preliminary investigations have revealed that the Company has continued to pay the lease payments on Company leases for two (2) vehicles held by Mr and Mrs Ford, despite neither party being involved in the Company's operation since July 2008.
- 8.27. We believe these payments totalling \$20,748 represent shareholder loans and are due and payable to the Company.
- 8.28. Demands for repayment of these loans will be issued shortly. These vehicles have been disclaimed to their relevant financiers.

Secured Creditor

- 8.29. Westpac Banking Corporation (“the Bank”) holds a first ranking fixed and floating charge over the Company’s assets to secure the Company’s obligations as principal borrower in respect of facilities totalling \$1,650,501.
- 8.30. Set out below in Table 6 is a summary of the Bank’s claims against the Company:

	\$
Maxi Direct Account	7
Business Cheque Account	(1,168)
Business Loan	(1,063,605)
Business Loan	(450,000)
Sub-Total	1,514,766
Contingent Liability – Bank Guarantees	135,735
Total	1,650,501

Table 6: Summary of the Secured Creditor’s Claim

- 8.31. The Bank holds a number of bank guarantees in respect to various contracts. At the date of our appointment, bank guarantees on issue totalled \$135,375. Since our appointment, two (2) guarantees have been returned such that at the date of writing this report, the revised bank guarantee value is \$110,134.
- 8.32. The contingent liability will only be crystallised should the guarantees be called upon.
- 8.33. In any case, realisation of the Company’s assets will result in the Bank being repaid in full.

Partly-Secured Creditors

- 8.34. At the date our appointment the Company held a number of leases for motor vehicles with GE Money and Esanda Finance for a forklift.
- 8.35. As discussed above, a number of these vehicles were disclaimed shortly after our appointment.
- 8.36. I will continue to meet the lease payments on the retained vehicles and forklift until they are no longer required in operating the Business.
- 8.37. The party-secured creditors’ deficiency upon the realisation of the leased assets will form part of the unsecured claims. For dividend estimate purposes, I have included the following amounts in the unsecured creditor claims as set out below in Table 7:-

	Low	High
	\$	\$
Leased Assets	271,900	212,320
Partly-Secured Creditors	361,213	361,213
Estimated Deficiency	(89,313)	(148,893)

Table 7 Estimated Partly-Secured Creditor Deficiency

Priority Creditors – Employees

- 8.38. Employee entitlements are afforded a priority under Section 556 of the Act and include entitlement for wages, superannuation, annual leave and long service leave. Set out in Table 8 is a summary of employee entitlements detailed in the RATA and our current estimate of possible claims:

	Paragraph	RATA	Administrators’
		\$	Estimate
			\$
Payment in Lieu of Notice	8.41	-	46,436
Wages		-	1,139
Annual Leave	8.42	112,754	83,599
Superannuation	8.43	100,000	120,000
Total		212,754	251,174

Table 8: Summary of Employee Entitlements

- 8.39. At the date our appointment, the Company had 23 full time employees, including the two (2) Directors. Currently, the Company employs 15 staff.
- 8.40. Shortly after our appointment six (6) employees were retrenched and two (2) employees resigned.
- 8.41. Included in the Administrators’ estimate is an estimate of all employee claims for Payment in Lieu of Notice, which will be crystallised upon the cessation of the Business.
- 8.42. Our estimate in respect of annual leave is less than that stated by the Directors due to:-
- 8.42.1. The Directors being classified as excluded employees pursuant to Section 556(1B) of the Act and as such are only eligible to receive, as a priority claim, \$1,500 in respect of outstanding leave entitlements. The balance of the Directors’ leave entitlements have been included in unsecured creditors; and
- 8.42.2. Sick Leave was included in the Directors’ annual leave balance. Sick leave is not a provable debt, priority or otherwise, subject to applicable Industrial Award provisions.
- 8.43. Our preliminary investigations indicate that the amount stated in the RATA for superannuation may be understated. A reconciliation of the amount owed for superannuation is yet to be completed. Accordingly we have included a higher

amount in the Administrators' estimate, however the ultimate outstanding amount may be higher.

- 8.44. Should the Company be liquidated, employee claims may be satisfied in the first instance by claims being made under General Employee Entitlements & Redundancy Scheme ("GEERS").
- 8.45. Under GEERS, which is funded by the Commonwealth Government, employees are able to make a claim for their outstanding entitlement (excluding superannuation) once a company is in liquidation. Where the claims are accepted, GEERS will, through the Liquidator, pay the relevant employee claims and assume the priority claim for the debt in the liquidation.

Unsecured Creditors

- 8.46. Set out below as Table 9 is a summary of unsecured creditor claims as detailed in the RATA and our current estimate of possible claims:

	RATA	Administrators'
	\$	Estimate
		\$
Trade Creditors	1,552,191	1,835,672

Table 9: Summary of unsecured creditors as at 2 July 2009

- 8.47. The primary reason for the difference between the two (2) balances is a significant variation in the amount claimed by SDA to that of the Company's records. The RATA reflects a balance of \$198,885, but SDA is claiming to be owed an amount of \$402,473. The difference may be due to back-charges being applied by the Company but not reflected by SDA. For the purpose of this report we have adopted the amount claimed of \$402,473.
- 8.48. An accurate assessment of unsecured creditors will only be available when all creditors have submitted a proof of debt.
- 8.49. For the purpose of our dividend estimate, the unsecured creditor balance has been increased to reflect the value of the estimated unfair preferences recoveries.

9. Voidable Transactions

- 9.1. In accordance with Regulation 5.3A.02 of the Act, an Administrator is required to specify in this report whether there are any transactions that appear, at first instance, to be voidable and thereby result in the recovery by a Liquidator, of property and other benefits. Such transactions are not recoverable by an Administrator or an Administrator of a Deed of Company Arrangement but can only be pursued by a Liquidator upon the winding up of a company.
- 9.2. An Administrator is also required to form a view as to whether and from what point in time the directors allowed a company to trade whilst insolvent.
- 9.3. In determining whether there are possible voidable transactions available for recovery by a future Liquidator and/or claims arising from insolvent trading, consideration has been given to the following provisions of the Act:-

- 9.3.1. Unfair Preferences (Section 588FA) – these are transactions between the company and the creditor resulting in the creditor receiving more than the creditor would receive if the transaction were set aside and the creditor claimed for this amount in a liquidation. Any such voidable transactions must arise during the relation back period, beginning six (6) months prior to the commencement of the Voluntary Administration. For the purposes of the Companies, the relation back period commences on 2 January 2009;
- 9.3.2. Uncommercial Transactions (Section 588FB) – these are transactions entered into that a “reasonable person” would not have entered into taking into account the benefit to the company, the detriment to the company and the benefit to the other parties involved in the transaction. It is not necessary that a creditor be a party to a transaction. Such transactions are only voidable where the company was insolvent at the time of the transaction;
- 9.3.3. 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 the period commencing six (6) months prior to the commencement of the Voluntary Administration and uncommercial transactions, which have occurred within two (2) years of the commencement of the Voluntary Administration, can be recovered;
- 9.3.4. 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;
- 9.3.5. Unreasonable Director-Related Transactions (Section 588FDA) – representing a transaction of a company including a payment by the company or a conveyance, transfer or other disposition by the company of property of the company to a director of the company or a close associate of a director of the company and where it may be expected that a reasonable person in the company’s circumstances would not have entered into the transaction. This provision does not require the transaction to be an insolvent transaction and may be voidable pursuant to Section 588FE(6A) if the transaction was entered into during the four (4) years ending on the relation back day;
- 9.3.6. Related Party Transactions (Section 588FE(4)) – representing insolvent transactions (that is unfair preferences or uncommercial transactions) with a related party within four (4) years prior to the commencement of the Voluntary Administration. For this purpose a related party would include a party related to a director or deemed director; and
- 9.3.7. Transactions entered into for the purposes of defeating creditors (Section 588FE(5)) – represented by insolvent transactions (unfair preferences or uncommercial transactions) entered into for the purpose of defeating, delaying or interfering with the rights of creditors which were entered into within a period of ten (10) years prior to the commencement of the Voluntary Administration.

Key Findings of Investigations re Solvency

- 9.4. To provide creditors with an understanding of the pre-cursors to the Company's insolvency and our appointment as Voluntary Administrators, we have set out below a chronology of relevant events:
- 9.4.1. May 2008 – the Company entered into its first repayment arrangement with the Australian Taxation Office (“the ATO”);
 - 9.4.2. June 2008 – Mr Ford ceased having an “active” role in the Company's operations and the Company became involved in Family Court proceedings with Mr & Mrs Ford;
 - 9.4.3. June 2008 – the Company suffered a trading loss of \$108,254 for the financial year ending 30 June 2008, after introducing \$320,000 as WIP (refer to paragraph 7.4);
 - 9.4.4. July 2008 – The Bank granted the Company a temporary overdraft facility of \$100,000, this facility expired on 2 September 2008;
 - 9.4.5. July 2008 – Debtor disputes began to arise and back-charges by customers were being enforced;
 - 9.4.6. December 2008 – the Company entered into a second repayment arrangement with the ATO;
 - 9.4.7. January 2009 – Threats of winding up and issue of statutory demands by the Company's major steel suppliers;
 - 9.4.8. February 2009 – Termination of credit by major steel suppliers;
 - 9.4.9. February 2009 - the Company instructed its accountants to issue letters to the Company's major suppliers explaining that due to “internal issues” which have “affected the Company's cash flow position” the Company was unable to make immediate payment and asked for “patience” whilst “the restructure” is finalised;
 - 9.4.10. March 2009 – The Company's major steel suppliers lodged caveats over the Directors' personal properties pursuant to guarantees. Further letters to creditors were issued by the Company's accountants;
 - 9.4.11. March 2009 – The Company approached the Bank seeking a permanent overdraft facility. This request was declined;
 - 9.4.12. April 2009 – In discussions with the Company's accountants, the option of Voluntary Administration was considered;
 - 9.4.13. April 2009 – The Company sort to refinance and further caveats were lodged by major creditors on the Directors' personal properties;
 - 9.4.14. May 2009 – The Company entered into formalised repayment arrangements with major suppliers;
 - 9.4.15. June 2009 – The Company entered into a third repayment arrangement with the ATO; and

9.4.16. July 2009 – The Directors appoint Voluntary Administrators.

Unfair Preferences

- 9.5. We have conducted a preliminary review of the Company's books and records, including bank statements, cheque books, creditor invoices and email communications for the six (6) months prior to 2 July 2009 in an attempt to identify any payments to creditors which may be recoverable by a future Liquidator as an unfair preference.
- 9.6. We have identified numerous transactions involving payments to various creditors totalling \$754,157 which may be recoverable by a future Liquidator.
- 9.7. Should the Company be liquidated, further investigations will be made into these and possibly other unfair preferences.
- 9.8. Pursuant to Section 588FG of the Act a Liquidator cannot recover funds paid to a creditor where it is established the creditor:
 - 9.8.1. Received the payment in good faith; and
 - 9.8.2. Had no reasonable ground for suspecting the Company was insolvent at the time of the payment.

Unreasonable Director-Related Transactions

- 9.9. Our preliminary investigations have identified a number of transactions which may be recoverable, primarily payments to SDA. Such claims are yet to be quantified and have therefore have not been taken into account for dividend estimate purposes.

10. Insolvent Trading

- 10.1. A company is insolvent when it is unable to meet its debts as and when they fall due.
- 10.2. 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.
- 10.3. 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.
- 10.4. 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.
- 10.5. Section 588H of the Act provides a number of defences for directors in respect of actions under Section 588G and 588M of the Act.
- 10.6. 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.

- 10.7. We have undertaken only preliminary investigations into the issue of insolvent trading. Any future Liquidator would be required to undertake further investigations, subject to suitable and adequate funding. In this regard a detailed “cash flow test” analysis has not been undertaken.
- 10.8. We now provide further comment on our investigations and conclusions as to solvency issues.

Aged Creditor Analysis

- 10.9. An annual and monthly analysis of the ageing of the creditors’ ledger would normally provide an insight regarding the question of insolvency. We have been unable to prepare such an analysis as we have been unable to locate, either in hard or electronic form, or extract from the Company’s computerised records, any aged creditor ledger reports.

Working Capital & Balance Sheet Analysis

- 10.10. Working capital is representative of a company’s capacity to meet its current liabilities by the application of its current assets. A shortfall in current assets to meet current liabilities is an indicator of cash flow insolvency. A working capital ratio or current ratio of less than 1 indicates a working capital deficiency and is an indication of insolvency.
- 10.11. A decline in working capital is often a pre-cursor to insolvency.
- 10.12. Set out below in Table 10 is a summary of the Company’s Statement of Financial Position as detailed in the unaudited accounts as at 30 June 2006, 2007, 2008 and the Management Accounts as at 30 June 2009:-

	Externally Prepared			Mgt Accounts
	As at 30 June 2006 \$	As at 30 June 2007 \$	As at 30 June 2008 \$	As at 30 June 2009 \$
Current Assets	621,169	1,184,054	2,014,956	1,242,464
Current Liabilities	425,999	571,933	1,549,719	2,144,609
Working Capital Surplus/(Deficiency)	195,170	612,121	465,237	(902,145)
Working Capital Ratio	1.46	2.07	1.30	0.58
Non-Current Assets	280,875	1,141,169	1,691,237	1,565,428
Non-Current Liabilities	280,592	1,563,113	2,141,887	1,780,683
Net Assets/(Deficiency)	195,453	190,177	14,587	(1,117,401)

Table 10: Summary of the Company’s Historical Statement of Financial Position

- 10.13. The Company’s working capital has declined since 30 June 2007, with the most significant drop being during the year ending 30 June 2009 where the ratio dropped below one (1).

- 10.14. Whilst the working capital ratio remained greater than one (1) as at 30 June 2008, this position was enhanced by the introduction of WIP as at that date.
- 10.15. The effect of this change in accounting policy is that the profit for year ending 30 June 2008 is effectively increased by the WIP amount and the working capital position is enhanced.
- 10.16. Set out below in Table 11 is an adjusted working capital position (for comparative purposes), deducting the WIP value of \$320,000 as at 30 June 2008:

	Externally Prepared			Mgt Accounts
	As at 30 June 2006 \$	As at 30 June 2007 \$	As at 30 June 2008 \$	As at 30 June 2009 \$
Current Assets	621,169	1,184,054	1,694,956	1,242,464
Current Liabilities	425,999	571,933	1,549,719	2,144,609
Working Capital Surplus/(Deficiency)	195,170	612,121	145,777	(902,145)
Working Capital Ratio	1.46	2.07	1.09	0.58

Table 11: Summary of Working Capital adjusted for Work in Progress

- 10.17. Whilst the adjusted working capital position as at 30 June 2008 still remained greater than one (1), the adjusted figure shows a more severe decrease from 2007, indicating the Company's solvency position was declining.
- 10.18. The financial accounts indicate the Company may have been balance sheet insolvent as at 30 June 2008.
- 10.19. Indeed, the net asset position for the four (4) year period is overstated in that no provisions for doubtful debts or employee entitlements have been raised. Employee entitlements as at the date of our appointment were in excess of \$100,000.
- 10.20. Set out below in Table 12 is a comparison of the Company's balance sheet position as at each quarter end during the year ending 30 June 2009 and the unaudited accounts as at 30 June 2008:

	External	Management Accounts			
	As at 30 June 2008 \$	As at 30 September 2009 \$	As at 31 December 2009 \$	As at 31 March 2009 \$	As at 30 June 2009 \$
Current Assets	2,014,956	2,213,255	1,444,290	1,168,581	1,242,464
Current Liabilities	1,549,719	2,483,809	2,550,500	2,314,082	2,144,609
Working Capital Surplus/(Deficiency)	465,237	(270,554)	(1,106,211)	(1,145,502)	(902,145)
Working Capital Ratio	1.30	0.9	0.6	0.5	0.58
Non-Current Assets	1,691,237	1,709,242	1,664,469	1,576,224	1,565,428
Non-Current Liabilities	2,141,887	1,881,010	1,849,157	1,848,382	1,780,683
Net Assets/(Deficiency)	14,587	(442,322)	(1,290,899)	(1,417,660)	(1,117,401)

Table 12: Summary of the Company's balance sheet for the four (4) quarters ending 30 June 2009

10.21. The above analysis shows that the Company's working capital position declined rapidly after 30 June 2008, as did the Company's net asset position, suggesting that the Company became balance sheet insolvent during the year ending 30 June 2009.

Possible Timing of Insolvency & Quantification of Claims

10.22. Our preliminary investigations and the above analysis indicates that the Company was experiencing cash flow pressures prior to May 2008 (ATO repayment arrangement) and a rapidly declining working capital position during the year commencing 1 July 2008.

10.23. We consider the Company may have been cash flow insolvent and balance sheet insolvent as early as 2 September 2008 (upon the expiration of its temporary overdraft facility) but most definitely from 1 January 2009.

10.24. Assuming that the date of insolvency is on or around 1 January 2009, a claim for insolvent trading would include all creditors incurred but not paid since 1 January 2009 (subject to repayment arrangements).

10.25. On this basis, the potential level of an insolvent trading claim against the Directors approximates \$697,000.

Defences available to Directors

10.26. The defences available to Directors for insolvent trading are:

10.26.1. When the debt was incurred the director had reasonable grounds to expect that the company was solvent and would remain solvent;

10.26.2. When the debt was incurred the director had reasonable grounds to believe, and did believe that a subordinate was competent, reliable and responsible for providing adequate information about the company's solvency;

10.26.3. When the debt was incurred the director, because of illness or for some other good reason, did not take part in the management of the company; or

10.26.4. The director took all reasonable steps to stop the company from incurring the debt.

Directors' Personal Financial Position

10.27. Our preliminary investigations indicate the current Directors hold both residential and investment properties either individually or jointly with a spouse.

10.28. These properties are encumbered to the secured creditor in respect of the Company's borrowings and some have additional encumbrances in the form of mortgages and caveats supporting claims of Company creditors guaranteed by the Directors.

10.29. The Directors appear to have held the properties for a number of years, and whilst we believe equity does exist, however the level of equity is unknown.

10.30. Accordingly, given the likely costs to be incurred in pursuing a claim for insolvent trading, any claim for insolvent trading will be approached on a commercial basis.

- 10.31. In addition to the current Directors being potentially liable for insolvent trading, the former Director, Mr Jason Ford, may also be liable for a portion of a Liquidators claim. Mr Ford was a Director at the time the Company was insolvent, being 1 January 2009, although he was removed in February 2009, which may limit his liability.
- 10.32. Our inquiries indicate that Mr Ford does not hold any real property in his name.

11. Duties of Officers

- 11.1. In the course of our preliminary investigations, we have considered whether there have been any breaches by the directors and/or officers in the conduct of their duties pursuant to the Act.
- 11.2. Pursuant to Section 9 of the Act, an officer is defined to include a director, secretary or a person participating in decision making that affects the whole or a substantial part of the business of the corporation or a person in accordance with whose instructions or wishes the directors of the corporation are accustomed to act.
- 11.3. Pursuant to Part 2D.1 of the Act, officers of a company have duties to ensure that:-
- 11.3.1. Section 180 – They exercise their powers and discharge their duties with due care and diligence;
 - 11.3.2. Section 181 – They act in good faith;
 - 11.3.3. Section 182 – They do not use their position to gain an advantage; and
 - 11.3.4. Section 183 – They do not misuse company information to gain an advantage.
- 11.4. Our preliminary investigations have identified possible breaches by the Directors of their duties, including insolvent trading and Section 180.

12. Dividend Estimate

- 12.1. We estimate that the dividend for the ordinary unsecured creditors will range between 2.4 cents in the dollar and 69cents in the dollar, with a most likely return estimated at 26.3 cents in the dollar.
- 12.2. Attached as Annexure B is a table detailing our dividend estimate.
- 12.3. Should the Company be liquidated, employees will be entitled to claim against the Federal Government's GEERs scheme. Employees should make direct contact with GEERs.
- 12.4. Please note that a maximum dividend to unsecured creditors may only arise where the claims identified above are successfully pursued and judgement monies received from defending parties, and then possibly subject to any funding arrangements and orders of the Court.

13. Proposal for a Deed of Company Arrangement

- 13.1. At the time of our appointment, the Directors had expressed a desire to formulate a DOCA for creditors' consideration.

- 13.2. We have liaised with the Directors and their independent advisers in relation to a possible DOCA.
- 13.3. On 29 July 2009 we were advised that no DOCA proposal would be made.

14. Administrators' Opinion

- 14.1. At the meeting of creditors to be held on 6 August 2009, creditors will be asked to resolve one of the following four (4) courses of action, as provided for under Section 439A of the Act:-
 - 14.1.1. That the Company execute a Deed of Company Arrangement; or
 - 14.1.2. That the Administration should end; or
 - 14.1.3. That the Company be wound up; or
 - 14.1.4. That the meeting be adjourned for up to 60 days.
- 14.2. We are required to form an opinion and make a recommendation to creditors as to which course of action would be in the best interests of creditors and outline the reason for that opinion. Our comments on each of the options are as follows.

Should the Company Execute a Deed of Company Arrangement

- 14.3. A DOCA has not been proposed by the Directors or any other party.
- 14.4. Without a detailed DOCA proposal to consider, we are unable to recommend such a course.
- 14.5. Accordingly, in our opinion, it would be not in the creditors' interest at this time and under these circumstances for the Company to enter into a DOCA.

Should the Administration End

- 14.6. Should creditors resolve that the Administration end, control of the Company would revert to the Directors without any resolution of creditor claims. Indeed, should creditors resolve to end the Administration, the secured creditor would most likely act under its security and appoint a Receiver and Manager.
- 14.7. As Administrators, we are not empowered to make a distribution to any creditor, subject to secured claims, of any existing debt as at the date of our appointment. The Company has substantial net asset deficiencies and in the absence of any arrangements with creditors, the Company is unable to pay their debts as and when they fall due.
- 14.8. Accordingly, in our opinion, it would not be in the creditors' interests for the Administration of the Company to end.

Should the Company be Wound Up

- 14.9. In our opinion, it would be in the creditors' interests of the Company to be wound up for the reasons that under a liquidation scenario, and in the absence of a detailed DOCA proposal:-
 - 14.9.1. Secured creditor claims will be resolved;

14.9.2. Unsecured creditors will have the prospect of a dividend; and

14.9.3. Former employees will be able to immediately proceed with a claim against GEERS.

15. Report to Australian Securities & Investments Commission (“the ASIC”)

15.1. Section 438D of the Act requires an Administrator to issue a report to the ASIC as soon as practicable where the Administrator is of the opinion that:-

15.1.1. A past or present officer or employee, or a member, of the company may have been guilty of an offence in relation to the company; or

15.1.2. A person who has taken part in the formation, promotion, administration, management or winding up of the company:-

15.1.2.1. May have misapplied or attained, or may have become liable or accountable for, money or property (in Australia or elsewhere) of the company; or

15.1.2.2. May have been guilty of negligence, default, breach of duty or breach of trust in relation to the company.

15.2. As noted above, our preliminary inquiries have identified breaches that should be reported to the ASIC. To this end, a Section 438D report will be prepared and lodged with the ASIC prior to 6 August 2009.

16. Remuneration

16.1. In accordance with Section 449E of the Act, we are entitled to such remuneration as is fixed by resolution of the creditors of the Company at the second meeting. Our remuneration (including our staff) has been calculated on a time basis using the hourly rates set by RSM Bird Cameron Partners from time to time and in accordance with the Insolvency Practitioners’ Association of Australia - Code of Professional Conduct.

16.2. In this regard, attached as Annexure C is an ASIC guideline for creditors titled “Approving Fees”.

Administrators’ Remuneration from 2 July 2009 to 27 July 2009

16.3. At the forthcoming meeting, creditors will be asked to consider and if thought appropriate, resolve that:-

“The remuneration of the Administrators incurred from 2 July 2009 to 27 July 2009 be hereby affixed on a time basis in accordance with the hourly rates set by RSM Bird Cameron Partners from time to time, in the amount of \$147,010 plus GST, be approved and paid”

16.4. Attached as Annexure D is a schedule in support of the remuneration claimed detailing the name and position of employee, hourly rate and hours worked. Attached as Annexure E is a further summary of the remuneration claimed detailing, the work undertaken and summarised by task category, and including a description of the relevant task category.

- 16.5. Detailed descriptions of all work undertaken during the period of the Administration are available for inspection by creditors at our Perth office at a mutually agreeable time.

Administrators' Remuneration from 28 July 2009 to 6 August 2009

- 16.6. During the above period, additional work will be undertaken in respect of the tasks detailed in Annexure F.
- 16.7. We have estimated our time charges in respect of these matters. The estimates are a maximum amount and where our costs are less than the amount approved we are entitled only to be remunerated for the time value of the work completed.
- 16.8. At the forthcoming meeting, creditors will be asked to consider and if thought appropriate, resolve that:-

"The remuneration of the Administrators incurred from 28 July 2009 to 6 August 2009 be hereby affixed on a time basis in accordance with the hourly rates set by RSM Bird Cameron Partners from time to time, limited to the amount of \$50,000 plus GST, and that the Administrators be authorised to make payments on account of such approved remuneration"

Liquidators' Remuneration

- 16.9. Should creditors resolve that the Company be wound up at the forthcoming meeting, creditors will be asked to consider and, if thought appropriate, resolve that:-

"The remuneration of the Liquidators be hereby affixed on a time basis in accordance with the hourly rates set from time to time by RSM Bird Cameron Partners, subject to an initial limit of \$100,000 plus GST, beyond which the Liquidators may seek further approval, and that the Liquidators be authorised to make periodic payments on accounts of such accruing remuneration".

- 16.10. A summary of envisaged tasks to be undertaken by a Liquidator is attached as Annexure G.

17. Administrators' Statement of Receipts and Payments

- 17.1. An account of the receipts and payments during the Administration period 2 July 2009 to 27 July 2009 is attached as Annexure H.

18. Liquidation – Committee of Inspection

- 18.1. In the event that creditors resolve to wind up the Company, creditors shall have the opportunity to appoint a Committee of Inspection. The purpose of a Committee of Inspection is to assist the Liquidator in the efficient conduct of the Liquidation.
- 18.2. At the forthcoming second meeting of creditors, creditors may propose a resolution forming a Committee of Inspection and the members of that Committee. A Committee of Inspection can comprise both creditors and shareholders and should comprise of no less than three (3) members.
- 18.3. A person will be eligible to be appointed a member of a Committee of Inspection if, and only if, in the case of an appointment by creditors the person is:-

- 18.3.1. A creditor of the company; or
 - 18.3.2. The attorney of a creditor of the company by virtue of a general Power of Attorney given by the creditor; or
 - 18.3.3. A person authorised in writing by a creditor of the Company to be a member of the Committee of Inspection.
- 18.4. We hereby invite creditors to contact Clare Hayman or Breck Robertson of our office by no later than 5.00pm (WST) on 4 August 2009 should you wish to be a member of a Committee of Inspection.

19. Destruction of Books and Records

- 19.1. Should creditors resolve that the Company be wound up at the forthcoming meeting, and no Committee of Inspection has been appointed, creditors will be asked to consider and, if thought appropriate, resolve that:-

“Subject to obtaining the approval of the Australian Securities and Investments Commission pursuant to section 542(4) of the Corporations Act, the books and records of the company and of the Liquidator, be destroyed by the Liquidator three months after the dissolution of the Company.”

Should you have any queries regarding the content of this report or the Company’s affairs, please do not hesitate to contact the undersigned or Ms Clare Hayman of this office.

Dated this 30th day of July 2009

Yours faithfully



NEIL CRABB
Joint and Several Administrator

Declaration of Independence, Relevant Relationships and Indemnities

SUPA STEEL (WA) PTY LTD
(ADMINISTRATORS APPOINTED)
ACN 112 395 721

Independence

We, Neil Raymond Cribb and Gregory Bruce Dudley, of RSM Bird Cameron Partners have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as Administrators of Supa Steel (WA) 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

Neither of us, nor our firm, have, or have had within the preceding 24 months, any relationships with the company, an associate of the company, a former insolvency practitioner appointed to the company or any person or entity that has a charge on the whole or substantially whole of the company's property.

Prior Engagements with the Insolvent

We first met with the directors on 4 June 2009 and have had subsequent meetings and discussions regarding the Voluntary Administration process generally.


Neither of us, nor our Firm, has undertaken any prior engagements for Supa Steel (WA) Pty Ltd or have had any prior contact or relationship with the directors.

Indemnities

We have not been indemnified in relation to this administration, other than any indemnities that we may be entitled to under statute.

Dated: 2 July 2009


.....
NEIL CRIBB
Joint and Several Administrator


.....
GREG DUDLEY
Joint and Several Administrator

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.

Estimated Return in a Winding Up

	Possible / Likely \$	Low \$	High \$
<u>Assets</u>			
Cash at bank	267,293	267,293	267,293
Debtors			
- Due and Payable	250,000	192,270	384,539
- Retentions	50,000	50,000	300,000
Stock & Inventories	<i>Commercially Sensitive</i>	<i>Commercially Sensitive</i>	
Motor Vehicles	<i>Commercially Sensitive</i>	<i>Commercially Sensitive</i>	
Plant & Equipment	<i>Commercially Sensitive</i>	<i>Commercially Sensitive</i>	
Land & Buildings	<i>Commercially Sensitive</i>	<i>Commercially Sensitive</i>	
Estimated Administrators Trading Position	150,000	102,701	182,701
Voidable Recoveries:			
- Insolvent Trading Claim	200,000	-	697,521
- Unfair Preference Claim	500,000	200,000	754,157
Total Assets Available for Distribution	<i>Commercially Sensitive</i>	<i>Commercially Sensitive</i>	
<u>Distribution per s556(1) of Corporations Act 2001</u>			
Costs, Charges & Expenses of Administrators			
- Legal Fees	(80,000)	(50,000)	(250,000)
- Fees & Disbursements to 27 July 2009	(147,010)	(147,010)	(147,010)
- Fees & Disbursements for the period 28 July 2009 to 6 August 2009	(50,000)	(50,000)	(50,000)
Future Fees & Disbursements for Liquidation	(175,000)	(100,000)	(350,000)
Total Estimated Costs	(452,010)	(347,010)	(797,010)
Secured Creditor (incl interest)	(1,514,766)	(1,514,766)	(1,514,766)
Secured Creditor - Contingent Bank Guarantees	(110,134)	(110,134)	-
Employee Entitlements (Pre-appointment)	(251,174)	(251,174)	(251,174)
Estimated Surplus Funds for Distribution to Unsecured Creditors	653,209	53,179	1,848,260
Unsecured Creditors	2,484,655	2,184,655	2,679,142
Estimated Return to Unsecured Creditors (cents/\$)	0.263	0.024	0.690



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.

Schedule of Hourly Rates & General Guide to Staff Experience

Classification	Rate (\$)	Experience
Partner/Appointee	500.00	The Partner/Appointee is a registered Liquidator and member of the ICAA and/or 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
Principal	450.00	Generally, minimum of 12 years experience at least 2 years of which is to be at Manager level. University degree; member of the ICAA and IPAA with deep knowledge and lengthy experience in relevant insolvency legislation and issues.
Manager I	320.00 to 390.00	Generally, more than 7 years experience with at least 2 years as a Manager. University degree; member of the ICAA and IPAA; very strong knowledge of relevant insolvency legislation and issues.
Manager II	250.00	Generally, 5 – 7 years chartered accounting or insolvency management experience. University degree; member of the ICAA and IPAA; sound knowledge of relevant insolvency legislation and issues.
Supervisor	220.00	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	195.00	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	165.00	Generally, 2 – 3 years chartered accounting or insolvency management experience. University degree, ICAA's CA program commenced.
Intermediate I	145.00	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	125.00	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	170.00	Appropriate skills including machine usage.
Secretary	135.00	Appropriate skills including machine usage.
Junior	100.00	Completed schooling and plans to undertake further studies. Required to assist in administration and day to day field work under the supervision of more senior staff.

Notes:

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

Disbursements	Charges (Excluding GST)
Postage	At cost
Telephone	At cost
Photocopying	20 cents a copy
Facsimile	At cost
Company Search	At cost
Advertising	At cost
Storage – Per Box	At cost
Storage – Per File	At cost
Couriers	At cost

The Turnaround and Insolvency Partners of RSM Bird Cameron Partners are members (including Associate Members) of the Insolvency Practitioners Association of Australia and follow the IPAA Code of Professional Practice.

A copy of the Code of Professional Practice may be found on the IPAA website at www.ipaa.com.au.

Supa Steel (WA) Pty Ltd (Administrators Appointed)
ACN 112 395 721

Summary of Remuneration by Employee for the period of 2 July 2009 to 27 July 2009

Employee	Position	Average \$ / hour (ex GST)	Total actual hours	Total (\$)	Task Area					
					Assets	Creditors	Employees	Trade on	Investigation	Administration
Neil Cribb	Partner	500.00	58.70	29,350.00	7,850.00	3,550.00	750.00	11,250.00	1,600.00	4,350.00
Greg Dudley	Partner	500.00	8.10	4,050.00	400.00	650.00	0.00	2,400.00	100.00	500.00
Mike Edmondson	Manager I	390.00	0.50	195.00	195.00	0.00	0.00	0.00	0.00	0.00
Clare Hayman	Manager I	320.00	148.00	47,360.00	8,480.00	10,048.00	544.00	23,392.00	3,040.00	1,856.00
Gary O'Brien	Manager II	250.00	0.70	175.00	0.00	0.00	0.00	0.00	0.00	175.00
Shara Billing	Senior I	195.00	1.70	331.50	0.00	39.00	0.00	97.50	39.00	156.00
Breck Robertson	Senior I	195.00	109.30	21,313.50	10,101.00	4,387.50	58.50	4,387.50	975.00	1,404.00
Benjamin Ward	Senior I	195.00	148.20	28,899.00	761.00	2,008.50	78.00	18,700.00	6,864.00	487.50
Nikhil Gohil	Senior II	165.00	3.40	561.00	49.50	181.50	0.00	49.50	0.00	280.50
Sarah Kopcheff	Intermediate II	145.00	69.90	10,135.50	4,770.50	1,116.50	14.50	2,436.00	319.00	1,479.00
Nicholas Dorkham	Intermediate II	125.00	2.00	250.00	0.00	187.50	0.00	0.00	62.50	0.00
Terri Hoy	Personal Assistant	170.00	10.70	1,819.00	0.00	255.00	0.00	663.00	0.00	901.00
Hayley Forshaw	Secretary	135.00	16.30	2,200.50	710.00	472.50	54.00	378.00	40.50	545.50
Corey Turner	Junior	100.00	3.70	370.00	0.00	120.00	0.00	0.00	0.00	250.00
TOTAL (excluding GST)			581.20	147,010.00	33,317.00	23,016.00	1,499.00	63,753.50	13,040.00	12,384.50

GST \$14,701.00
TOTAL (including GST) \$161,711.00

Disbursements

Type \$

Postage Costs 76.36
Travelling Costs 299.20
Sundry Expenses 61.82

TOTAL \$437.38
GST \$43.74
TOTAL (Including GST) \$481.12

Supa Steel (WA) Pty Ltd (Administrators Appointed)
ACN 112 395 721

Description of work incurred for the period 2 July 2009 to 27 July 2009

Task Area	General Description	Includes
Assets [\$33,317.00]	Sale of Business as a Going Concern	<ul style="list-style-type: none"> Preparing an information memorandum Liaising with purchasers Issuing Confidentiality Agreement Internal meetings to discuss/review offers received Preparing Advertisements to invite offers on the business
	Plant and Equipment	<ul style="list-style-type: none"> Liaising with valuers, auctioneers and interested parties Reviewing asset listings
	Assets subject to specific charges	<ul style="list-style-type: none"> Review valuations of assets subject to charges Prepare equity calculations for determination of disclaim or continue to use assets. Issue disclaimer notices to finance companies regarding assets
	Debtors	<ul style="list-style-type: none"> Correspondence with debtors Reviewing and assessing debtors ledgers Issuing demands for payment Maintenance of debtors ledger
	Stock	<ul style="list-style-type: none"> Reviewing stock values
	Land & Buildings	<ul style="list-style-type: none"> Organise valuation of premises Liaise with Secured creditor re valuer & outcome of valuation Secure premises
	Leasing	<ul style="list-style-type: none"> Reviewing leasing documents Liaising with owners/lessors Tasks associated with disclaiming leases
Creditors [\$23,016.00]	Creditor Enquiries	<ul style="list-style-type: none"> Receive and follow up creditor enquiries via telephone Maintaining and updating creditor details Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Retention of Title Claims	<ul style="list-style-type: none"> Receive initial notification of creditor's intention to claim Provision of retention of title claim form to creditor Maintain retention of title file Preparation of correspondence to claimant to accompany payment of claim (if valid)
	Secured creditor reporting	<ul style="list-style-type: none"> Preparing reports to secured creditor Responding to secured creditor's queries
	Creditor reports	<ul style="list-style-type: none"> Preparing 439A, investigation, meeting and general reports to creditors
	Dealing with proofs of debt	<ul style="list-style-type: none"> Receipting and filing POD's when not related to a dividend Corresponding with OSR and ATO regarding POD's when not related to a dividend
	Meeting of Creditors	<ul style="list-style-type: none"> Preparation meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting Preparation and lodgement minutes of meetings with ASIC Respond to stakeholder queries and questions immediately following meeting
	Shareholder enquires	<ul style="list-style-type: none"> Initial day one letters Responding to shareholder legal action
Employees [\$1,499.00]	Employees enquiry	<ul style="list-style-type: none"> Receive and follow up employee enquiries via telephone Maintain employee enquiry register Review and prepare correspondence to creditors and their representatives via facsimile, email and post Preparation of letters to employees advising of their entitlements and options available Receive and prepare correspondence in response to employees objections to leave entitlements
	Calculation of entitlements	<ul style="list-style-type: none"> Calculating employee entitlements Reviewing employee files and company's books and records Reviewing awards Liaising with solicitors regarding entitlements
	Other employee issues	<ul style="list-style-type: none"> Correspondence with Child Support
Trade On [\$63,753.50]	Trade On Management	<ul style="list-style-type: none"> Liaising with suppliers Liaising with management and staff Attendance on site Authorising purchase orders Maintaining purchase order register Review of contract status & profitability analysis Preparing and authorising receipt vouchers Preparing and authorising payment vouchers Termination of employees employment
	Processing receipts and payments	<ul style="list-style-type: none"> Entering receipt and payments into accounting system
	Budgeting & financial reporting	<ul style="list-style-type: none"> Reviewing company's budgets and financial statements Preparing budgets and contract reviews Preparing weekly financial reports Reviewing trading profit or loss Meetings to discuss trading position

Investigation [\$13,040.00]	Conducting investigation	<ul style="list-style-type: none"> • Collection of company books and records • Reviewing company's books and records • Review and preparation of company nature and history • Conducting and summarising statutory searches • Preparation of comparative financial statements • Preparation of deficiency statement • Review of specific transactions • Liaising with directors regarding certain transactions • Preparation of investigation file
Administration [\$12,384.50]	Document maintenance/file review/checklist	<ul style="list-style-type: none"> • Filing of documents • File reviews • Updating checklists
	Insurance	<ul style="list-style-type: none"> • Identification of potential issues requiring attention of insurance specialists • Correspondence with Willis regarding initial and ongoing insurance requirements • Reviewing insurance policies • Correspondence with previous brokers• • Organise & attend OH&S review and associated tasks
	Bank account administration	<ul style="list-style-type: none"> • Preparing correspondence opening and closing accounts • Requesting bank statements • Bank account reconciliations • Correspondence with bank regarding specific transfers
	Directors / Officers	<ul style="list-style-type: none"> • Assist with queries related to preparation of Statement of Affairs • Liaise with directors and representatives of directors regarding sale of business, potential DOCA and alternatives
	ASIC Forms	<ul style="list-style-type: none"> • Preparing and lodging ASIC forms • Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	<ul style="list-style-type: none"> • Notification of appointment • Preparing BAS'
	Planning / Review	<ul style="list-style-type: none"> • Discussions regarding status of administration
	Books and records / storage	<ul style="list-style-type: none"> • Recovery of books and records

Supa Steel (WA) Pty Ltd (Administrators Appointed)
ACN 112 395 721

General description of work by task to be completed for the period 28 July 2009 to 6 August 2009

Task Area	General Description	Includes
Assets [\$6,000.00]	Sale of Business as a Going Concern	<ul style="list-style-type: none"> • Send an information memorandum to additional interested parties • Liaising with potential purchasers / offerors • Internal meetings to discuss/review offers received
	Debtors	<ul style="list-style-type: none"> • Correspondence with debtors and subsequent communications • Reviewing and assessing debtors ledgers • Recovery of outstanding debts
	Assets subject to specific charges	<ul style="list-style-type: none"> • Preparing disclaimers in relation to leased assets
	Land and Buildings	<ul style="list-style-type: none"> • Liaise with real estate agent regarding sale of the premises
	Leased Assets	<ul style="list-style-type: none"> • Preparing disclaimers in relation to leased assets
	Plant and equipment	<ul style="list-style-type: none"> • Liaise with auctioneer regarding auction of company's plant and equipment
Creditors [\$25,000.00]	Creditor Enquiries	<ul style="list-style-type: none"> • Receive and follow up creditor enquiries via telephone • Review and prepare correspondence to creditors and their representatives via facsimile, email and post • Correspondence with committee of creditors members
	Secured creditor reporting	<ul style="list-style-type: none"> • Liaising with secured creditor regarding asset sale progression and report to creditors • Responding to secured creditor's queries
	Creditor reports	<ul style="list-style-type: none"> • Preparing 439A report to creditors
	Dealing with proofs of debt	<ul style="list-style-type: none"> • Receipting and filing POD's when not related to a dividend
	Meeting of Creditors	<ul style="list-style-type: none"> • Preparation meeting notices, proxies and advertisements • Forward notice of meeting to all known creditors • Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting • Preparation and lodgement minutes of meetings with ASIC • Respond to stakeholder queries and questions immediately following meeting • Attendance at meeting of creditors
Employees [\$1,500.00]	Employees enquiry	<ul style="list-style-type: none"> • Receive and follow up employee enquiries via telephone • Prepare and review correspondence to employees and their representatives via facsimile, email and post • Preparation of letters to employees advising of their entitlements and options available
	Calculation of entitlements	<ul style="list-style-type: none"> • Calculating employee entitlements • Reviewing employee files and company's books and records • Reconciling superannuation accounts
	Other employee issues	<ul style="list-style-type: none"> • Correspondence with Child Support • Correspondence with Centrelink
Investigations [\$2,000.00]	Conducting Investigations	<ul style="list-style-type: none"> • Review of investigation files in relation to findings, detailed analysis, voidable transactions conclusions • Requesting bank statements in relation to investigations of Company's payments
	Trade On Management	<ul style="list-style-type: none"> • Liaising with suppliers • Liaising with management and staff • Attendance on site • Authorising purchase orders • Maintaining purchase order registry • Preparing and authorising receipt vouchers • Preparing and authorising payment vouchers • Liaising with superannuation funds regarding contributions, termination of employees employment • Review of contract status to finalisation, preparation of correspondence to clients in relation to current projects • Discussions with Directors and liaising with customers in relation to projects and workflow
Trade On [\$13,000.00]	Processing receipts and payments	<ul style="list-style-type: none"> • Entering receipt and payments into accounting system • Preparing bank reconciliations
	Budgeting & financial reporting	<ul style="list-style-type: none"> • Reviewing company's budgets and financial statements • Review and preparation of cash flow forecast
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> • Filing of documents • Updating checklists
Administration [\$2,500.00]	Insurance	<ul style="list-style-type: none"> • Correspondence with Willis (Insurance Broker) regarding initial and ongoing insurance requirements • Reviewing insurance policies
	Bank account administration	<ul style="list-style-type: none"> • Bank account reconciliations • Correspondence with bank regarding specific transfers
	Planning / Review	<ul style="list-style-type: none"> • Discussions regarding status of administration, planning and staff management
	Directors and Officers	<ul style="list-style-type: none"> • Discussions with directors, officers and legal advisors in relation to DOCA consideration

Supa Steel (WA) Pty Ltd (Administrators Appointed)
ACN 112 395 721

General description of work to be completed for the period 7 August 2009 Onwards

Task Area	General Description	Includes
Assets [\$45,000.00]	Debtors	<ul style="list-style-type: none"> • Correspondence with debtors and subsequent communications • Reviewing and assessing debtors ledgers • Liaising with solicitors • Recovery of debts outstanding
	Land and Buildings	<ul style="list-style-type: none"> • Liaising with real estate agent regarding sale of premises
	Plant and Equipment	<ul style="list-style-type: none"> • Liaise with auctioneer regarding auction of company's plant and equipment • Liaising with interested parties
	Stock	<ul style="list-style-type: none"> • Liaise with auctioneer regarding auction of company's stock • Liaising with interested parties
Creditors [\$9,000.00]	Creditor Enquiries	<ul style="list-style-type: none"> • Receive and follow up creditor enquiries via telephone • Review and prepare correspondence to creditors and their representatives via facsimile, email and post • Correspondence with committee of inspection if creditors pass resolution
	Secured creditor reporting	<ul style="list-style-type: none"> • Responding to secured creditor's queries • Liaising with secured creditor regarding sale of premises
	Creditor reports	<ul style="list-style-type: none"> • Preparing report, investigation, meeting and general reports to creditors
	Dealing with proofs of debt	<ul style="list-style-type: none"> • Receipting and filing of POD's when received • Corresponding with creditors regarding POD's when not completed correctly
	Meeting of Creditors	<ul style="list-style-type: none"> • Preparation meeting notices, proxies and advertisements • Forward notice of meeting to all known creditors • Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting • Preparation and lodgement minutes of meetings with ASIC • Respond to stakeholder queries and questions immediately following meeting
Employees [\$4,000.00]	Employees enquiry	<ul style="list-style-type: none"> • Receive and follow up employee enquiries via telephone • Prepare and review correspondence to creditors and their representatives via facsimile, email and post • Preparation of letters to employees advising of their entitlements and options available
	GEERS	<ul style="list-style-type: none"> • Correspondence with GEERS • Preparing notification spreadsheet • Preparing GEERS quotations • Preparing GEERS distributions
	Calculation of entitlements	<ul style="list-style-type: none"> • Calculating employee entitlements • Reconciling superannuation accounts and compare with ATO's SGC proof of debt
	Employee dividend	<ul style="list-style-type: none"> • Correspondence with employees regarding dividend • Correspondence with ATO regarding SGC proof of debt • Calculating dividend rate • Preparing dividend file • Advertising dividend notice • Preparing distribution • Receipting POD's • Adjudicating POD's • Ensuring PAYG is remitted to ATO
	Workers compensation claims	<ul style="list-style-type: none"> • Liaising with pre appointment insurers in relation to refund of wages paid to employee under workers compensation • Correspondence with Willis (Insurance Brokers) regarding initial and ongoing workers compensation insurance requirements
	Other employee issues	<ul style="list-style-type: none"> • Correspondence with Child Support • Correspondence with Centrelink
Investigation [\$25,000.00]	Conducting investigation	<ul style="list-style-type: none"> • Collection of company books and records • Issue of demand in relation to preference payments and insolvent trading • Continue investigations into voidable transactions • Preparation and lodgement of section 533 Report with the ASIC • Prepare of comparative financial statements • Continue review of company's books and records • Preparation and lodgement of supplementary report if required by the ASIC • Prepare deficiency statement • Continue to liaise with directors regarding certain transactions regarding voidable transaction
	Litigation / Recoveries	<ul style="list-style-type: none"> • Preparing brief to solicitors • Liaising with solicitors regarding recovery actions • Attending to negotiations • Attending to settlement matters
	ASIC reporting	<ul style="list-style-type: none"> • Preparing statutory investigation reports • Preparing affidavits seeking non lodgements assistance • Liaising with ASIC

Dividend [\$10,000.00]	Processing proofs of debt	<ul style="list-style-type: none"> • Preparation of correspondence to potential creditors inviting lodgement of POD • Receipt of PODs • Maintain POD register • Adjudicating PODs • Request further information from claimants regarding POD • Preparation of correspondence to claimant advising outcome of adjudication
	Dividend procedures	<ul style="list-style-type: none"> • Preparation of correspondence to creditors advising of intention to declare dividend • Advertisement of intention to declare dividend • Preparation of dividend calculation • Preparation of correspondence to creditors announcing declaration of dividend • Preparation of distribution • Preparation of dividend file • Preparation of payment vouchers to pay dividend • Preparation of correspondence to creditors enclosing payment of dividend
Administration [\$7,000.00]	Document maintenance/file review/checklist	<ul style="list-style-type: none"> • First month, then 6 monthly administration review • Filing of documents • File reviews • Updating checklists
	Insurance	<ul style="list-style-type: none"> • Correspondence with Willis (Insurance Broker) regarding ongoing insurance requirements
	Bank account administration	<ul style="list-style-type: none"> • Preparing correspondence opening and closing accounts in relation to the change in the Administration • Bank account reconciliations • Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	<ul style="list-style-type: none"> • Preparing and lodging ASIC forms including 505, 524, 911 etc • Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	<ul style="list-style-type: none"> • Notification of appointment • Preparing BAS' • Completing group certificates
	Books and records / storage	<ul style="list-style-type: none"> • Dealing with records in storage • Sending job files to storage

Annexure I

**Supa Steel (WA) Pty Ltd (Administrators Appointed)
ACN 112 395 721**

**Joint and Several Administrators' Summary Of Receipts And Payments
From 2 July 2009 to 27 July 2009**

RECEIPTS	(\$)
Recovery of Debtors	321,585.55
Commission Received	42.02
Petty Cash Recovered	63.75
Sale of Scrap Steel	627.00
Cash Recovered from Solicitors Trust	339.00
Total Receipts	322,657.32
PAYMENTS	
Purchases	485.61
Postage	50.00
Stationery & Printing	11.61
Sundry Expenses	506.00
Transport / Courier	100.00
Vehicle Running Costs	1,139.51
Wages & Salaries	48,408.99
Sub-Contractors	1,420.00
Stamp Duty	11.55
Other Government Charges	160.75
Agents/Valuers Fees	2,500.00
Australian Taxation Office - BAS	570.66
Total Payments	55,364.68
Cash at Bank 28 July 2009	267,292.64