Premium Income Fund

NSX Release: 18 December 2008

Wellington

Creditors Meeting Update:
Octaviar Limited (In Administration), Octaviar Administration Pty Ltd (In Administration)

Wellington Capital Limited as responsible entity for the Premium Income Fund attended the second creditors meeting of Octaviar Limited and Octaviar Administration Pty Ltd on 17 December 2008.

A copy of the meeting material follows this announcement.

Wellington Capital Limited as responsible entity for the Fund was admitted to vote at the creditors meeting for Octaviar Limited for $197.5 million of the $203 million claimed against Octaviar Limited and for $130 million of the $203 million claimed at the Octaviar Administration Pty Ltd creditors meeting.

The creditors of each of these companies resolved to proceed with the Deed of Company Arrangement proposed by Fortress in relation to each of Octaviar Limited and Octaviar Administration Pty Ltd.

Wellington Capital Limited as responsible entity for the Fund supported the Fortress Deed of Company Arrangement because it is the view of the board that this would be in the best interests of unitholders in the Fund.

The Public Trustee of Queensland in court before McMurdo J today has foreshadowed a challenge to the Deeds of Company Arrangement agreed to by the creditors yesterday for Octaviar Limited and Octaviar Administration Pty Ltd.

A hearing date for the challenge of the Deed of Company Arrangement has been set down for 6 March 2009 in the Supreme Court of Queensland.

For further information please contact:

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Chairperson
Wellington Capital Limited
as responsible entity of the Premium Income Fund
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Circular to Creditors

10 December 2008
Ref: JG:CM:101208

Dear Sir/Madam

Octaviar Ltd ACN 107 863 436
(Formerly MFS Ltd) (Receivers & Managers Appointed) ("OCV")

We refer to our appointment as Administrators of OCV.

Please find enclosed a copy of the OCV Section 439A Report to Creditors.

Pursuant to Section 439A(3) of the Act the second meeting of creditors of OCV is to be held on Friday 17 December 2008 at our offices located at level 25, Riverside Centre, 123 Eagle Street, Brisbane, Queensland 4000, at 10:30am Brisbane time. This meeting is to be held concurrently with the second meetings of creditors for OA, OFS, OIB and OIN.

Creditors may attend and vote in person, by proxy or by attorney. The appointment of a proxy must be made in accordance with Form 532 (a copy of this form is attached to the Section 439A Report to Creditors). A specific proxy can be lodged showing approval or rejection of each resolution. Proxy forms or facsimiles thereof must be lodged with the Administrators, at least one hour prior to the commencement of the meetings.

Please note that a creditor is required to lodge a Form 535 – Proof of Debt (a copy of this form is attached to the Section 439A Report to Creditors) to be entitled to vote at the second meetings of creditors. A creditor will not be able to vote at the meetings unless a Proof of Debt form is lodged and accepted prior to the commencement of the meetings.

If a creditor wishes to rely upon the Statement of Claim that they lodged at the first meetings of creditors they must make reference to that Statement of Claim when submitting a proxy, or when attending the second meeting of creditors.

Please ensure that you complete the relevant company proxy and proof of debt to which you are a creditor.

Should you have any queries and/or require any additional information, please contact Daniel Dalais on (07) 3308 7308 or via ddalais@deloitte.com.au.

Yours faithfully

John L Greig and Nicholas Harwood
Administrators

Octaviar Limited
(Formerly MFS Ltd)
(Administrators Appointed)
(Receivers & Managers Appointed)
ACN 107 863 436
(OCV)

Report to Creditors

Pursuant to Section 439A of the Corporations Act 2001

10 December 2008

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Contents

Definitions

Administrators	John Lethbridge Greig and Nicholas Harwood
Administration Companies	OIB, OIN, OFS, OA and OCV
Appointment date	13 September 2008
ASIC	Australian Securities & Investments Commission
ASX	Australian Stock Exchange
ATO	Australian Taxation Office
Capital Finance	Capital Finance Australia Ltd
Committee	Committee of Creditors
Company or OCV	Octaviar Limited (OCV)
CVC	CVC Asia Pacific (Australia) Limited
Deloitte	Deloitte Touche Tohmatsu
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities
DOCA	Deed of Company Arrangement
Fortress	Fortress Credit Corporation (II) Pty Ltd
FY	Financial Year Ended
IMF	IMF (Australia) Limited
k	Thousands of dollars
Management	Management of the Company
m	Millions of dollars
Mirvac	Mirvac Funds Management Ltd
Nab	National Australia Bank Limited
Octaviar Group	The Administration Companies plus other entities listed in Appendix D
OIB	Octaviar Investment Bonds Limited (Administrators Appointed) ACN 126 878 608
OIN	Octaviar Investment Notes Limited (Administrators Appointed) ACN 122 141 986
OFS	Octaviar Financial Services Pty Limited (Administrators Appointed) ACN 101 579 999
OA	Octaviar Administration Pty Limited (Administrators Appointed) ACN 101 069 390
OCV	Octaviar Limited (Administrators Appointed) ACN 107 863 436
PAC	OPI Pacific Finance Limited
PIF	Premium Income Fund
PTQ	Public Trustee of Queensland
RATA	Report as to Affairs
Relation-Back Day	In the case of a court winding up, the day upon which the application was filed, or in the case of an Administration, the Appointment Date
The Act	Corporations Act 2001
The Court	The Federal Court of Australia or any of the state Supreme Courts
The Regulations	Corporations Regulations 2001
Stella	Stella Group comprising the Stella Hospitality Group (SHG) and Stella Travel Services (STS)

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1 Executive Summary

On 13 September 2008 we, John Lethbridge Greig and Nicholas Harwood were appointed Joint and Several Administrators of Octaviar Limited (Formerly MFS Limited) (OCV) by the directors of OCV pursuant to section 436A of the Act. Messrs Greig and Harwood were also appointed Administrators of OIN, OIB and OFS on 13 September 2008 and to OA on 3 October 2008 by the directors of those entities.

We have conducted an investigation into the affairs of OCV pursuant to Section 438A of the Act. The results of our investigations to date are set out within this report.

In addition to investigating the affairs of the company, Section 438A of the Act requires the Administrators to form an opinion about the future of OCV and give reasons for our opinion in relation to each of the following matters:

a) whether it would be in creditors' interests for OCV to execute a DOCA; or

b) whether it would be in creditors' interests for the administration to end and control be returned to the directors; or

c) whether it would be in creditors' interests for OCV to be wound up. (Refer section 1.3 below)

1.1 Investigation

Section 438(A)(a) of the Act provides that as soon as possible after an administration begins the Administrators must investigate the company's business, property, affairs and financial circumstances.

This investigation is to determine whether a liquidator can recover funds from transactions entered into prior to the appointment of the Administrators, known as "insolvent transactions".

We believe that the Company and the Group may have become insolvent during the period from 4 February 2008 to 4 June 2008, being the dates of the Stella transaction and the PTQ winding up petition respectively. Based on our preliminary investigations outlined above, further investigations would be required by a liquidator. It follows that if the Company and the Group became insolvent during the period 4 February 2008 to 4 June 2008, the Company may have traded whilst insolvent from that determined insolvent date onwards.

If the directors had continued to trade the business of the Company whilst it was insolvent, then they may be liable for unpaid debts incurred after that date. We do not consider that the directors allowed the company to incur a material amount of unpaid debts after the probable insolvent date. The directors sought continual advice on the Octaviar Group's solvency from 333 Capital, Freehills and ongoing advice from another law firm. We have not identified sufficient evidence to date that would allow us to form a conclusive view as to when insolvent trading may have occurred or commenced. Even if it did, we believe the directors would have the defences available to them under the Act.

We consider that an amount of $1.5m to $30m may be recovered by a liquidator as an unfair preference pursuant to section 588FA of the Act. This may offer creditors a better return in liquidation than they would receive under the proposed DOCA's. This would require further investigation and legal advice. Creditors should be aware that these types of recoveries can be protracted, expensive to pursue and are not always successful.

We have not found any evidence that would lead us to form a conclusive view that the directors are guilty of any breaches of the Act.

1.2 Recommendation

Two DOCAs have been proposed which in many respects are very similar. The benefits to creditors of the DOCAs as proposed are stated to be as follows:

- The involvement of management to assist to develop the Stella business.
- Shares in three "investment companies" are excluded from the deed fund (directors proposal only).
- Fortress will release OCV from any claim under its security upon the payment of $25m plus costs.
- Only related companies that have third party creditors will prove for a dividend from the Deed fund
- More timely realisation of assets
- Minimise disturbance on key contractual relationships

We believe we there is a reasonable prospect of recovering unfair preference claims and uncommercial transactions within a range of $1.5m to $30m. This may offer creditors a better return in liquidation than they would receive under the proposed DOCAs. This would require further investigation and legal advice. Creditors should be aware that these types of recoveries can be protracted, expensive to pursue and are not always successful.

We therefore recommend that creditors resolve that OCV enter into the Fortress proposed DOCA for the reasons set out in section 12 of this report.

The Administrators reserve the right to change their recommendation to creditors should there be any change to the proposal, or if an alternative proposal is received subsequent to the date of this report.

Should we receive any new information relevant to creditors between issuing this report and the date of the creditors meeting, a summary be made available on our website at www.deloitte.com.au under Services/Corporate Reorganisation/Businesses under Administration.

1.3 Second Meeting of Creditors

Pursuant to Section 439A(3) of the Act the second meeting of creditors is to be held on 17 December 2008 at the office of Level 25 Riverside Centre, 123 Eagle Street, Brisbane QLD 4000 at 10:30am (Brisbane time) (see enclosed Form 529 – Notice of Meeting).

Telephone conference facilities will be made available by attendance at our Sydney office, Level 9, Grosvenor House, 225 George Street, Sydney NSW 2000.

Please note that it is the Administrators intention to hold the meetings of OA, OIB, ON, OFS and OCV concurrently.

Creditors may attend and vote in person, by proxy or by attorney. The appointment of a proxy must be made in accordance with Form 532 (copy enclosed). A specific proxy can be lodged showing approval or rejection of each resolution. Proxy forms or facsimiles thereof must be lodged with the Administrators prior to the commencement of the meeting. Where a facsimile copy of a proxy is sent, the original must be lodged with us within 72 hours after receipt of the facsimile. An attorney of the creditor must show the instrument by which he or she is appointed to the Chairman of the meeting, at least one hour prior to the commencement of the meeting.

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Please note that a creditor is required to lodge a Statement of Claim (copy enclosed) to be entitled to vote at the second meeting of creditors. A creditor will not be able to vote at the meeting unless a Statement of Claim is lodged with the Administrators prior to the commencement of the meeting.

Creditors must ensure that they lodge the relevant proxy and Statement of Claim form for the company of which they are a creditor only.

If a creditor wishes to rely upon the Statement of Claim that they lodged with us for the first meeting of creditors, held on 24 September 2008, they must make reference to that Statement of Claim when submitting a proxy, or when attending the second meeting of creditors.

At this meeting creditors will be asked to resolve:

(a) whether it would be in the creditors' interests for OCV to execute a DOCA; or

(b) whether it would be in the creditors' interests for the administration of OCV to end and control be returned to the directors; **but not**

(c) whether it would be in the creditors' interests for OCV to be wound up.

This is the case because at the hearing of an application for the winding-up of the Administration Companies in the Supreme Court of Queensland on 9 and 10 September 2008, His Honour, Justice McMurdo ordered that the administration of OCV proceed as if sub-paragraph (c) above was not included in the options available to creditors. **Accordingly, creditors may only resolve either that OCV execute a DOCA or that the administration should end and control be returned to the directors.**

Should creditors resolve to accept a DOCA, OCV will then be administered in accordance with the terms of the DOCA. Should creditors resolve that the administration should end, control of the company will revert to the directors pending a further hearing of the application to wind-up OCV which is listed to take place in the Supreme Court of Queensland on 18 December 2008. In this event, OCV has undertaken not to seek any further adjournment of the application for winding-up and has consented to an Order for it to be wound up on 18 December 2008.

The effect of the above Order was to ensure that the Relation-Back Day will be the date of the filing of the winding-up application, namely 4 June 2008. Were such an Order not made, and the creditors resolved to wind up OCV, the Relation Back Day would have otherwise been the day of the commencement of the administration, that is 13 September 2008.

2 Independence Statement

We undertook a proper assessment of the risks to our independence prior to accepting the appointment as administrators of OCV. This assessment identified no real or potential risks to our independence. We are not aware of any reasons that would prevent us from continuing this appointment.

There are no other prior professional or personal relationships that should be disclosed, other than those as set out in the DIRRI.

A full statement of DIRRI, as previously provided to creditors, is attached as Appendix A.

3 Purpose of Administrators' Report

Section 435A of the Act states that the objective of a Voluntary Administration is to allow for the business, property and affairs of an insolvent (or likely to become insolvent) company to be administered in a way that either:

- maximises the chances of the company continuing; or
- if it is not possible for the company to continue trading, results in a better return for creditors than would result from an immediate winding up.

We have conducted an investigation into the affairs of OCV pursuant to Section 438A of the Act. The results of our investigations to date are set out within this report.

In addition to investigating the affairs of the company, Section 438A of the Act requires the Administrators to form an opinion about the future of OCV and give reasons for our opinion in relation to each of the following matters:

a) whether it would be in creditors' interests for OCV to execute a DOCA; or

b) whether it would be in creditors' interests for the administration to end and control be returned to the directors; or

c) whether it would be in creditors' interests for OCV to be wound up. (Refer section 1.3 above)

4 Basis of this Report

This report has been prepared primarily from information received from the directors and the books and records of OCV. We have investigated the affairs of OCV, however there may be certain matters of which we are not aware, or of which we have not been advised. We have not performed an audit of OCV.

In order to complete this report, and in conducting our investigations, we have utilised information from:

- the Australian Securities and Investments Commission ("ASIC")
- OCV books and records
- discussions and questionnaires completed by the directors
- discussions with management and staff
- discussions with CVC.

Whilst we have no reason to doubt any information contained in this report, we reserve the right to alter our conclusions should the underlying data prove to be inaccurate or materially change from the date of this report.

5 Statutory Information

A summary of the statutory information for OCV is set out below:

A search of the ASIC Companies Database as at the Appointment Date discloses the following details for OCV:

Organisation Name	Octaviar Limited
ACN:	107 863 436
State of Incorporation:	Queensland
Registration Date:	4 February 2004
Registered Office:	5 Hicks Street SOUTHPORT QLD 4215

5.1 Officers

The directors and officers of OCV prior to the Administrators appointment were:

Name	Position	Appointed	Resigned
Barry Francis Cronin	Director	17-Aug-04	n/a
Paul Joseph Manka	Director	4-Feb-04	n/a
Christopher John Scott	Director	25-Mar-08	n/a
David Justin Burke	Director	25-Mar-08	n/a
Craig Graeme Chapman	Director	25-Mar-08	7-May-08
Andrew Peacock	Director	19-Mar-07	7-May-08
Geoffrey Normam Williams	Director	17-Aug-04	23-Apr-08
Rolf Julian Krecklenberg	Director	14-Apr-05	29-Feb-08
Michael Christodolou King	Director	4-Feb-04	21-Jan-08
Michael Gordon Hiscock	Director	4-Feb-04	16-Jan-08
Philip William Adams	Director	4-Feb-04	30-Jun-07
Terence James O'Dwyer	Director	15-Mar-05	19-Mar-07
Mark Patrick Frawley	Director	15-Mar-05	15-May-06
Anthony Kevin Smith	Director	15-Mar-05	25-Nov-05
Spencer Martin Young	Director	4-Feb-04	25-Nov-05
David John Cooper	Director	17-Aug-04	16-Mar-05
David Mark Anderson	Company secretary	4-Feb-04	n/a
Kim Lee-Anne Kercher	Company secretary	4-Feb-04	25-Feb-08

5.2 Charges

A search of the ASIC companies database revealed the following registered charges:

Chargee	Date registered	Nature of charge	Charge status
Fortress Credit Corporation (Australia) II Pty Ltd	6-Jun-07	Fixed & floating	Registered

5.3 Shareholder Structure

OCV is a public listed company, limited by shares. A summary of the top twenty shareholders at Appointment Date is set out below.

Shareholder	Class	Number	Percentage Holding (%)
HSBC Custody Nominees (Australia) Limited	Ordinary	29,167,072	6%
BT (Queensland) Pty Limited C/- Margin Lending	Ordinary	23,384,898	5%
313 Holdings Pty Ltd	Ordinary	23,303,931	5%
National Nominees Limited	Ordinary	23,285,966	5%
J P Morgan Nominees Australia Limited	Ordinary	22,640,844	5%
ANZ Nominees Limited	Ordinary	21,757,623	5%
Value Nominees Pty Ltd	Ordinary	11,944,846	2%
Gersh Investments Pty Ltd	Ordinary	9,852,966	2%
ANZ Nominees Limited	Ordinary	9,105,040	2%
AMP Life Limited	Ordinary	8,627,055	2%
Fortmore Pty Ltd	Ordinary	7,859,091	2%
Mr Christopher John Scott	Ordinary	6,880,293	1%
Chimaera Capital Limited	Ordinary	6,098,150	1%
Cogent Nominees Pty Limited	Ordinary	6,019,638	1%
Citicorp Nominees Pty Limited	Ordinary	5,764,556	1%
HSBC Custody Nominees (Australia) Limited-GSI ECSA	Ordinary	5,359,367	1%
Lift Capital Nominees No 1 Pty Limited	Ordinary	4,765,152	1%
Cogent Nominees Pty Limited	Ordinary	3,914,240	1%
UBS Nominees Pty Ltd	Ordinary	3,610,875	1%
HSBC Custody Nominees (Australia) Limited-GSCO ECA	Ordinary	3,389,936	1%

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5.4 Auditors

KPMG are the current auditors of the Octaviar Group, of which OCV is the ultimate parent. They have been the auditors since listing in 2005.

The audit of the OCV consolidated accounts for FY2008 was not completed prior to Appointment Date.

5.5 Director Related Entities

Our investigations have revealed the director-related entities as per Appendix D.

5.6 Company related entities

OCV has a related entity creditor, Octaviar Castle Pty Ltd, but it has not lodged a Statement of Claim with the Administrators for voting purposes.

We have analysed and reconciled this inter company account as at 31 August 2008 such that we can verify the claim should a claim be submitted for voting purposes.

OCV has a significant related entity receivable from OA.

5.7 Company History and Background

OCV was incorporated on 4 February 2004 and was acquired to become the ultimate holding company for the Octaviar Group. Prior to 2005 OFS fulfilled this role. The Company name was changed from MFS Limited to Octaviar Limited on 28 March 2008.

By FY07 the Octaviar Group was structured into four business segments as follows:

	FY07 profit contribution
Tourism & Travel	47%
Corporate & Investment Banking	27%
Funds Management	20%
Structured Finance & Advisory	6%

The Octaviar Group enjoyed strong growth during FY06 to FY07 but by the end of the first half of FY08 it was beginning to experience financial difficulties due to the credit crisis. The Octaviar Group's rapid expansion was predominantly acquisitive.

OCVs strategy for Stella, a travel and tourism business that formed its major asset, was to acquire companies with potential synergies and combine them to realise those synergies. It was intended that OCV would then exit the investment through either an Initial Public Offering (IPO) or trade sale once established. Over a three year period commencing in March 2005 the Stella Group continued to grow with a total acquisition cost of approximately $2.25 billion comprising the following:

Table 1: Stella's Consolidation

Date	SHG	STS	Acquisition
Mar 05	✓		Peppers
May 05	✓		BreakFree

Date	SHG	STS	Acquisition
Sep 06	✓		Tourism Hotels & Leisure (incl. Pacific International and Golden Tulip[1])
Jan 07	✓		Saville
Feb 07	✓		Outrigger
May 07	✓		Sunleisure
Dec 06	✓	✓	S8 (comprising S8 Resorts and S8 Travel)
Jul 07	✓		Protea Hotels

Source: Stella Group Information Memorandum April 2007

Once consolidated, OCV began to develop and implement a strategy for Stella to improve its earning potential as set out in the following table.

Table 2: OCV's strategies to improve Stella's earning potential

SHG	STS
Re-branding to increase the average room rates, including development of brand labels to increase customer awareness	Development of differentiated brands
Optimisation of channel mix by increasing revenue management, leveraging Stella Holidays and leveraging IT to reduce overall cost	Development of the franchise model and network
Delivering value to owners of properties	Development of online channels
Leveraging best practice to increase revenues and create cost synergies.	Growth of specialist wholesalers
	Reduction of commission leakages.

Source: L.E.K – Stella Group Strategic Vendor Due Diligence Final Report 3 May 2007

As OCV had created Stella by way of a number of transactions over a relatively short timeframe, there was no significant history of consolidated earnings or evidence of synergies achieved at the time of the sale to CVC. In addition, many of the strategies outlined above for increasing Stella's earnings potential were only in the early stages of development at the time of the transaction.

In 2007, the Octaviar Group's main senior debt provider, Fortress Credit Corporation (II) Pty Ltd provided facilities of $250m, which were originally scheduled for repayment in late 2007. In late 2007 the Octaviar Group explored the option of refinancing its debt facilities which were expected to be drawn down in early 2008 but did not eventuate. There were a number of short term extensions granted by Fortress and the debt was ultimately retired in February 2008 from the proceeds from the sale of Stella.

OCV commenced Project Swift in early 2007 whereby it attempted to sell down 50% of its investment in Stella with the stated motivation of attracting a joint venture partner that could bring both skills in the travel industry and capital contributions to the business. The objective was for the joint venture partner to help implement the strategies for the business (as set out above) and realise increased growth in the Stella operations.

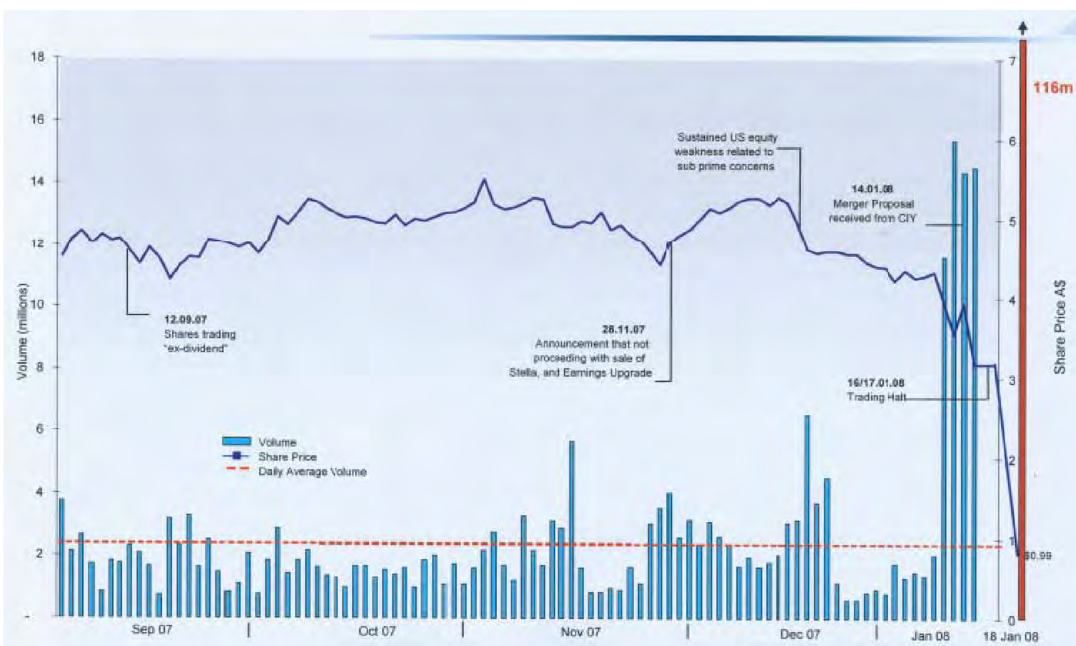
Project Swift was effectively put on hold after the preferred identified joint venture partner, CVC, sought to extend the timetable to undertake further due diligence and see evidence of Stella's projected earnings through actual results.

Following Project Swift, OCV sought to separate Stella from OCV with the intention of undertaking an initial public offer (IPO) or trade sale of the standalone Stella business. On 18 January 2008, OCV announced its intentions to separately list Stella on the Australian Stock Exchange (ASX) by way of an IPO raising $550 million to reduce debt and create value. However, the public announcement of this project contributed to a dramatic and immediate 70% drop in OCV's share price as the market interpreted OCV's intentions as a sign that it required capital to meet short-term debt obligations. At the time, OCV had a $189 million debt facility (the Fortress Facility) due for repayment in March 2008.

[1] Interest in Golden Tulip increased to 50% through subsequent transactions

The sharp fall in OCV's market capitalisation and share price, as shown in the chart below, had the following impacts on its business:

- OVC'S five day volume-weighted average share price dropped below a threshold price ($3.20) on 18 January 2008. This resulted in a breach of covenant of the Fortress Facility which would allow Fortress to enforce its security
- OCV's ability to renegotiate the facility or arrange new financing to meet short-term requirements was significantly restricted by the lack of market confidence and weakened equity position
- Stella's business experienced negative impacts as a result of its association with OCV. The operations of both of Stella's business lines and STS in particular are highly susceptible to shifts in public perception. As a result of the perceived financial fragility of its parent, Stella's revenue base began to deteriorate as evidenced by:
  - reduced retail activity
  - some of Stella's franchisees seeking to terminate franchise arrangements
  - franchisees began to book through other third party holiday wholesalers instead of those owned by Stella
  - some suppliers indicated that they would seek to change supply terms such as American Express who sought to change from daily turnarounds to monthly, a move which would have significantly hampered the cash flow of the business.



Fortress Credit Corporation (Australia) II Pty LTD (Fortress) advised OCV, in a letter dated 21 January 2008, that they waived their right to action in the event of OCV defaulting on their debt facility until 4 February 2008.

Following the sale agreement of Stella, OCV negotiated an extension of the Fortress Facility to the earlier of 31 March 2008 or the date of completion or termination of the Stella sale agreement with CVC. Significant additional extension, maintenance and transaction fees would have been payable to Fortress should the extension have been utilised.

Accordingly, the commercial motivations that OCV had for undertaking the sale of Stella included:

- to raise cash to meet $189 million debt repayment of the Fortress Facility due on 29 February 2008
- to provide evidence to Fortress and other security holders of a clear plan to meet its commitments and therefore discourage enforcement of covenant breaches
- to preserve remaining value in Stella which was being eroded due to its association with the failing OCV
- to restore market confidence in MFS' ability to meet its obligations through repayment of all short-term debt and enable OCV to continue trading.

Through its 'Cash is King' Project, undertaken in conjunction with its newly appointed advisers, 333 Capital , OCV identified its only option to satisfy these motivations was to sell down its investment in Stella as soon as practical as part of a three point plan.

Given that the achievement of these objectives was required to remain trading and that OCV considered it had no alternative option, it is reasonable to conclude that OCV had a strong compulsion to sell down its investment in Stella in an accelerated timeframe. It is also reasonable to conclude that a justifiable commercial outcome in this situation would be a transaction that met its immediate objectives to remain solvent rather than necessarily achieve fair market value.

Given the public nature of OCV's decline, it is also reasonable to expect that all potential acquirers of an interest in Stella would have been aware of OCV's situation and its motivations.

By late January 2008, OCV recognised that it would likely be in a net liability position and subsequently advised creditors and investors that it would need to reach an accommodation with its major creditors. Since March 2008 OCV and its advisers began discussions with major creditors to solicit their views on a standstill arrangement. Individual offers were subsequently sent to the major creditors and discussions and exchanges in correspondence were pursued while the Group and its creditors explored the proposed standstill arrangement. In the interim OCV's financial position continued to deteriorate as various contingent claims were crystallized by the creditors. A summary of the major claims are as follow:

Creditor	Value $m	Description
PIF	50	Issued a notice to exercise its rights under the support mechanism
ATO	56	Assessed tax liability for the FY07 income tax return
PIF	147.5	A statement of claim was issued for damages against OCV and OA from the alleged misappropriation of funds held within the PIF fund
PAC	135 and growing	Was the beneficiary of a put option provided by OCV which essentially allowed PAC to sell non performing loans, to OCV, subject to certain criteria being met

During this period OCV underwent a number of management changes which saw the resignation of Michael King on 22 January 2008 and a change of board members due to the demands of a shareholder action group.

OIB was incorporated on 3 August 2007 for the purpose of raising funds through the issue of investment bonds. On 22 November 2007 Challenger Managed Investments Limited (as responsible entity for the Challenger High Yield Fund and as the agent of Colonial First State Investments Limited as responsible entity for the Commonwealth Fixed Interest Fund) subscribed for $100m of MFS bonds. The bonds were issued on 23 November 2007 with a redemption date of 23 November 2011.

The terms of the MFS bonds included certain default and trigger event clauses to allow bond holders to issue a notice requiring redemption within 30 days. Another key term of the bond issue was the requirement that OCV and certain subsidiaries provide a guarantee to bond holders as follows:

"MFS will procure that its Material Subsidiaries from time to time enter into a guarantee on the same terms as that provided by MFS and described in clause 10.1"

A Material Subsidiary was defined as:

"a wholly owned subsidiary of MFS with unsecured debt owed to a third party (other than an entity within the Group) of greater than $10m."

In January 2008 Challenger wrote to OCV referring to certain ASX and media announcements concerning the suspension of its shares and possible sale of its interest in Stella, citing that this may represent a trigger event. In February 2008, Challenger, the holder of $100m of bonds in OIB, asserted that a bond holder trigger event had occurred and therefore the bonds had become immediately due and payable by all guarantors, including OCV. Correspondence continued to be exchanged between the Octaviar Group and Challenger until March 2008 when Challenger commenced proceedings in the New South Wales Supreme Court. The statement of claim from Challenger sought relief as follows:

1. that material subsidiaries of OCV provide guarantees in accordance with the terms of the bond prospectus;
2. damages for alleged misleading and deceptive conduct

At the time of writing this report the proceedings are still on foot with a trial date set down for 10 December 2008.

The other major creditor applying pressure was the Public Trustee of Queensland, who represented all of the note holders under a trust deed.

On 2 November 2006, a Trust Deed was entered into between the PTQ, OIN and OCV and a Guarantee Deed Poll was entered into between the PTQ and OCV. Subsequently, Deeds of Accession were entered into by OFS and OIB dated 5 January 2007 and 7 February 2007.

From December 2006 OIN issued unsecured notes to the value of $348.6m to approximately 550 note holders. The notes are redeemable in December 2011.

Upon receipt of the funds from note holders, OIN on lent these funds to OA, the treasurer and cash management entity of the Octaviar Group. This created an inter company loan in favour of OIN to OA.

The Terms of Issue of Notes attached as Schedule 1 to the Trust Deed (the "Terms of Issue"), defined an Event of Default to include

"(e) the occurrence of an Insolvency Event with respect to [Octaviar] or [Octaviar Notes]".

It further defined Insolvency Event to include *"a body corporate is insolvent or is presumed to be insolvent under the Corporations Act or other applicable legislation"*,

and defined "Insolvent" as

"the meaning given in subsection 95A(2) of the Corporations Act".

In addition to the implied insolvency of both entities resulting in an Event of Default, the PTQ (through the Notice) also stated that clause 6.5 (b) of the Trust Deed had been breached in that OIN and OCV provided the PTQ with misleading information. The PTQ stated that the Declarations of Solvency of OIN and OCV dated 17 March 2008 were considered to be misleading as there were no reasonable grounds for believing that the entities were solvent. In the Notice, the PTQ also considered information provided by OIN in response to the PTQ's requests for information dated 14 and 21 February 2008, was misleading.

The PTQ considered the breaches incapable of being remedied.

Through the Guarantee Deed Poll, OCV guaranteed OIN's obligations to the PTQ, while through the Deeds of Accession, OFS and OIB became bound by OCV's duties and obligations under the Guarantee Deed Poll.

The PTQ issued a Notice of Event of Default ("the Notice") dated 28 May 2008 stating that OCV and OIN are considered to be insolvent as they are unable to pay their respective debts as and when they fell due. In accordance with the Terms of Issue, the PTQ declared and demanded all of the notes to be due and payable on 5 June 2008. OIN was directed to pay the sum of $352.6m in respect of the notes and accrued interest. OIN failed to comply with the demand so on 12 June 2008 the PTQ demanded the payment of $352.6m from the guarantors to be paid by 20 June 2008 which was also not satisfied.

In July 2008 OCV issued a proposal to enter into standstill arrangements with its major creditors. The proposal was rejected by the major note holders on 9 September 2008 immediately before the hearing for the winding up of OIB, OCV, OFS and OIN.

On 13 September 2008 Administrators were appointed to OIB, OIN, OFS and OCV and on 3 October 2008 Administrators were appointed to OA.

On 15 September Receivers and Managers were appointed to OCV by Fortress.

5.8 Summary of Financial Statements

Overview

Management accounts for OCV were prepared to 30 June 2008. The FY08 Annual Report has not been completed and was not audited prior to our appointment.

A summary of the historical financial statements for OCV is provided below.

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Income Statement

For the period ended	30 June 2008 Mgmt Accounts $'000	31 December 2007 Mgmt Accounts $'000	30 June 2007 Audited $'000	30 June 2006 Audited $'000
Operating revenue	224	224	1,101	-
Other revenue	-	-	7,050	-
Dividend income	100,867	100,000	56,675	36,500
Other expenses	(981,622)	(235,794)	(515)	-
Net financing costs	(5,658)	(1,819)	(5,948)	(1,401)
Profit before income tax	(886,188)	(137,388)	58,363	35,099
Income tax benefit / (expenses)	258,747	18,275	5,659	420
Profit for the period attributable to equity holders	(627,441)	(119,113)	64,022	35,519

Profit for FY06 mainly consists of dividend income of $36.5m received from OFS, a wholly owned subsidiary. Dividend income received from wholly owned subsidiaries increased to $56.7m for the FY07, and further increased to $100m and $100.9m for the six month period ending 31 December 2007 and 30 June 2008 respectively.

Other revenue of $7.1m for FY07 consists of profit made on the sale of shares in MFS RAP Ltd.

Other expenses of $235.8m for the six month period ended 31 December 2007, mainly consists of a provision for the put option in favour of PAC. Other expenses increased to $981.6m for the period ended 30 June 2008, and mainly consists of:

- loss on sale of investments ($489m);
- loss made on investments marked to market ($29m);
- put option provision expense ($289m); and
- provision for PIF claims ($165m).

Net financing costs for FY07 amounted to $6m, consisting of borrowing costs of $6.4m, offset by interest revenue of $0.4m. Borrowing costs predominantly relate to interest incurred on convertible Challenger notes issued (classified as equity on the balance sheet). Net financing costs for the period ended 30 June 2008 was $5.7m and comparable to 2007.

The income tax benefit of $5.7m for FY07 mainly consists of a current year tax benefit of $5.6m, driven by the inter-company dividend received being exempt from tax (as stated by management). The income tax benefit increased to $18.3m for the period ended 31 December 2007 and further increased to $258.8m for the period ended 30 June 2008. These tax benefits were mainly as a result of the tax treatment relating to the following items recognised:

- put option fee provision expense;
- dividends received from wholly owned subsidiaries;
- loss on sale of investments;
- loss on investments marked to market;
- provisions (including support provisions) for PIF claims; and
- bad and doubtful debts.

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Balance Sheet

As at	30 June 2008 Mgmt Accounts $'000	31 December 2007 Mgmt Accounts $'000	30 June 2007 Audited $'000	30 June 2006 Audited $'000
Current Assets				
Cash and cash equivalents	10	87	21	-
Trade and other receivables	614,691	1,359,732	1,342,866	285,458
Income tax receivable	238,235	-	-	-
Other current assets	3,705	-	-	-
Total current assets	**856,641**	**1,359,819**	**1,342,887**	**285,458**
Non-current assets				
Investments	247,817	143,343	173,017	176,377
Deferred tax assets	159,215	26,951	2,296	-
Total non-current assets	**407,032**	**170,294**	**175,313**	**176,377**
Total assets	**1,263,673**	**1,530,113**	**1,518,200**	**461,835**
Current liabilities				
Trade and other payables	74,280	3,721	15,794	45,689
Income tax payable	-	38,066	65,352	19,355
Provisions	447,500	246,000	-	-
Total current liabilities	**521,780**	**287,786**	**81,146**	**65,044**
Total liabilities	**521,780**	**287,786**	**81**	**65**
Net assets	**741,893**	**1,242,327**	**1,437,054**	**396,791**
Equity				
Share Capital	1,434,686	1,432,028	1,416,719	367,090
Retained earnings	(692,793)	(189,702)	20,335	29,701
Total equity attributable to equity holders	**741,893**	**1,242,327**	**1,437,054**	**396,791**

Trade and other receivables represent non-interest bearing loans provided to controlled entities.

Investments of $173m as at 30 June 2007 (30 June 2006: $176.4m) represent OCV's investments in controlled entities – refer to group structure as Appendix D. The balance of $143.3m as at 31 December 2007 includes $131.8m relating to investments in controlled entities. The balance increased to $247.8m as at 30 June 2008 and is predominantly made up of $108.5m investment in subsidiaries and $127.8m investment in Stella.

Trade and other payables of $45.7m as at 30 June 2006 and $15.8m as at 30 June 2007, comprises mainly loans from controlled entities. These loans are non-interest bearing and repayable on demand. Trade and other payables of $74.3m as at 30 June 2008 include loans from controlled entities of $17.3m and trade creditors of $56.8m, being the ATO for the FY07 tax liability.

Provisions of $246m as at 31 December 2007 comprise the PAC put option provision. The provisions balance of $447.5m as at 30 June 2008 comprises the following:

- provision for PAC put option of $280m;
- provision for PIF support mechanism claim of $50m; and
- provision for PIF claim of $117.5m.

The deferred tax assets balance was zero as at 30 June 2006, increased to $26.9m as at 31 December 2007 and further increased to $159.2m as at 30 June 2008. The balance mainly arose as a result of the deductible temporary differences originating from the PIF claim and the PAC put option provisions (s discussed below).

Income tax payable of $65.4m as at 30 June 2007 (30 June 2006: $19.4m) and $38.1m as at 31 December 2007 represent the amount of income taxes payable in respect of corresponding or prior financial periods. The income tax receivable of $238.2m as at 30 June 2008 arose as a result of the

$886.2m loss before tax recognised, and more specifically from the tax treatment in relation to specific items as discussed in the profit and loss section above.

Statement of Cash Flow

For the period ended 30 June	2007 Audited $'000	2006 Audited $'000
Cash flows from Operating Activities		
Cash receipts form customers	1,655	-
Cash generated from operations	1,655	-
Interest received	408	-
Dividends received	56,675	36,500
Income taxes paid	(24,784)	(4,000)
Net cash from operating activities	**33,954**	**32,500**
Cash flows from Investing Activities		
Proceeds from sale of investments	550	5,539
Payment for investments	-	(17,864)
Borrowing costs paid	(6,357)	(1,398)
Net cash from / (used in) investing activities	**(5,807)**	**(13,723)**
Cash flows from Financing Activities		
Proceeds from issue of share capital	371,931	3,433
Proceeds from issue of stapled securities	-	40,000
Payment of advance to related parties	(322,548)	(45,094)
Dividends paid	(77,509)	(17,285)
Net cash from / (used in) financial activities	**(28,126)**	**(18,946)**
Net increase / (decrease) in cash and cash equivalents	21	(169)
Cash and cash equivalents at beginning of year	-	169
Cash and cash equivalents at end of year	**21**	**0**

Note: Statements of Cash Flow were not available for the period ended 31 Dec 2007 and year ended 30 June 2008.

5.9 Reasons for Failure

The directors have attributed the failure of OCV to the following:

- the market reaction to a proposal announced on 18th January 2008
- the company's underestimation of the markets concern regarding OCV’s gearing
- the miscommunication and misunderstanding of the company's actual debt position
- the misunderstanding by the market of the company's plan for recapitalisation
- the rapid deterioration of debt and equity markets when the company was still in an expansionary phase
- short selling activity reduced confidence in the company and limited the number of options available to the company to obtain refinance/new capital

In our opinion, the main reasons for the failure of OCV are:

- the high level of gearing

- the significant losses from the sale of investments
- insufficient ability of OCV to raise additional capital to meet the Group's capital requirements
- insufficient cash reserves to meet note holder and bondholder redemptions, interest payments and creditor liabilities, in part due to the deteriorated position of funds under management in its subsidiary businesses
- market sensitivity which impacted OCV's ability to source additional capital
- the inability of the Octaviar Group to obtain the financial accommodation it was seeking from its major creditors.

On 4 June 2008 the PTQ issued winding petitions in the Supreme Court of Queensland against OCV, OFS, OIB and OIN.

On 12 June 2008 the PTQ issued a demand against OCV and other Octaviar Group entities for repayment of the MFS Notes which was not satisfied.

In July 2008 OCV issued a proposal to enter into standstill arrangements with its major creditors. The proposal was rejected by the major note holders on 9 September 2008 immediately before the hearing for the winding up of OCV, OFS, OIB and OIN.

On 13 September 2008 Administrators were appointed to OCV,OFS, OIB and OIN.

On 15 September 2008 Fortress appointed Receivers and Managers to OCV.

6 Summary of Administration to Date

6.1 First Meeting of Creditors

On 24 September 2008, meetings of creditors of the Administration Companies, excluding OA, were held concurrently in accordance with Section 436E of the Act. At this meeting, our appointment as Voluntary Administrators was confirmed. Also at that meeting, we advised that we would undertake an investigation into the affairs of the Administration Companies while the directors pursued restructuring strategies through a proposed DOCA to be presented to creditors for their approval at a second meeting of creditors.

It was also resolved at the first meeting of creditors that a Committee be formed. The following creditors were nominated and were elected as members of the Committee:

Member	Creditor
Gareth Jenkins – Clayton Utz	Public Trustee of Queensland
Dominic Emmett – Corrs Chambers Westgarth	Public Trustee of Queensland
Craig Morland	Australian Taxation Office
David Kelleher	Fortress Credit (Australia) II Pty Ltd
Michael Vella	Mirvac Funds Management
Robert Pitt - Wellington Investments Funds Ltd	Premium Income Fund
Jason Maywald	OPI Pacific Funds Ltd
Stuart Terry	Challenger Managed Investments Ltd
Quentin Olde	Colonial First State Investments Ltd

The Administrators convened and held two Committee meetings on 7 November 2008 and 14 November 2008. The purpose of the meetings was to consider and discuss a DOCA proposal from the directors involving all of the Administration Companies. Minutes of the Committee meetings have been circulated to Committee members and lodged with ASIC.

6.2 Extension of Convening Period

Administrators are required by the Act to convene a second meeting of creditors within 20 business days of the date of their appointment, and to hold this meeting within five business days of the end of this convening period. Given the complexity of the Octaviar Group and the Administrator's obligations to investigate the affairs of the companies to which they are appointed, this period was considered to be inadequate to enable the Administrators to fulfil their duties.

At the first meeting of creditors, the Administrators took the opportunity to ask creditors if they would object to an application to extend the convening period. Creditors indicated that they did not object, but would consider it further when provided with notice of the application. Shortly before making the application, all creditors appointed to the Committee were contacted in relation to the application and the Committee members advised that they either supported the application or did not object.

Affidavit evidence was presented to the court and His Honour, Justice McMurdo, gave orders pursuant to Section 439A(6) that the convening period be extended to 10 December 2008. This would allow the Administrators the opportunity to properly investigate the Administration Company's affairs and be in a position to put, if possible, a DOCA to creditors at the second meeting. A notice dated 10 October 2008 was forwarded to all creditors advising that the extension had been awarded. A notice was also forwarded to ASIC.

6.3 The Administrators' Actions to Date

Following appointment, the Administrators took control of the affairs of OCV and presently remain in control.

Immediate actions were taken by the Administrators for the conduct of the Voluntary Administration including:

- regular meetings with the directors of OCV and discussions in relation to the DOCA proposal
- meetings, telephone attendances and correspondence with bond holders and their advisers
- meetings, telephone attendances and correspondence with the PTQ in relation to their claim on OCV
- review of numerous documents in relation to the bond issue, Deeds of Guarantee and Deeds of Accession
- meetings, telephone attendances and correspondence with Fortress

Statutory matters attended to include:

- convening and holding the first meeting of creditors
- reviewing and adjudicating creditors claims
- convening and holding two meetings of the Committee
- preparation and lodgement of relevant notices with ASIC
- notifying statutory authorities of our appointment
- applying to the Court for and obtaining an extension of the convening period
- conduct investigation into the affairs of OCV
- convening second meeting of creditors
- preparation of this 439A report to creditors.

7 Administrators’ Trading Performance and Receipts and Payments

7.1 Business Trading

The Administrators did not trade the OCV business and therefore no comment is required regarding the trading performance of the Company during the administration period from 13 September 2008 to 10 December 2008.

7.2 Administrators’ Receipts and Payments

The table below provides a summary of all the receipts and payments made by the Administrators for the period 13 September 2008 to 31 October 2008. We reiterate that the summary below does not include accruals incurred to date.

Summary of Receipts and Payments

Receipts	**Total (AUD)**
Cash at bank on appointment	3,951
Contribution from Mallesons for subpoena	40
	3,991
Payments	
Bank Charges	10
	10
Net Receipts / (Payments)	**3,981**
GST Receivable / (Payable)	-
Cash on hand	**3,981**

8 Report as to Affairs

Under section 438B of the Act, the directors are required to provide a RATA for the company as at the Appointment Date within seven days of receipt of the request from the Administrators.

The RATA was received by this office on 23 October 2008 and is summarised below.

The RATA for the Company, together with the respective accompanying schedules may be inspected by contacting Debbie Lippstreu on (07) 3308 7048 at the Administrators office.

The RATA represents a snapshot of the asset and liability position of the Company on a going concern and forced asset realisation basis, **as prepared by the directors**. The Administrators have provided their comments on the director’s estimated realisable values in the notes below the table.

RATA Summary $'000	Note	Book value $'000	Estimated realisable value $'000
Assets			
Cash on hand	8.1.1	4	4
Cash on hand - held by OA in trust	8.1.1	19,695	19,695
Other assets	8.1.2	851,730	Uncertain
Subtotal		**871,429**	**19,699**
Liabilities			
Preferential claims	8.1.3	(56,138)	(56,138)
Unsecured creditors	8.1.4	(1,291)	(20)
Contingent assets	8.1.5	Uncertain	Uncertain
Contingent liabilities	8.1.6	(818,621)	Uncertain
Subtotal		**(876,050)**	**(56,159)**
Surplus/(shortfall)		**(4,621)**	**(36,459)**

The book values shown in the RATA do not reflect actual returns to creditors.

The director's comments on the estimated realisable values included in the RATA for OCV are as follows:

8.1.1 Cash at bank

OCV has cash at bank of $4k and OA also holds $19.6m on trust for OCV.

8.1.2 Other assets

Other assets are summarised as follows:

Description	Book value $'000
Intercompany balance due from OA	555,064
Intercompany balance due from Octaviar Castle Pty Ltd	60,361
Investment in Stella Group	127,785
Investment in subsidiaries	108,521
Total	**851,730**

As OA is in Administration itself, the director's assess that the recoverability of this intercompany balance amount is uncertain.

The intercompany balance due from Octaviar Castle is also assessed as uncertain by the director as OC's only asset is a significant debt due from an investment company related to the Octaviar Group, MFS Alternative Asset Limited (AAL). The recoverability of the loan is in doubt due to the loss suffered by Alternative Asset Fund and the current uncertainty as to the recoverable value of the investments held by AAL.

The investment in Stella is also assessed as uncertain by the director. OCV and its subsidiaries hold a 35% interest in the Stella Group. The shares and other instruments are legally held by Octaviar Stella Holdings Pty Ltd, but are beneficially held by other entities OCV, OA and Sunleisure. OCV is the beneficial holder of 59.44% of the equity held by the Octaviar Group.

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The director's comment is that the enterprise value of the Stella Group as a whole or a minority interest is difficult to estimate due to current credit and equity market volatility and court proceedings brought by the bondholders against two of the Stella entities. In addition, the Octaviar Group is unable to dispose of its interest in Stella until February 2009. The directors also note that CVC has asserted its right to warranty claims arising from the sale and purchase agreement with OCV, and that these could lead to OCV forfeiting certain equity entitlements if the claim is valid.

The directors have included the book value of investments in subsidiaries but state that the realisable value is uncertain due to the shares not being readily saleable and the estimated residual value available to shareholders in a liquidation scenario is uncertain. Four of the group companies are currently under Administration, and this has added to the director's uncertainty around the value of the investments.

NB – some subsidiaries are not shown in MYOB, these have a book value of zero in the ESOP

8.1.3 Preferential claims

The income tax liability of the Octaviar Group for FY07 was assessed at $58m. On 10 September 2008 ATO issued a notice under section 260-5 of Schedule 1 of the Taxation Administration Act 1953 ("Garnishee notice") for a debt payable to the Commonwealth for $58m to OA as the amount payable by OCV had not been met.

8.1.4 Secured Creditor

As outlined above, OCV provided fixed and floating charges over all its assets and undertakings to secure its obligations to Fortress Credit Corporation (Australia) II Pty Limited. The total value of the securities at appointment totalled $38.5m.

8.1.5 Unsecured Creditors

Unsecured creditor claims are estimated by the directors to total $20k and which have been summarised below:

Supplier	Claimed $	Amount accepted as due $
ASX Operations Pty Ltd	385	385
Computershare Investor Services - Brisbane	18,236	14,936
Computershare Investor Services - Melbourne	2,750	0
Computershare Plan Manager Pty Ltd - Sydney	2,529	2,529
Property Council of Australia	2,640	2,640
Public Trustee of Queensland	1,264,303	-
	1,290,843	**20,490**

8.1.6 Contingent Liability

The RATA included a number of contingent liabilities which have been summarised below:

Creditor	Nature of liability	Gross liability $	ERV $
Public Trustee of Queensland	Guarantee of obligations of OIN	348,621,200	348,621,200
Challenger Managed Investments Ltd	Guarantee of obligations of OIB	96,773,500	96,773,500
Colonial First State Investments Ltd	Guarantee of obligations of OIB	7,284,027	7,284,027
Wellington Investment Capital Limited	Support mechanism of PIF	50m	50m
Wellington Investment Capital Limited	Legal fees and damages claim	147,500,000	152,500,000
OPI Pacific Finance Limited	Claim under Put Option agreement	400m	461,851,496
Fortress Credit Corporation (Australia) II Pty Ltd	Guarantee of obligations of Young Village Estates	37,500,000	38,234,862
Fortress Credit Corporation (Australia) II Pty Ltd	Guarantee of OPI Pacific Investment Pty Ltd	30,000	
St George Bank Limited	Guarantee of CCPT Pty Ltd atf Child Care Property Trust	13m	-
St George Bank Limited	Guarantee of obligations of Sunkids Group	21m	-
BOS International (Australia) Limited	Cost overrun Deed in relation to LLA	10m	-
BOS International (Australia) Limited	Guarantee of obligations of Octaviar RAP Limited	Interest only guarantee	Uncertain
Capital Finance Australia Limited	Guarantee of obligations of Octaviar Blue Sky Development Trust	26m	-
Mirvac Funds Management Ltd	Guarantee of obligations of Octaviar Blue Sky Development Trust	Interest only guarantee	3,804,016
HFL Australia Pty Ltd	Guarantee of obligations of Octaviar Blue Sky Development Trust	7m	-
Shareholders	Shareholder Class Action	Uncertain	Uncertain

9 Administrators' Investigations

Section 438(A)(a) of the Act provides that as soon as practicable after an administration begins the Administrators must investigate the company’s business, property, affairs and financial circumstances.

The purpose of the investigation is to determine whether there are transactions where money, property or other benefits could be recoverable by a liquidator (should creditors resolve to place the Company in liquidation) which would result in a greater dividend to creditors than entering into a DOCA. Recovery action is only available to a liquidator. To decide whether creditors are better served by liquidation, an estimate of the amounts that could be recovered must be made so an informed comparison can be made between a DOCA proposal and liquidation. Whilst the Administrators' focus has been on re-establishing normal trading operations of the Company and exploring proposals for a DOCA for the benefit of all creditors, preliminary investigations have identified transactions that could be recoverable by a liquidator if appointed.

These transactions reviewed are known as “insolvent transactions” and include:

- Insolvent trading (Section 588G)
- Unfair preferences’ (Section 588FA)
- Uncommercial transactions (Section 588FB)
- Unfair loans to a company (Section 588FD)
- Damages for breach of director’s duties (Section 184)
- Unreasonable director-related transactions (Section 588FDA)
- Agreements to avoid employee entitlements (Section 596AB)
- Transactions with the Purpose of Defeating Creditors (Section 588FE(5))
- Floating charge created within 6 months (Section 588FJ)

It is important to note that such transactions are only voidable if they are considered insolvent transactions of the Company. In order for a liquidator to recover any amount it would first be necessary to establish that the Company was in fact insolvent at the time of the transaction.

Generally such actions are expensive and are likely to require Court applications. As such, should there be inadequate funds available, or the liquidators consider it uncommercial or not in the creditors' best interests, such recovery actions may not be commenced by the liquidators.

In these circumstances, creditors wishing to fund any such actions may do so. Should any funds be recovered from these actions, the creditors providing the funding may be entitled to receive their contribution in priority to other creditors.

Litigation insurance may also be available to fund these actions. However, such funding is generally only available where legal advice indicates that there is a strong potential for success.

9.1 Insolvency of OCV

A company is insolvent if it is unable to pay its debts as and when they fall due. This is a cash flow test. The ability of the company to raise further funds by sale or mortgaging of its assets, or from shareholders or related entities, needs also to be taken into account. For this reason a balance sheet test of the solvency of a company may also be relevant in determining its ability to meet its debts as and when they fall due. However, insolvency is not only to be assessed as at a particular date, but needs to take into account the commercial reality in all the circumstances. For instance, the realisation of major income generating assets may enable a company to meet its short term debts, but prevent it from being able to meet future debts in the foreseeable future.

The solvency of OCV needs to be considered in light of the solvency of the entire Octaviar Group given:

- The inter–connectivity of the Octaviar Group's activities;
- That OA, the Group's treasury entity, owed OCV the sum of $550m;
- The provision of guarantees to major creditors by OCV and other Octaviar Group entities.

Within the Octaviar Group there are numerous inter company loan positions, the majority of which involve OA as the creditor or debtor. Consequently, where an individual Octaviar Group entity was suffering temporary illiquidity it was able to borrow sufficient funds from OA to discharge its obligations. As such we have adopted the position that either the entire Octaviar Group was insolvent or it was not and that no individual Octaviar Group entity could be determined to be insolvent if the remainder of the Octaviar Group were not also determined to be insolvent.

From a balance sheet test point of view, OCV's net asset position has deteriorated since June 2007 most markedly in the six months ended 30 June 2008 when net assets fell from $1.24bn to $742m. The principal reasons for this deterioration in the net asset position were write downs and provisions as follows:

- the PAC put option provision ($489m)
- the PIF claim ($165m)
- loss on sale of investments ($489m)
- income tax benefit $259m

The current asset position has historically been strong by reason of the carrying value of trade and other receivables representing OCV's non-interest bearing loans to OA of $550m and Octaviar Castle of $61m. Consequently, balance sheet solvency is conditional upon the recoverability of these loans at any point in time. In OAs case, we have determined that it became insolvent between 4 February 2008 and 4 June 2008. Looking at the assets as at 30 June 2008, it is reasonable to conclude that as much as

$1bn should have been recognised as significantly impaired, rendering OCV in a net liability position. The impairments would come from the 2 tax assets ($397m) and the trade receivables from inter company creditors ($614m).

In addition, as with OA, the point at which OCV should have provided for a diminution in its carrying value of Stella will also be indicative of the timing of insolvency from a balance sheet point of view. .

We consider that upon the execution of the Stella sale agreement in January 2008 that a substantial and permanent diminution in the carrying value of Stella occurred. The need for the urgent sale of Stella arose because debt facilities provided by Fortress were due to be repaid in February 2008. Repayment of these facilities was planned to come from the $550m capital raising which was to facilitate the separation of the travel and wealth businesses announced to the market on 18 January 2008. The market reaction to the capital raising was such that approximately 70% of the current market capitalisation of the Octaviar Group was lost such that:

- There was no capacity to raise further equity from the market and would not be for some time; and
- Stella was the only asset that could be realised quickly enough to repay the short term Fortress debt facility

As a consequence Stella was made available for sale immediately which concluded with CVC acquiring a 65% interest in Stella for $400m. This implied an enterprise value of approximately $1.52bn compared to the $2.46bn in 2007 when CVC made its original approach. The sale generated surplus cash to OA of $202m after the repayment to Fortress as compared to the $688m potentially available under the original CVC offer in 2007.

This diminution of value, along with the value of other Octaviar Group assets at that time, resulted in a total write downs of $1.14bn over the ensuing 6 months to August 2008. Consequently, it appears that there were insufficient assets at that time with which to discharge the long term debt obligations of approximately $450m in notes and bonds. The repayment of notes and bonds could only have ever been made from the cash funds in OA of approximately $200m and from the sale of the remaining 35% interest in Stella which had an indicative value of at best $215m given the enterprise value from the recent sale to CVC. Free cash resulting from the settlement of the Stella sale in February 2008, after debt retirement of approximately $190m to Fortress, was insufficient to reduce leverage to a point where EBITDA could meet future interest commitments. Consequently, we consider that as at 22 January 2008 OCV should have identified that it may have been balance sheet insolvent because:

- a substantial permanent diminution in the carrying value of Stella (and other related party assets) was required along with the recognition of related party tax liabilities;
- the sale proceeds would generate only $202m of free cash compared to $688m to $818m after debt repayment to Fortress that was previously anticipated;
- there would be insufficient free cash to repay long term debt (notes and bonds);
- and that the Octaviar Group's gearing level was not sustainable and that it was unlikely to be addressed by an injection of equity

This conclusion is corroborated from a cash flow test point of view. OCV, and its advisers, 333 Capital, regularly prepared a summary cash flow waterfall document which was designed to highlight any cash shortfalls after taking into account an estimate of the cash value of all remaining assets if realised and all known cash requirements. By adjusting this document to value the interest in Stella at $215m as implied by the enterprise value of the remaining 35% interest in Stella as at 22 January 2008 then it becomes apparent that there is a cash deficiency to meet known short and long term debt commitments.

A review of the historical income statements for OCV for the period June 2006 to June 2008 2008 demonstrates that OCV was loss making from June 2007.

A summary of the major relevant events from January 2008 follows:

January 2008	• the Octaviar Group had exhausted all opportunities to raise further long term debt or equity to continue to fund the Group. • On 18 January 2008 OCV's market capitalisation decreased by 70% in response to a market announcement relating to a planned $550m capital raising which was aborted rendering access to further equity unlikely
February 2008	• default notices were issued by both Mirvac and Capital Finance, • an additional $50m short term funding facility was made available to Octaviar Castle Pty Ltd by Fortress, • a $135m shortfall was identified in relation to the PAC Option Agreement resulting in a subsequent $20m payment to PAC and PIF made a $50m demand under a Support Mechanism Agreement • OCV in consultation with its advisers 333 Capital, recognise the need to reach standstill agreements with its major creditors and commenced negotiations for a stand still.
March 2008	• Nab made a demand for the repayment of $40m, • IMF advised of a pending shareholder class action claim estimated to be $50m • OCV lodged its 2007 income tax return which gave rise to a $52m liability to the ATO
April 2008	• the half year accounts to 31 December 2007 of OCV were finalised which refer to going concern issues and the need to reach financial accommodation with its major creditors
May 2008	• Nab issue a statutory demand for the repayment of $40m • PTQ issued an Acceleration Notice to OIN and OCV making the $356m in notes due and payable on 5 June 2008

The issue of the date of insolvency of OCV and the Octaviar Group will be the subject of further detailed investigations by a liquidator if appointed by creditors.

The above investigations would be continued by a liquidator to establish the date when the Group became insolvent, however, the Administrators preliminary view is that this may have occurred on 4 February 2008 but no later than 4 June 2008.

9.2 Insolvent Trading (section 588G)

A director may be personally liable to the company under the Act if the director fails to prevent a company from incurring a debt when, at the time of incurring that debt, the company is insolvent, or becomes insolvent by incurring that debt. A company is insolvent when it cannot pay its debts as and when they fall due.

The liquidator must prove the insolvent trading claim against each director individually. In the event that a liquidator does not pursue the directors, creditors are able to pursue the directors for a claim for insolvent trading. Claims for insolvent trading are often difficult to prove and directors have a number of defences available to them pursuant to section 588(H) of the Act, as follows:

- That when the debt was incurred, the director had reasonable grounds to suspect that the company was solvent and would remain solvent even if the debt was incurred.
- That when the debt was incurred, the director had reasonable grounds to believe, and did believe, that a subordinate was competent and responsible for providing adequate information about the company's solvency and the directors expected, on the basis of the information, that the company was solvent or would remain solvent.
- That 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 at that time.
- That the director took all reasonable steps to stop the company form incurring the debts.

It is important to note that these defences are not defences against insolvent trading itself, but are defences the directors have against personal liability for insolvent trading.

To be successful in pursuing a claim against a director for insolvent trading the Liquidator must prove that the company was insolvent at the relevant date. The basic tests of insolvency relate to both the net asset position of the company (the balance sheet test) and whether the company can pay its debts as and when they fall due (the cash flow test). The assessment of a company's solvency is complex and comes down to a question of fact in the circumstances which requires detailed examination.

Our investigations have been extensive, but are preliminary. A liquidator would investigate further the possibility of taking action against the directors of OCV for breaches of their duties to prevent insolvent trading. If it is established that a director has breached his or her duties to prevent OCV from incurring debts whilst OCV was insolvent and OCV was being wound up. A liquidator could recover from those directors an amount equal to the loss that has been suffered by the creditors whose debts remain unpaid.

If a liquidator chooses to pursue an insolvent trading action, creditors are prevented from taking their own action against the director(s) for compensation. If a liquidator does not choose to take any action in this regard, a creditor may commence proceedings on its own behalf but only with the consent of the liquidator or the Court.

Based on the above preliminary investigations outlined above, further investigations would be required by a Liquidator. It follows that if the Company and the Group became insolvent during the period 4 February 2008 to 4 June 2008, the Company may have traded whilst insolvent from that determined insolvent date onwards.

If the Directors had continued to trade the business of the Company whilst it was insolvent, then they may be liable for unpaid debts incurred after that date. The Board and its directors sought continual advice on the Group's solvency from 333 Capital, Freehills and ongoing advice from another law firm so it is likely that the defence under the Act would be available to the directors. We have not identified sufficient evidence to date that would allow us to form a conclusive view as to when insolvent trading may have occurred or commenced. Even if it did, we believe any claim against the Directors would not return a material recovery, either due to the quantum of the damages or because of the defences that may be available to the Directors.

9.3 Holding Company Liability

Section 588V of the Act states that a holding company is liable for the debts of its subsidiary where the subsidiary is insolvent, and:

- the holding company and one or more of its directors were aware it was insolvent; or
- it is reasonable to expect the holding company or its directors would have been aware that the subsidiary was insolvent.

OCV was the holding company of the Octaviar Group.

9.4 Unfair Preferences Payments (Section 588FA)

An unfair preference is a transaction, generally occurring in the six months prior to the Relation-Back-Day to which the company and a creditor were parties and which results in that creditor receiving more for its debt than it would if the transaction were set aside and that creditor had to prove for the full amount of their debt in the winding up of the company like all other creditors. If a receipt is proven to be an unfair preference, the creditor must return the benefit they received to the liquidator and it is then available for the benefit of all creditors.

In order to prove a creditor received an unfair preference payment, the liquidator must demonstrate that the company was insolvent at the time the creditor received the payment/benefit. The creditor has a defence to a claim by a liquidator that a transaction is an unfair preference if, at the time the benefit was received the creditor had no reasonable grounds for suspecting that the company was insolvent or would become insolvent through entering into the transaction and valuable consideration was given.

As indicated in 9.2-Insolvent Trading (section 588G) investigations are continuing to establish the date the Company became insolvent.

We have not identified any payments that may be unfair preferences within the six months prior to our appointment.

However, we comment that our investigations are only preliminary and we are seeking further information on the identified transactions.

In the event of liquidation, a liquidator will need to prove that creditors knew or should have known that the Company was insolvent at the time the payments were made. There would need to be significant investigative work undertaken to establish whether:

- the company was insolvent at the time the transaction occurred
- the party that received the preference was aware that the Company was insolvent or likely to become insolvent at that time
- the recipient has sufficient assets to settle any successful claims
- the cost of undertaking the action is greater than the possible return
- there are sufficient funds available (subject to the approval of creditors) to undertake any proposed preference recovery action.

Generally payments were made by OA on behalf of OCV. At this point an appropriate journal was entered to the inter company loan account. Our view is that OCV, being the entity with the contractual relationship is entitled to pursue a preference claim and the entity that made the payment, OA, is entitled to pursue an uncommercial transaction claim. Consequently, both OCV and OA may be able to commence an action for recovery in relation to the same payment. Were liquidators to be appointed to the relevant entities, further consideration would need to be given to which entity, or both, that would bring any action.

Given our comments about the likely insolvent date of the Octaviar Group we consider the possible recovery from preference claims and uncommercial transactions to be in the range of $1.5m and $30m.

9.5 Unfair Loans (Section 588FD)

A loan is unfair if it is made to a company at an extortionate rate of interest or charges and may be set aside by a subsequently appointed Liquidator.

Our investigations have not revealed that OCV made or received any loans from or to any parties which committed either company to extortionate terms.

9.6 Uncommercial Transactions (Section 588FE)

A transaction of a company is an uncommercial transaction if the following elements are established by the liquidator:

- the transaction was entered into entered into or given effect to within two years of the Relation Back Day
- at the time the transaction was entered into, or when given effect to, the company was insolvent or became insolvent as a result of the transaction
- a reasonable person in the company's circumstances would not have entered into the transaction having regard to the benefits and detriments to the company of entering into the transaction and the respective benefits to other parties.

The defences available to a party involved in an uncommercial transaction claim are, in effect, the same as those for an unfair preference.

The Administrators have undertaken a preliminary review of the Stella sale transaction.

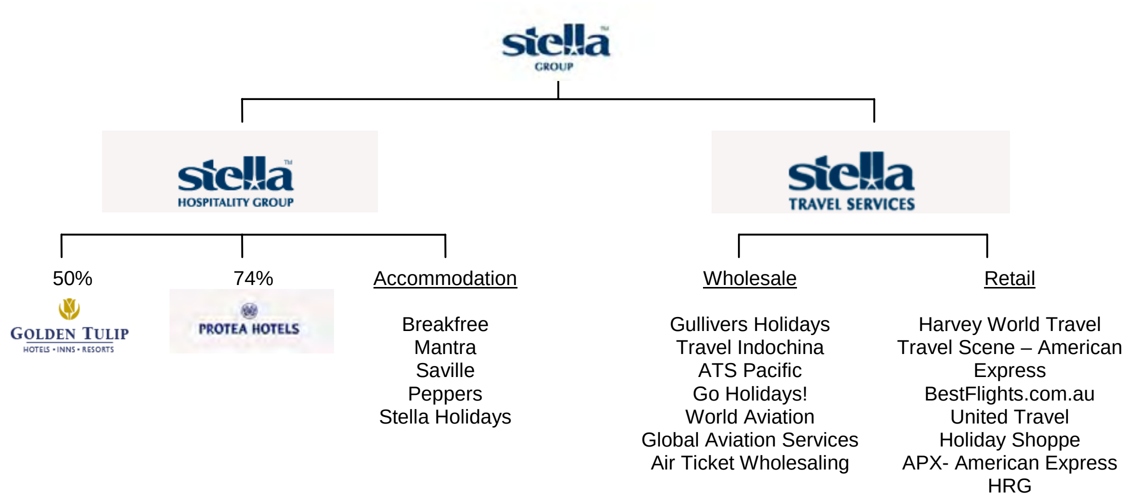
CVC purchased a 65% shareholding in Stella from OCV for $400 million on 4 February 2008. The transaction occurred in a two week time period following a rapid fall in the traded price of OCV's shares on 19 January 2008, the resignation of OCV's CEO on 21 January 2008 and reported shortfalls in OCV's cash position required to meet operating and funding commitments. There had also been previous negotiations with CVC to acquire a 50% interest which had commenced in early 2007 but had been discontinued by mid 2007.

A detailed chronology of relevant events, including leading up to the execution of the transaction is set out in Appendix H.

Stella's business

Stella is an integrated travel business comprising Stella Hospitality Group (SHG) and Stella Travel Services (STS) as follows:

Figure 1: Stella Group Brand Structure



Source: Stella Group Information Memorandum, www.stellagroup.com.au

SHG

SHG markets, manages or controls over 15,000 rooms or more than 250 resorts, retreats, hotels and apartments throughout Australia, New Zealand, Africa and the United Kingdom. SHG is the second largest accommodation provider in Australia.

In addition to directly owning property management rights across four brands, SHG also holds:

- 74% interest in Protea Hotels (Protea), the largest hotel group in Africa with over 100 hospitality establishments, which Stella acquired in July 2007
- 50% shareholding in Golden Tulip Hospitality Group (Golden Tulip). Golden Tulip franchises and manages more than 780 hotels or 75,000 rooms around the world.

STS

STS sells travel products and related services through the largest integrated travel network in Australasia, comprising retail and wholesale operations in 12 countries. STS' main operations are based in Australia, New Zealand and the UK.

STS was formed in a single transaction when MFS acquired S8 Limited (S8) in December 2006. In addition to its travel business which formed STS, S8 also comprised a hotel accommodation business which was absorbed into SHG.

The retail division provides leisure travel offerings through over 2,100 retail agencies, online platforms and call centres. STS' retail travel agencies are principally operated under a franchise model, except for Harvey World

Travel (HWT) UK which has 55 company owned stores and 2 franchises. STS has a range of retail brands including Best Flights, Harvey World Travel, Gullivers (New Zealand), Travelscene American Express and United Travel.

STS also provides wholesale and intermediary services in the air travel industry through a range of international brands, including air ticket consolidation, airline representation, ticketing agencies, holiday packaging and a range of add-on travel products.

Stella's operations are separated geographically as follows:

Table 3: Stella's worldwide operations

Country	SHG	STS	Operations
Australia	✓	✓	Significant operations across all areas
New Zealand	✓	✓	Significant operations across all areas
UK		✓	STS: Retail presence (HWT) and wholesale capabilities (Travel2 Travel4)
Africa	✓	✓	STS: Retail presence in South Africa (HWT) SHG: 74% interest in Protea Hotel Group
US		✓	STS: Wholesale capabilities (Qantas Vacations)
Europe	✓		SHG: Product/accommodation control (Golden Tulip)

Source: Stella Group Information Memorandum April 2007

The transaction was completed on 29 February 2008 resulting in OCV selling 65% of its shareholding in Stella to CVC for approximately $400 million.

Value realised

Assuming no adjustments for contingent liabilities, the transaction value implies an enterprise value of approximately $1.5 billion[2] (100% interest).

After taking these contingent liabilities into account, the enterprise value implied by the sale is in the range of $1.55 billion to $1.65 billion.

These enterprise values reflect a 65% interest that provides the owner a controlling interest but not 100% control. Implications of this holding on our consideration of the Transaction value are discussed in below.

As set out above, we consider that there is reasonable justification for MFS to have accepted a transaction value other than fair market value given the commercial motivations compelling MFS to enter into the Transaction.

Accordingly, in then determining whether the Transaction was commercial, we have considered whether the transaction process undertaken by MFS was reasonable to support a commercial outcome in the circumstances. Our findings are set out below.

Overview of sale process

MFS appeared to engage competent third party advisers throughout the transaction process. Although the Transaction occurred in a very short timeframe, MFS had the benefit of advice and a suite of advisers engaged for the earlier Project Swift, including:

- UBS and Grant Samuel (as joint financial advisers)
- Freehills (legal)
- KPMG (financial and tax).

It appears that these advisers were retained by MFS beyond Project Swift in relation to the proposed separation of Stella and MFS financial services business and as required for the Transaction. UBS and Grant Samuel were involved in consideration of the bids received in January 2008.

In addition, MFS engaged 333 Capital, the corporate finance arm of insolvency practitioners Korda Mentha, in January 2008 to advise MFS in its effort to turnaround its performance and resolve its funding issues. 333 Capital devised the three point plan which resulted in the Transaction.

[2] Assumes net debt of $905 million as per ASX announcement, 1 February 2008

Timeframe

Once it was decided to sell down an interest in Stella in late January 2008, the sales process occurred in a very short time frame of less than two weeks. This timeframe, although significantly less than could be considered reasonable for a normal transaction, was likely justified in the circumstances given:

- the requirement to have cash to meet debt repayments due in early March 2008
- MFS had determined under the 'Cash is King' Project that it needed 60 days of cashflow to allow for the orderly sale of Stella and to restructure the financial services business.

Process

In various minutes of board meetings held at the time, there appears to be evidence of a reasonable transaction process being undertaken notwithstanding the accelerated timeframes and circumstances as follows:

- although CVC's bid had been received, the Board recognised it was important to ensure due process was followed in consideration of the bid. There were other proposals that had been received which needed consideration
- the board noted that the fundamental duty for the directors was to consider shareholder and creditor interest and to maximise prices regarding asset sales
- MFS did not grant CVC exclusivity as they considered it reasonable CVC would not withdraw their offer
- MFS received non-binding indicative proposals from three additional parties as set out in Section 6.2 below. A further three parties held discussions with Stella but did not proceed to formal proposals
- no significant conditions or restrictions were set by MFS in relation to the sale other than the timeframe. This freedom for bidders was reflected in the range of offers, structures and conditions proposed by the various bidders.

Of the four proposals received (including CVCs), two subsequently withdrew from the process. One party withdrew due to inadequate timeframes to undertake appropriate due diligence and the other withdrew as a result of MFS not granting exclusivity or a break fee. It is reasonable to assume that the number and quality of bids received would have been negatively impacted by the short time frame set. However, this abridged timeframe appears justified from a commercial perspective given the circumstances set out above.

9.6.1 Bids received

CVC first contacted MFS shortly after its share price fall in January 2008. MFS then either solicited or received unsolicited offers for Stella from three additional parties, being two further private equity players and one trade player, as follows:

	CVC	Bidder 1	Bidder 2	Bidder 3
Offer	65% equity interest for $400 million	50-75% equity interest for $273 million to $409 million	33.3% equity interest for $200 million plus secured convertible note for $154 million convertible into 16.8% equity in Stella if not repaid in 18 months	50% equity interest based on enterprise value of $1.6 billion

Implied enterprise value[1]	$1.5 billion	$1.4 billion	$1.5 billion	$1.6 billion
Proposal status	Committed to complete transaction within MFS' required timeframe with completion prior to 29 Feb-08	Unwilling to commit to a confirmatory due diligence without extra time.	Offer withdrawn as MFS would not agree to exclusivity or a break fee	Offer withdrawn due to inability to commit to time line

1. Based on calculations prepared by Grant Samuel for MFS consideration of bids. No adjustments for contingent liabilities assumed in calculation of enterprise value for illustrative purposes only.

Source: MFS Project Swift Update 1 February 2008, GS

Stella acquisition cost versus sale value received

CVC's offer of $400 million for 65% of Stella implies an enterprise value of $1.55 billion to $1.65 billion. This implied enterprise value is significantly less than both:

- Stella's total combination cost of approximately $2.26 billion
- the enterprise value implied by CVC's earlier offer in May 2007, which expressly referred to an enterprise value of $2.26 billion to $2.46 billion.

However, it is noted that CVC's earlier offer was a non-binding indicative offer based on limited information contained in the information memorandum and conditional upon due diligence. Furthermore, this offer was subsequently withdrawn by CVC, as announced to the market in November 2007.

The lower actual enterprise value realised through the Transaction appears to have been significantly influenced by the time constraints placed on the sale of Stella and the market's knowledge of MFS's compulsion to sell which resulted in lower earnings multiple being offered in the sales process than might otherwise be achieved in an orderly realisation of the asset. In addition, the softening market at the time of the Transaction would likely have influenced a revision of maintainable earnings forecasts below the top end of our expected range.

Conclusion

Based on the analysis undertaken, it appears that, although OCV may not have realised fair market value for the 65% interest in Stella at the time of the sale, there appears to be reasonable justification for OCV to have accepted a transaction value other than fair market value. Given the commercial motivations compelling OCV to enter into the sale, it appears that the transaction process undertaken was reasonable to support a commercial outcome in the circumstances.

Our review of OCV's records did not identify any transactions that would constitute an uncommercial transaction.

9.7 Damages for Breach of Director's Duties (Section 184)

From our investigations to date we have not found that the directors have acted dishonestly and/or fraudulently in the exercise of their powers and discharge of their duties. To date, there has been no evidence that the directors have used their powers other than in the company's interest.

Whilst we will continue to investigate any potential breaches of director's duties, at the time of writing this report it is unlikely that there will be actions against the directors for breach of statutory duties.

A Liquidator would further investigate any potential breaches of director's duties.

9.8 Unreasonable Director-Related Transactions (Section 588FDA)

A transaction of a company is an unreasonable director related transaction of a company if, and only if, the transaction is a payment, conveyance, transfer or other disposition by the company of property to a director or a close associate of a director. Further, it may be expected that a reasonable person in the company's circumstances would not have entered into the transaction having regard to the benefits (if any) and detriment to the company of entering into the transaction.

We have not identified any unreasonable director related transactions.

9.9 Agreements to Avoid Employee Entitlements (Section 596AB)

Pursuant to Section 596AB of the Act, a person must not enter into a relevant agreement or a transaction with the intention of, or with intentions that include the intention of, preventing the recovery of entitlements of employees of the company or significantly reducing the amount of the entitlements of employees of a company that can be recovered.

We have not identified any transactions of this nature.

9.10 Transactions with the Purpose of Defeating Creditors (Section 588FE(5))

We have conducted a review of the transactions of OCV for the six months prior to our appointment to identify any transactions that may have been entered into with the purpose of defeating creditors.

We have not identified any transactions undertaken for the purposes of defeating creditors that would be recoverable by a liquidator.

9.11 Floating Charge Created Within Six Months (Section 588FJ)

A search of the Company's register of charges required to be notified to the ASIC reveals that no floating charges have been created over the Company's assets in the six months prior to our appointment.

9.12 Maintenance of Proper Books and Records

Section 588E(4) of the Act provides that where the books and records of a company fail to meet the obligations outlined in section 286 of the Act to keep proper books and records, that company is presumed to be insolvent for the period it failed to meet the requirements. We have reviewed the books and records of OCV and have relied on these throughout the administration.

In our opinion the books and records of OCV have been maintained in accordance with the requirements of Section 286 of the Act.

Accordingly, we do not believe the presumption of insolvency afforded to a Liquidator under Section 588E(4) of the Act would be available if OCV was liquidated.

10 Liquidation Scenarios

Should the creditors resolve at the second meeting that the administration should end and control be returned to the directors liquidators will be appointed to the Company on 18 December 2008 by the

Deloitte.

Supreme Court of Queensland. The Relation Back Day will be the date the winding up application was filed by the PTQ, namely 4 June 2008.

As Liquidators of the Company our primary duties would be to:

- Realise the assets of the Companies and subsidiaries
- Investigate the affairs of the Companies and its directors
- Instigate any appropriate legal action to recover transactions that may only be recoverable by a liquidator (Refer to Section 9 of this report)
- Distribute any surplus funds to creditors in accordance with the priorities set out in the Act.

11 Estimated Return from a Winding Up

We have prepared an analysis of the likely realisation under liquidation on two bases. The estimated high and low outcomes are outlined below. Both scenarios assume:

- recovery of preferences for the benefit of all creditors
- adjudication of the contingent liability and guarantee proofs of debt for dividend purposes
- declaration and distribution of a dividend from OA

Below is a comparison of the realisations probable under a liquidation scenario, being high and low outcomes:

Estimated Statement of Position as at 31 August 2008	Note	Book value $'000	ERV High $'000	ERV Low $'000
Fixed assets not specifically charged				
Assets held for disposal	1	127,785	-	-
Investments in associates	1	108,521	6,756	1,838
Other assets	2	16,389	-	-
Assets available to fixed chargeholders		**252,695**	**6,756**	**1,838**
Assets subject to floating charges				
Cash at bank		4	19,699	19,699
Other assets	3	399,768	-	-
Intercompany receivables	4	615,557	84,310	23,516
Total floating charge assets		**1,015,329**	**104,009**	**43,215**
Priority creditors				
Administrator's fees and costs		-	200	300
Liquidator's fees and costs		-	400	1,000
Other costs		-	722	1,222
Total priority creditors		**-**	**1,322**	**2,522**
Assets available to fixed and floating chargeholders		**1,268,024**	**109,443**	**42,531**
Less: First-ranking chargeholder's debt	5	-	(38,235)	(38,235)
Less: Second-ranking chargeholder's debt		-	-	-
Surplus/(shortfall) from fixed and floating charge claims		**1,268,024**	**71,208**	**4,296**
Shortfall to priority creditors		-	-	-
Estimated voidable transaction recoveries	6	-	30,197	1,500
Surplus available/(shortfall) to ordinary unsecured creditors		**1,268,024**	**101,405**	**5,796**
Ordinary unsecured creditors				
Trade and other payables	7	56,769	58,185	22
Tax liabilities	8	22,885	-	-
Interest bearing liabilities	9	-	467,331	548,426
Guarantees and provisions	10	447,500	840,851	913,351
Intercompany payables	11	15,887	15,887	15,887
Total ordinary unsecured creditors		**543,041**	**1,382,255**	**1,477,687**
Estimated surplus/(deficiency) to shareholders		**724,983**	**(1,280,850)**	**(1,471,891)**

1	Investments in associates	Book value $'000	ERV High $'000	ERV Low $'000
	Investment in Stella held for sale	127,785	-	-
	Investment in Octaviar Financial Services Limited	100,623	-	-
	Investment in Australian Alpine Enterprises Holdings Pty Ltd	10,389	-	-
	Investment in Octaviar Leveraged Investment Trust	326	5,700	1,555
	Investment in other group companies	1	-	-
	Investment in Octaviar Finance Pty Ltd	(2,819)	1,056	283
	Unreconciled variance with new investment listing	1	-	-
	Investment in Octaviar Investment Bonds Limited	0.1	-	-
	Investment in Octaviar Investment Notes Limited	0.1	-	-
	Investment in Octaviar IHH Pty Ltd	0.1	-	-
	Investment in Octaviar Castle Pty Ltd	0.1	-	-
	Octaviar Stella Holdings Pty Ltd	-	-	-
	Octaviar Investment Holdings No 1 Pty Ltd	-	-	-
	Octaviar Investment Holdings No 2 Pty Ltd	-	-	-
	Octaviar Finance Pty Ltd	-	-	-
	Octaviar Investment Holdings No 13 Pty Ltd	0.1	-	-
	Investment in Octaviar Global Pty Ltd	0.01	-	-
	Octaviar RAP Management Pty Ltd	-	-	-
		236,306	6,756	1,838

2.	Other assets	Book value $'000	ERV High $'000	ERV Low $'000
	Interest bearing loans	9,045	-	-
	Less: Provision for doubtful debts	(4,167)	-	-
	Investments for tax	11,511	-	-
		16,389	-	-

3.	Other floating charge assets	Book value $'000	ERV High $'000	ERV Low $'000
	Deferred tax assets	155,226	-	-
	GST receivable	10	-	-
	Income tax refund	244,532	-	-
		399,768	-	-

4.	Intercompany receivables	Book value $'000	ERV High $'000	ERV Low $'000
	OA	551,201	81,825	22,576
	OC	60,361	2,485	940
	CCPT	92	-	-
		611,654	84,310	23,516

5.	Fixed and floating charges	Book value $'000	ERV High $'000	ERV Low $'000
	Outstanding on Fortress facility	-	(38,235)	(38,235)
	Secured by OCV fixed and floating charge	-	(38,235)	(38,235)

6.	Estimated voidable transactions	Book value $'000	ERV High $'000	ERV Low $'000
	Preference recoveries		30,197	1,500
		-	30,197	1,500

7.	Trade and other payables	Book value $'000	ERV High $'000	ERV Low $'000
	Trade creditors	25	20	22
	Australian Taxation Office	56,138	58,164	-
	Public Trustee of Queensland - interest	606	-	-
		56,769	58,185	22

8.	Tax liabilities	Book value $'000	ERV High $'000	ERV Low $'000
	Provision for income tax	7,120	-	-
	Tax loan liabilities	15,764	-	-
		22,885	-	-

9.	Interest-bearing liabilities	Book value $'000	ERV High $'000	ERV Low $'000
	Mirvac Funds Management Ltd	-	3,804	3,804
	Trust Company Ltd	-	53	53
	Colonial First State Investments Ltd	-	7,284	7,284
	IMF - Shareholder class action	-	-	80,000
	Challenger Managed Investments Ltd	-	96,774	96,417
	Public Trustee of Queensland	-	359,417	360,868
		-	467,331	548,426

10.	Guarantees and provisions	Book value $'000	ERV High $'000	ERV Low $'000
	Provision for PAC put option	280,000	411,851	461,851
	CVC warranty claim	-	249,000	249,000
	Provision for PIF damages claim	117,500	130,000	147,500
	PIF management fee claim	-	-	5,000
	Provision for PIF support	50,000	50,000	50,000
		447,500	840,851	913,351

11.	Intercompany payables	Book value $'000	ERV High $'000	ERV Low $'000
	SLG	638	638	638
	SKG	17,660	17,660	17,660
	Add consolidation entry	(2,411)	(2,411)	(2,411)
		15,887	15,887	15,887

11.1 High outcome

These values have been included on the basis that there is potential for an increased recovery or realisation above that of a pessimistic position for specific assets. Where there are two estimates of the value of an asset, the higher value has been included in the optimistic calculations. Achieving these values is subject to a number of factors that would arise during the realisation process. This includes various market forces affecting the value of each asset, including the interest in each asset and the general economic status at the time of sale.

11.2 Low outcome

The values included in this calculation are considered the lower possible values recoverable from the specific assets of the company. These amounts have been calculated by either discounting for a reduced return or where two values were provided for an asset, the lower value was included.

Again, the realisations will be subject to costs and also fluctuations in various other factors outlined in the previous section.

11.3 Notes to the Estimated Statement of Position

1. Investments in associates

The investment in Stella relates to OCV's 59.6% beneficial interest in the 35% Stella holding. As previously mentioned Stella has provided Deloitte Corporate Finance (DCF) with access to records, under a strict confidentiality deed, to assess the likely value of the remaining 35%. DCF has formed the view that the 35% holding in Stella currently has a nil value on a high and low basis.

2. Other fixed assets

Interest bearing loans relate to interest paid to Capital Finance and Mirvac under interest guarantees. These monies were held by these companies in the event that a related entity of OCV defaulted and OCV would be liable for the interest on the outstanding liability. Due to the appointment of Administrators, these receivables are assessed as zero.

Investments for tax represent subsidiary income tax liabilities paid by OCV as head of the consolidated tax group. OCV treated these payments as an equity investment in these subsidiaries rather than an intercompany receivable. These are accounting entries and do not have any realisable value.

3. Other floating charge assets

Generally, these relate to various tax assets of OCV.

In accordance with AASB112 "Income Taxes", a deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. As there is no probable taxable profit, the deferred tax asset is assessed as zero.

The GST refund has been received and therefore has an ERV of zero.

The income tax refund is the tax effect of the losses recorded by the Company for FY08. This is unlikely to be recovered and has an ERV of zero.

4. Intercompany receivables

The receivable from OA relates mainly to funds received from the issue of shares and sale proceeds belonging to OCV, but held by OA.

The receivable from OC relates to funds loaned to OC by Fortress held in OA's bank account. OA drew down on the facility as required, with the balance of the intercompany receivable transferred from OA to OCV on 31 May 2008.

5. Fixed and floating charges

Fortress is the sole secured creditor in OCV. It has lodged a POD for the amount of $38m.

6. Preference recoveries

These are estimated recoveries that may only be realised by a liquidator. We have provided further detail on these in Section 9 of this report.

7. Trade and other payables

These are general unsecured creditors. OCV has classified the ATO claim and the interest on the notes as trade payables. We have kept this classification for comparability's sake.

The PTQ has included its interest liability in its POD. We have therefore eliminated it as a separate item from the ERV High and Low scenarios to avoid double-counting.

8. Tax liabilities

The provision for income tax relates to prior year accounting entries. This is not likely to be payable as the Company incurred significant tax losses during the year. .

Tax loan liabilities are due to OCV receiving or offsetting income tax refunds due to other group companies as the head of the income tax group. Our investigations indicate that due to the losses incurred by OCV, it will have a zero tax liability.

9. Interest-bearing liabilities

These relate to guarantees provided by OCV securing interest-bearing loans from, among others, Mirvac and Capital Finance.

The PTQ has also lodged a claim in OCV in respect of the unsecured notes. The difference between the PTQ claim in the High and Low scenario is a claim for legal fees incurred to date.

10. Guarantees and provisions

Generally, these items represent agreements under which various creditors may lodge a claim or damages claims that have commenced.

The PAC claim relates to an agreement with OCV that allows PAC to sell its loan book to OCV at book value in the form of a put option. We have undertaken a high-level assessment of PAC's loan book and estimate a significant shortfall to OCV due to a significant portion of these loans being uncollectible.

The PIF damages claim relates to proceedings initiated by the responsible entity, Wellington Capital Ltd, on behalf of PIF. These proceedings are ongoing, but the basis of this claim is an allegation that funds loaned to PIF were improperly dealt with by the responsible entity at the time, Wellington Investment Management Ltd. The Directors and investment committee at the time were also officers of OCV.

PIF is also claiming an amount of $5m from OCV under the terms of a management agreement between the two entities. The basis of this claim is that OCV has allegedly breached the agreement.

OCV also provided a support mechanism agreement in place with PIF for the amount of $50m. This was called upon by PIF in February 2008.

11. Intercompany payables

These relate to loans from the Sunleisure and Sunkids groups. Our investigations indicate that these total $15.9m.

11.4 Overall Realisations in Liquidation Scenarios

The high outcome scenario produces a return of approximately 10c/$ for unsecured creditors whereas the low outcome scenario produces a return of approximately 4c/$.

	Liquidation	
	High outcome	Low outcome
Secured creditor - Fortress	100	100
ATO	0.07	100
Unsecured creditors	0.07	0.00

The secured creditor is expected to be repaid in full.

Prior to the payment of the secured creditor and priority creditors, all of the costs of the administration and the subsequent liquidation of the companies will be deducted.

12 Proposed Deed of Company Arrangement and Comparison to Liquidation

We have received two DOCA proposals, one from Octaviar directors and one from Fortress. We have undertaken an assessment of the estimated return to creditors under a liquidation scenario and both the DOCA scenarios. Below is a summary of the estimated return to creditors.

	Liquidation		Fortress DOCA		Directors DOCA	
	High outcome	Low outcome	High outcome	Low outcome	High outcome	Low outcome
Secured creditor - Fortress	100	100	0.65	0.65	0.65	0.65
ATO	0.07	100	0.04	0.01	0.04	100
Unsecured creditors	0.07	0.00	0.04	0.01	0.04	0.01

In respect of the Fortress proposal the key terms are summarised below and the detailed proposal is attached as appendix F.

- *The deed administrators will be John Grieg and Nicholas Harwood of Deloitte, Brisbane.*
- *All of the Company's assets will be contributed by the Company to the deed fund.*
- *The priority dispute between Fortress and the ATO in respect of the OA Receivable will be determined through a means as agreed between those parties. Further, any dispute between the ATO and the deed administrators as to priority of the ATO Notice over the claims of Unsecured Creditors to the OA Receivable will also be determined through a means as agreed between the ATO and the deed administrators.*
- *If Fortress' security is determined to rank ahead of the ATO's claim, then the following arrangements shall apply:*
    - *When funds are available, Fortress will receive a net payment of $25,000,000 plus unpaid costs for the resolution of priorities with the ATO and accrued interest on those amounts. For all amounts recovered by Fortress from the Company's assets, Fortress will grant to the Company a corresponding sub-participation in the YVE Facility.*[3]
    - *The balance of the OA Receivable after payment to Fortress will be released from Fortress' Charge and an amount equal to the full amount of the Fortress Debt less the amount payable to Fortress pursuant to the above paragraph (estimated in Annexure A at $49.2MM) will be available for equal distribution to the Company's Unsecured Creditors (including the ATO).*

[3] This will improve the Company's rights against YVE from being only an unsecured creditor of YVE to being able to enjoy the benefits of Fortress' security for the YVE Facility, which would not otherwise be available to the Company. The Company will receive distributions from realisation of the YVE Security after the unpaid balance of Fortress' participation in the YVE Facility are repaid.

- *Thereafter, distributions from the OA Receivable are to be made according to the priorities to be determined between the ATO and Unsecured Creditors.*
- *All realizations from assets of the Company not subject to the Notice (ie. all assets other than the OA Receivable) will be distributed first to Fortress, and then equally amongst the Unsecured Creditors (including the ATO).*

- *If the ATO is ultimately agreed or found to have first ranking priority ahead of all creditors (both secured and unsecured) in respect of the OA Receivable, then the ATO shall be entitled to full repayment of the debt owed to them by the Company prior to any distribution to any other creditors of the Company (including Fortress). After payment to the ATO, Fortress shall then be entitled to be paid the balance of the OA Receivable and the proceeds of realization of the other deed fund assets until repayment of the Fortress Debt in full. Thereafter, Unsecured Creditors are entitled to distributions from the deed fund.*

- *All creditors entitled to do so shall reserve their rights against the PTQ in respect of the PTQs undertaking as to damages provided to the Supreme Court for injuncting the Company from appointing voluntary administrators prior to the serving of the Notice.*

- *No subsidiary of the Company (either direct or indirect) will be permitted to prove under the DOCA, and all of those subsidiaries will release their claims against the Company upon execution of the DOCA. Except to the extent that such companies can demonstrate to the deed administrators that they have external third party creditors.*

- *The claims of the Company's unsecured creditors will be adjudicated under the DOCA by the deed administrators in accordance with the Corporations Act. This includes (without limitation) the claims of contingent and disputed creditors of the Company.*

- *Employee claims are not anticipated (it is understood that employees' claims are against OA).*

- *The Company will not pursue any claims against Fortress or the Receivers.*

- *An interim dividend will be paid by the deed administrators to unsecured creditors where claims are admitted as soon as practicable following execution of the DOCA. This dividend will represent a distribution of the maximum cash available as determined by the deed administrators.*

- *The deed administrators will have the discretion to realize the assets forming the deed fund as and when they see fit.*

- *A Creditors Committee will be constituted in accordance with the Corporations Act and the Corporations Regulations. The Creditors Committee will be consulted regularly by the deed administrators in relation to realization of the assets forming the deed fund.*

- *Should it be deemed appropriate for the maximization of value in non-cash assets the deed administrators will be at liberty to change the Company's existing directors and appoint new directors in their place. The deed administrators will also be at liberty to exercise the Company's rights as shareholder of the Company's subsidiaries to (if it considers appropriate) change those subsidiaries' directors and appoint new directors in their place.*

- *The Administrators' remuneration and expenses for the period of the voluntary administration, once approved by the Company's Creditors Committee, general body of creditors or the Court (as the case may be) will be paid from the deed fund prior to any distribution to Unsecured Creditors (but, for the avoidance of any doubt, after payment to Fortress of any amount due to it in accordance with this proposal).*

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- *The stewardship of the Company will not return to its directors unless and until all of the deed fund has been realized and distributed to creditors admitted to proof in the DOCA.*

The director's proposal is reproduced in full below:

1. *Unless stated below the Management DOCA proposal for Octaviar Limited (the "Company") is exactly the same as that proposed by Fortress/PPB for the Company including any compromises made by Fortress/PPB or actions to be undertaken by Fortress/PPB. A copy of the Fortress/PPB DOCA proposal is attached here as Appendix A.*

2. *The Company holds a beneficial interest in the Stella Group and is due monies by Octaviar Administration Pty Ltd which also holds a beneficial interest in the Stella Group.*

3. *Senior Management (including Craig Chapman and Chris Scott who each have considerable experience in the travel and accommodation sectors) agree to assist in the development of the Stella business until the termination of the DOCA.*

4. *The Company holds shares in a number of direct subsidiaries. Shares held by the Company in 3 direct subsidiary companies (Octaviar Castle Pty Ltd, Octaviar Investment Holdings No 1 Pty Ltd and Octaviar Investment Holdings No 2 Pty Ltd, hereafter called "3 investment companies") are excluded from the asset pool in which creditors of the Company share. We understand the Voluntary Administrators value such shareholdings at nil.*

5. *The Company agrees to forego (or similar) any claim it has against any of the 3 investment companies or their subsidiaries. We understand the Voluntary Administrators value any such intercompany debts at nil.*

6. *Senior Management will use their expertise to develop the assets and businesses held within the 3 investment companies and will together control a new company, NewCo.*

7. *NewCo will be issued 1 B Class share in each of the 3 investment companies. B class shares will have the rights necessary to ensure management control of the 3 investment companies until the day 14 days after a DOCA for the Company is brought to an end and the Company is returned to the control of its Directors. No dividends will be paid from any of the 3 investment companies prior to the termination of the DOCA unless all shareholders agree. The Company will agree to any reasonable requests from NewCo in relation to the issue of the B Class share including (possibly) a prior share split of existing ordinary shares with all such ordinary shares being held by the Company.*

8. *The Deed Administrators of the Company are to be issued shares in Octaviar Limited on behalf of creditors such that they will hold 10% of the equity in Octaviar Limited after the issue. The shares will be distributed to creditors of the Company on the basis of their admitted claims. The shares will be issued within 6 months of the signing of the DOCA for the Company and will probably require existing shareholder approval. Should any creditor decline the shares allocated to them then such shares will be distributed to other creditors on the basis of their admitted claims. After the issue of these additional shares the shareholders in Octaviar Limited will be as follows*

    - *80% Existing shareholders*
    - *10% Creditors of Octaviar Limited*
    - *10% Creditors of Octaviar Administration Pty Ltd*

    In this way Creditors will be able to share in any upside created in the businesses of the 3 investment companies.

9. *Should the shares in Octaviar Limited not be issued in the 6 month timeframe then the shares in the 3 investment companies will not thereafter be excluded from the pool of assets available to creditors of the Company (as referred to in item 4 above).*

10. *The Management DOCA proposal for the Company is dependent on the Management DOCA proposal for Octaviar Administration Pty Ltd being accepted by the relevant meeting of creditors. To ensure there are no unintended consequences as a result of this requirement the following will apply* - *if the DOCA for Octaviar Limited is accepted but the Management DOCA proposal for Octaviar Administration Pty Ltd is not accepted then the terms of the Octaviar Limited DOCA are amended to reflect exactly the Fortress/PPB proposal for Octaviar Limited.*

11. *For the avoidance of doubt we confirm that all/100% of the cash that would otherwise be available in a Liquidation of the Company is available to Creditors under this DOCA proposal.*

We consider the key benefit to the Fortress DOCA to be the $15m that they will not seek to recover from OCV under the DOCA. Otherwise the DOCA does not appear to offer any significant benefits above the likely return that would be available in a liquidation. Fortress has advised that if a liquidation eventuates they would be demanding repayment of their full debt, currently estimated at $38.5m. Therefore you need to consider the likelihood of achieving a return of $15m plus from voidable transactions that would not be available in a DOCA. In our estimate for possible preference claim recoveries are two large payments totalling $26m that occurred in March 2008. The actual date of insolvency is subjective and could be subject to the determination of the Court if the claim were disputed. As highlighted in this report our estimate for the date of insolvency is between 4 February 2008 and 4 June 2008. Consequently the risk exists that pursuing the 2 preference claims for referred to above, may not succeed. If that scenario were to eventuate, creditors would have been better off under the DOCA.

Creditors should also give consideration to the fact that OA could pursue these claims as uncommercial transactions, if the date of insolvency is determined to be prior to the payments. While any recovery is not directly available for creditors of OCV, they would ultimately benefit as a material creditor of OCV (approx 25% of creditor value on current numbers)

Within the Fortress DOCA proposal is a condition that the Company not pursue a claim against Fortress or the Receivers. This should be considered in light of the following comments:

- Prior to 22 January 2008 Fortress held unsecured guarantees from OCV for facilities provided to Octaviar related investments, Young Village Estates and OPI Pacific Investments
- On 22 January 2008 a deed was executed with the effect of converting the aforementioned guarantees to a secured position, under the Fortress facilities previously advanced to Octaviar Castle, incorporating OCV.

Creditors have asked us to investigate the circumstances surrounding that conversion.

In conjunction with our legal advisers, we have considered whether there was consideration and reached the conclusion that as the relevant document was a deed, consideration was not required.

We have considered whether notification should have been made to ASIC, if the conversion was treated a variation in the term of a registrable charge. The conclusion here is that it was not a variation of a term, rather the unsecured guarantee document was converted into a “Transaction Document” as defined in the secured Fortress facilities. Therefore no variation in term occurred.

We have considered if the conversion could be regarded as a voidable transaction. For that to be the case the relevant Octaviar companies or Group would have to been insolvent on 22 January 2008 when the document was executed. We consider that unlikely based on our findings to date.

The Octaviar directors' proposal, mirrors the Fortress proposal, save for a different approach with regard to 3 Octaviar Group entities. These are Octaviar Castle, a dormant company that owes OCV approx $61m, Octaviar Investment Holdings No.1 and Octaviar Investment Holdings No.2, which are the parent entities for the Sunkids and Sunleisure businesses. The directors DOCA proposal seeks to take management control of the entities until any DOCA terminates. This role should be available under the Fortress DOCA or a liquidation, unless the shareholder elected to change the directors and management.

Octaviar Castle is a creditor of OCV, so would receive a dividend from OCV in either a DOCA or a liquidation. It is also possible that under a subrogation right involving the Fortress facility, Octaviar Castle could receive additional funds. We do not currently see the need for Octaviar Castle to be segregated form the remainder of the Group. Octaviar Castle has no material liabilities and its shareholder is OCV.

The Fortress DOCA allows existing management to continue to manage the Sunkids (child care) and Sunleisure (Q Deck and Circle on Cavill retail) businesses, unless the shareholder elects to make changes. The directors have pointed out to us that the Octaviar Group's financial interest in these businesses should be valued at zero. We do not disagree with the view given their perceived current value and secured debt. The assets combined currently represent an estimated value of less than $100m with secured debt of over $100m. Creditors should note that OCV has guaranteed approx $40 of this debt. We consider that significant improvement in value would need to be achieved before creditors could enjoy any financial benefit from these businesses. Yet we don't see why new shares and a different structure should be created to explore this opportunity.

In summary for the reasons outlined above, and when considered with the contents of this report, we consider the better outcome, with sufficient certainty, for creditors is the Fortress DOCA.

13 Voluntary Administrators' Recommendations

As mentioned earlier in this report, pursuant to Section 439A of the Act, the Administrators must provide a statement setting out their opinion about each of the following options:

(a) whether it would be in the creditors' interests for OCV to execute a DOCA; or

(b) whether it would be in the creditors' interests for the administration of OCV to end and control be returned to the directors; or

(c) whether it would be in the creditors' interests for OCV to be wound up.

Upon the hearing of an application for the winding-up of OCV and certain related entities heard in the Supreme Court of Queensland in Brisbane on 9 and 10 September 2008, His Honour, Justice McMurdo ordered that the administration of OCV proceed as if sub-paragraph (c) above was not included in the options available. **Accordingly, creditors may only resolve either that OCV execute a DOCA or that the administration should end.**

Should creditors vote to accept a DOCA, OCV will then be administered in accordance with the terms of the DOCA. Should creditors vote that the administration should end, control of the company will revert to the directors pending a further hearing of the application to wind-up OCV which is listed to take place in the Supreme Court of Queensland on 18 December 2008. In this event, OCV undertook not to seek any further adjournment of the application for winding-up and to consent to an Order for the winding-up of the company on 18 December 2008.

The effect of the above Order was to ensure that the Relation-Back Day will be the date of the filing of the winding-up application, namely 4 June 2008. Were such an Order not made, and the creditors resolved to wind up OCV, the Relation-Back Day would have otherwise been the day of the commencement of the administration, that is 13 September 2008.

13.1 Deed of Company Arrangement

Two DOCAs have been proposed and we are of the opinion that they offer sufficient more certainty of a greater return than that that might be available in a liquidation scenario. As outlined above we see little difference between the Fortress proposal and the directors' proposal, however we consider the Fortress proposal to be more in the interests of creditors. It allows greater flexibility over the satellite businesses and Octaviar Castle when there is no need to sacrifice that control.

We therefore recommend that creditors vote in favour of a DOCA and select the Fortress DOCA.

The Administrators reserve the right to change their recommendation to creditors should there be any change to the proposal, or if an alternative proposed is received subsequent to the date of this report.

13.2 Administration to End

Based on our analysis OCV is presently insolvent and unable to pay its debts as and when they fall due.

Accordingly, we do not recommend that the Administration end and control be returned to the directors.

13.3 Company to be wound up

This option is not available to creditors for the reasons set out above.

The Administrators reserve the right to change our recommendation to creditors should there be any change in circumstances subsequent to the date of this report.

14 Voluntary Administrators' Fees

The costs of the Administration to 30 November 2008 is as follows:

	$
Administrators Fees (excluding GST)	102,850
GST	10,285
Total (including GST)	**113,135**

The Administrators' remuneration is based on the firm's hourly rates which are included in Appendix B to this report. Creditor approval for fees will be sought at the second meeting of creditors where a detailed narrative will be submitted together with the fee breakdown of work performed by the Administrators' staff.

A summary of the time spent by the Administrators and their staff in the Administration to 30 November 2008 at their respective hourly rates is attached as Appendix B. We expect that a further $95,824 will be incurred by the Administrators in the period 1 December 2008 to 17 December 2008, the date of the second creditors meeting.

At the second meeting of creditors, the Administrators will propose a resolution in relation to the unpaid fees from 13 September 2008 to 30 November 2008 and estimated future fees for the period 1 December 2008 to 17 December 2008, the date of the second creditors meeting. If a lesser amount is incurred only the amount actually incurred will be paid.

These fees will be capped and accordingly we will be unable to draw fees more than this amount without further approval by creditors.

Please note that none of these fees include disbursements, which Administrators are entitled to draw as and when incurred.

The remuneration that we request creditors approve has been incurred as a result of exercising, inter alia, the following functions and duties:

1. Establishing control

- Meetings with directors and staff at company premises

2. Statutory matters

- notifying statutory authorities of our appointment
- convening and holding of meetings of creditors
- applying to court for an extension of the convening period
- attendance to lodgement of statutory documentation with the ASIC
- preparation of both this report and the first report to creditors
- calling and holding the first meeting of creditors
- calling and holding two meetings of the Committee
- calling and holding second meeting of creditors
- preparation of report to creditors.

3. Investigations

- review financial performance
- consider and investigate the financial position of the company
- investigation of company affairs including statutory requirements under the Act
- review of company books and records

4. General matters

- administrative duties including typing, mailing and filing
- regular meetings with directors of OCV

15 Second Meeting of Creditors

Pursuant to Section 439A(3) of the Act, we have attached a notice convening the second meeting of creditors to be held on 17 December 2008 at Level 25 Riverside Centre, 123 Eagle Street, Brisbane QLD 4000 (see Form 529 enclosed).

Telephone conference facilities will be made available by attendance at our Sydney office, Level 9, Grosvenor House, 225 George Street, Sydney NSW 2000.

Creditors may attend and vote in person, by proxy or by attorney. The appointment of a proxy must be made in accordance with Form 532 (copy attached). A specific proxy can be lodged showing approval or rejection of each resolution. Proxy forms or facsimiles thereof must be lodged with the Administrators prior to the commencement of the meeting. Where a facsimile copy of a proxy is sent, the original must be lodged with the Administrators within 72 hours after receipt of the facsimile. An attorney of the creditor must show the instrument by which he or she is appointed to the Chairman of the meeting, prior to the commencement of the meeting.

Please note that attendance at this meeting is not compulsory.

We trust that creditors find this report informative and useful. In the event that you have any queries regarding the contents of this report, or the administration in general, please do not hesitate to contact Debbie Lippstreu of this office on (07) 3308 7048 or Daniel Dalais on (07) 3308 7308.

Yours faithfully

John Lethbridge Greig Administrator	Nicholas Harwood Administrator

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Appendix A - Declaration of Independence, Relevant Relationships and Indemnities

We, John Lethbridge Greig and Nicholas Harwood have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as administrators of OCV. 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

We, or a member of our firm, have or have had within the preceding 24 months, a relationship with:

Name	Nature of relationship	Reasons why not an Impediment or Conflict
The Public Trustee of Queensland (trustee for the Octaviar Ltd note holders)	From time to time, we accept engagements on behalf of the Public Trustee of Queensland	It is a commercial relationship
Freehills (the Companies' solicitors)	We have engaged Freehills from time to time to provide Deloitte with legal advice. Freehills have from time to time referred professional matters to Deloitte	It is a commercial relationship
Fortress Credit Corporation Australia (secured creditor holding a first ranking fixed and floating charge over all of the assets and undertaking Octaviar Ltd)	From time to time, we accept engagements on behalf of Fortress Credit Corporation	It is a commercial relationship
Australian Taxation Office	From time to time, we accept engagements on behalf of the Australian Taxation Office	It is a commercial relationship
Stella Group Ltd	Deloitte was engaged a number of times over the prior two years to provide financial due diligence services on companies MFS (now the Stella Group) was considering acquiring	Octaviar Limited has a 35% interest in the Stella Group Ltd. Deloitte did not provide any professional services related to the sale of the 65% interest in the Stella Group to CVC
National Australia Bank (NAB)	In October 2006 Deloitte was engaged by NAB to perform financial due diligence on S8 Ltd (now part of the Stella Group) in relation to specific financial covenants and syndication of NAB's	The professional services were provided by Deloitte to the NAB over a 2 month period. The services were not provided to the Octaviar Group

	banking facilities to S8. Fees were $230,000 with $6,103 written off for which Deloitte has no claim as a creditor	
National Australia Bank (NAB)	In February 2008, Deloitte was engaged by the NAB in relation to the personal financial affairs of Mr Michael King and Mr Phil Adams, both former directors of the Companies. Fees were $59,672 with Nil written off	The professional services were provided by Deloitte to the NAB, not the Octaviar Group. The engagement was a limited scope investigation to assist the NAB understand its financial exposure to Mr King and Mr Adams

There are no other prior professional or personal relationships that should be disclosed.

Prior Engagements with the Insolvent

We, or a member of our firm, have undertaken the following engagements for the Companies prior to the acceptance of this appointment:

Name	Nature of engagement	Reasons why not an Impediment or Conflict
Octaviar Ltd	In April 2008 Deloitte Forensic was engaged by Freehills and Mallesons on behalf of Octaviar Ltd and Octaviar Investment Management Ltd to provide forensic technology services over a three week period. Fees were $63,246 plus GST and $32,581 was written off for which Deloitte has no claim as a creditor	The engagement was of limited scope and of an administrative nature as no analysis was performed by Deloitte Forensic of the retrieved data. The engagement was terminated prior to completion
Octaviar Ltd	Between August and November 2007, Deloitte provided limited scope valuation services in relation to: 1. The valuation of employee options for disclosure of remuneration expense in the 30 June 2007 financial statements. Fees were $14,725 plus GST with nil written off 2. The valuation of certain assets within the HolidayInvest Group for taxation purposes – the report	These engagements were of very limited scope and the fees were immaterial

	was never finalised. Fees were $25,805 plus GST with $4,000 written off for which Deloitte has no claim as a creditor	
Octaviar Financial Services Ltd	In February 2007, Deloitte was engaged to provide an independent accountants report on directors' forecasts and a taxation report in relation to the proposed offering of units in MFS Diversified Land Fund No.1. Total fees were $24,213 plus GST with nil written off	The fund was never established
Octaviar Financial Services Ltd	Deloitte was engaged in early 2007 to provide financial due diligence services in relation to the acquisition of a listed company. Fees were $291,272 plus GST with $72,300 written off for which Deloitte has no claim as a creditor	The acquisition did not proceed
Octaviar Ltd	Deloitte China was engaged in late 2007 to provide due diligence services in relation to the acquisition of a minority stake in FindisNet Limited (Hong Kong). Fees were US$139,023 with nil written off	The assets on which due diligence was performed are located in China and are not material to the total Octaviar Group
Octaviar Administration Pty Ltd	Deloitte was engaged in June 2006 to provide financial due diligence services in relation to the acquisition of three financial planning businesses located in New Zealand. Total fees were $479,562 plus GST with nil written off	The assets on which due diligence was performed are located in New Zealand and are not material to the total Octaviar Group

There are no other prior professional relationships or engagements that should be disclosed.

Indemnities

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

Dated: 10th day of December 2008

John Lethbridge Greig	Nicholas Harwood

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

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Appendix B - Statement of Remuneration

Deloitte Hourly Rates

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

Classification	Hourly Rate (exc GST)	Hourly Rate (inc GST)	Description
CRG Partner 1	472.73	520.00	Registered liquidator or bankruptcy trustee. Brings his or her specialist skills to the administration or insolvency task.
CRG Sr Manager 1	340.91	375.00	Typically CA or CPA qualified with in excess of 10 years experience on insolvency matters with a number of years at manager level. Answerable to the appointee but otherwise responsible for all aspects of an administration. Capable of controlling all aspects of an administration. May be appropriately qualified to take appointments in his/her own right.
CRG Sr Manager 2	309.09	340.00	
CRG Manager 1	236.36	260.00	Typically CA or CPA qualified with 6 to 8 years experience working on insolvency matters. Will have experience conducting administrations and directing a number of staff.
CRG Manager 2	200.00	220.00	
CRG Sr Analyst 1	181.82	200.00	Typically completed or near completion of CA or CPA qualifications with 4 to 6 years insolvency experience. Assists in planning and control of smaller matters as well as performing some more difficult tasks on larger matters.
CRG Sr Analyst 2	168.18	185.00	
CRG Sr Analyst 3	145.45	160.00	
CRG Analyst 1	140.91	155.00	Typically studying towards CA or CPA qualification with 2 to 4 years insolvency experience. Works under supervision of more senior staff in performing day-to-day fieldwork.
CRG Analyst 2	131.82	145.00	
CRG Analyst 3	122.73	135.00	
CRG Graduate	118.18	130.00	
CRG Support A	118.18	130.00	Generally a person currently undertakes a university degree. Works under supervision in providing assistance on tasks involved in insolvency matters
CRG Support B	104.55	115.00	
CRG Vacationer	113.64	125.00	

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Administrators' Remuneration

At the meeting, we shall be asking that an interim level for our remuneration as Administrators be approved. Those fees are based on our Rates as shown above.

The amount of further interim fees that we shall be requesting are based upon the budgeted range of fees as set out below. We shall be asking that these fees be set at an interim limit at the top of this range with further remuneration being approved by creditors at a later date if appropriate.

Fees incurred to Date: $ 102,850

Details of the work to be performed by Administrators are set out in the summary below

Company	Octaviar Limited	**Period**	13 September 2008 – 30 November 2008
Practitioner	John Lethbridge Greig and Nicholas Harwood	**Firm**	Deloitte
Administration Type	Voluntary Administration		

Task Area	**General Description**	**Includes**
Assets 91 hours $29,765	Valuation of Stella investment	Review Stella financial information Research industry for comparable companies Commence writing indicative valuation background and industry information
Creditors 92 hours $22,228	Creditor Enquiries	Receive and follow up creditor enquiries via telephone, by post and email Maintaining creditor listing for correspondence Review and prepare correspondence to creditors and their representatives via facsimile, email and post Correspondence and communication with committee of creditors members
	Creditor reports	Review general ledger extracts to assist in preparing estimated statement of positions for all companies in the Octaviar Group (excluding other companies in Administration)

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	Proof of Debt	Reviewing Proof of Debt or Claims submitted by creditors
	Meeting of Creditors	Preparation meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, 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
Trade On 5 hours $1,888	Trade On Management	Shareholders query in relation to OCV notes Liaising with parties for the re-opening of CHESS sub-register for transfer of OCV shares
Investigation 144 hours $42,045	Conducting investigation	Collection of company books and records Reviewing company's books and records Review of financial information to investigate for insolvent trading, voidable transactions, uncommercial tranasctions and offences Conducting and summarising statutory searches Review of specific transactions and liaising with

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		directors regarding certain transactions Hold discussions with management regarding certain transactions and financial information Preparation of investigation file
Administration 69 hours $11,544	Appointment	Hold discussions regarding appointment
	Correspondence	Review and respond to correspondence from lawyers
	Document maintenance/file review/checklist	Filing of documents File reviews Updating checklists
	Insurance	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
	Bank account administration	Preparing correspondence opening and closing accounts Requesting bank statements Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	Notification of appointment
	Planning / Review	Discussions regarding status of administration

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Calculation of Remuneration

Position	$ / hour (excl GST)	Total actual hours	Total	Creditors		Trade On		Investigations		Assets		Administration	
				Hrs	$	Hrs	$	Hrs	$	Hrs	$	Hrs	$
Appointee	472	35.5	16,756	13.50	6,372.0	1.50	708.0	6.00	2,832.0	12.00	5,664.0	2.50	1,180.0
Co-appointee	472	35.5	16,756	13.50	6,372.0	1.50	708.0	6.00	2,832.0	12.00	5,664.0	2.50	1,180.0
Director	341	94.0	32,054	-	-	-	-	69.00	23,529.0	25.00	8,525.0	-	-
Manager	236	12.0	2,832	4.00	944.0	2.00	472.0	-	-	-	-	6.00	1,416.0
Senior	181	84.0	15,204	-	-	-	-	42.00	9,912.0	42.00	9,912.0	-	-
Analyst	140	124.0	17,360	61.00	8,540.0	-	-	21.00	2,940.0	-	-	42.00	5,880.0
Support	118	16.0	1,888	-	-	-	-	-	-	-	-	16.00	1,888.0
	256	**401.00**	**$ 102,850**	**92.00**	**$ 22,228**	**5.00**	**$ 1,888**	**144.00**	**$ 42,045**	**91.00**	**$ 29,765**	**69.00**	**$ 11,544**

Disbursements

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

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

B1 disbursements are externally provided non-professional costs such as travel, accommodation and search fees. B1 disbursements are recovered at cost.

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

Full details of disbursements on this appointment are provided

Disbursement	Amount $
A Disbursements	677,555
B1 Travel, Accommodation, Search Fees etc	8,034
B2 Materials (Photocopying, Faxes, Telephone expenses)	11,866
Total	**697,454**

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Future fees – Administration period

Company	Octaviar Limited (OCV)	Period	1 December to 17 December 2008
Practitioner	John Greig & Nick Harwood		
Administration type	Liquidation		

Task area	General description	Includes
Assets $14,555 (ex GST)	Valuation of Stella investment	Review Stella financial information Research industry for comparable companies Commence writing indicative valuation background and industry information
Creditors $63,609 (ex GST)	Creditor enquiries	Receive and follow up creditor enquiries via telephone, email and fax
	Creditors Report	Drafting s439A report, investigation, meeting and general reports to creditors
	Meeting of creditors	Preparation meeting notices, proxies and advertisements
Investigations $15,710 (ex GST)	Conducting investigation	Reviewed bank statements and MYOB, and other company books and records Discussions with directors regarding company transactions Preparation of investigation file
	ASIC reporting	Preparing statutory investigation reports
Administration $1,950 (ex GST)	Typing and secretarial	Formatting of s439a report
TOTAL FUTURE FEES $95,824 (ex GST)		

Total future fees for the liquidation process will be capped at $95,824(excluding GST and disbursements).

Appendix C - Creditor Information Sheet

Approving remuneration in external administrations

If company is in financial difficulty, it can be put under the control of an independent insolvency administrator. Such a person is called a 'liquidator' or a 'voluntary administrator' or an 'administrator of a deed of company arrangement' depending on the type of administration involved. For the purposes of this guide, we use the collective word 'administrator'.

This information sheet gives general information for creditors on the approval of an administrator's fees in a liquidation, a voluntary administration or a deed of company arrangement (other forms of insolvency administration are beyond the scope of this information sheet). It outlines the rights that creditors have in the approval process.

Work undertaken by administrators

The work undertaken by administrators depends on the type of administration concerned and the issues that need to be resolved. Some issues are straightforward, while others are more complex.

However, what is common amongst all administration types is that an administrator is, by law, required to undertake a number of tasks which may not directly benefit creditors (for example, the preparation of reports to the Australian Securities and Investments Commission or the preparation of six monthly receipts and payments). An administrator is still entitled to remuneration for undertaking these statutory tasks.

For more information on the tasks involved ind different administrations, see ASIC's information sheets: 'Liquidation: a guide for creditors' and 'Voluntary administration: a guide for creditors'.

Entitlement to fees and costs

An 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
- to be reimbursed for out-of-pocket *costs* incurred in performing their role (these costs do not need creditors' committee, creditor or court approval).

Administrators are entitled to an amount of fees for the necessary work that they and their staff properly perform in the administration.

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

- legal fees
- valuer's, real estate agent's and auctioneer's fees
- trading costs involved in running the company's business during the administration (e.g. for the purchase of stock)
- 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 administrator will, generally, be paid from the company's available assets before any payments to creditors are made. If there are not enough assets, the administrator may arrange for a third party, for example another creditor, to pay any shortfall. As a creditor, you should receive details of such arrangements.

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 and the administrator is in effect 'out of pocket'.

Calculation of fees

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

- on the basis of *time spent* by the administrator and their staff, according to hourly rates,
- a quoted *fixed fee*, based on an estimate of the costs, or
- a *percentage*, usually of asset realisations.

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

If the administrator intends to charge on a time basis, you should receive a copy of these hourly rates before the administrator requests approval of their fees.

The 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 realise that administrators are professionals who are required to have accounting qualifications and maintain up-to-date knowledge of accounting, business and legal issues. They have serious responsibilities under the law. Their hourly rates and those of their qualified staff reflect this.

The hourly rates do not represent an hourly wage for the administrator and their staff. The 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, and taxes with allowance then made for profit.

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 administrator for their services.

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 administrator about the fees and whether the rates are negotiable.

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

Report on proposed fees

In order to seek approval of fees, the administrator must hold a meeting of the members of any committee of creditors, or, if there is no committee, the creditors themselves. A report must be sent, 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.

The report should also provide a summary of out-of-pocket costs incurred or expected to be incurred.

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

If the work is yet to be carried out, it is advisable for creditors to set a maximum limit (‘cap’) on the amount that the administrator may receive. For example, ‘future fees are approved calculated on 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 administrator will have to ask the creditors’ committee/creditors to approve a further amount of fees, after accounting for the fees already incurred.

Who may approve fees

Who may approve fees depends on the type of external administration: see Table 1. The administrator must provide sufficient information to enable the creditors’ committee, the creditors or the court to make an informed assessment as to whether the fees are reasonable.

Table 1: Who may approve fees

	Creditors’ committee	Creditors	Court
Administrator in a voluntary administration	✓[1]	✓[2]	✓[3]
Administrator of a deed of company arrangement	✓[1]	✓[2]	✓[3]
Creditors’ voluntary liquidator	✓[1]	✓[4]	✗[5]
Court-appointed liquidator	✓[1, 6]	✓[2, 6]	✓[3]

1 If there is one.

2 If there is no creditors’ committee or the committee fails to approve the fees.

3 If there is no approval by creditors.

[4] If there is no creditors' committee.

[5] Unless an application is made for a fee review.

[6] 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 $5,000, or more if specified in the *Corporations Regulations 2001*.

15.1.1 Creditors' committee approval

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

A creditors' committee will generally only be set up where there are a large number of creditors. If there is one, then they will ask the committee to approve their fees.

A creditors' committee makes its decision by a majority in number of its members present in person at a meeting, but it can only act if a majority of its members attend.

If you would like to know more about creditors' committees and how they are formed, see ASIC's information sheets: 'Liquidation: a guide for creditors', 'Voluntary administration: a guide for creditors' and 'Insolvency: a glossary of terms'.

15.1.2 Creditors' approval

Creditors approve fees by passing a resolution at a creditors' meeting. The vote requires a simple majority of creditors present and voting, in person or by proxy, indicating that they agree to the resolution. Unlike committee members, creditors may vote according to their individual interests.

If a 'poll' is taken at the meeting (that is, rather than a vote being decided on the voices or by a show of hands, a count of each vote and its value is taken), 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 proxy is a document whereby 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 how they want on a resolution, while a special proxy directs the proxy holder to vote in a particular way.

A creditor will sometimes appoint the administrator as a proxy to vote on the creditor's behalf. An 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.

Deciding if fees are reasonable

If you are 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 administration and the results of that work.

The IPA's Code of Professional Practice: Remuneration outlines the steps administrators should take to make sure they fulfil their responsibilities to creditors when asking creditors to approve fees, including when those creditors are acting in their capacity as committee members. This guide is available on the IPA website at www.ipaa.com.au

If you need more information about fees than is provided in the 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 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 administrator should be very careful incurring costs that must be paid from the administration - as careful as if they were incurring the expenses on their own behalf. Their report on fees sent to creditors should also include information on the out-of-pocket costs of the administration.

If you have questions about any of these costs, you should ask the 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 administrator. If this fails to resolve your concerns, including any concerns about their conduct, you can lodge a complaint with the IPA at www.ipaa.com.au or write to:

Complaints Manager
IPA
GPO Box 3921
SYDNEY NSW 2001

You can also contact ASIC at www.asic.gov.au, or write to:

Manager National Assessment & Action
ASIC
GPO Box 9827
IN YOUR CAPITAL CITY

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 'Insolvency: a glossary of terms'.
For more on insolvency administration, see ASIC's related information sheets at www.asic.gov.au/insolvencyinfosheets:

- Voluntary administration: a guide for creditors
- Voluntary administration: a guide for employees
- Liquidation: a guide for creditors
- Liquidation: a guide for employees
- Receivership: a guide for creditors
- Receivership: a guide for employees
- Insolvency: a guide for shareholders
- Insolvency: a guide for directors

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 that is applicable to its members.

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.

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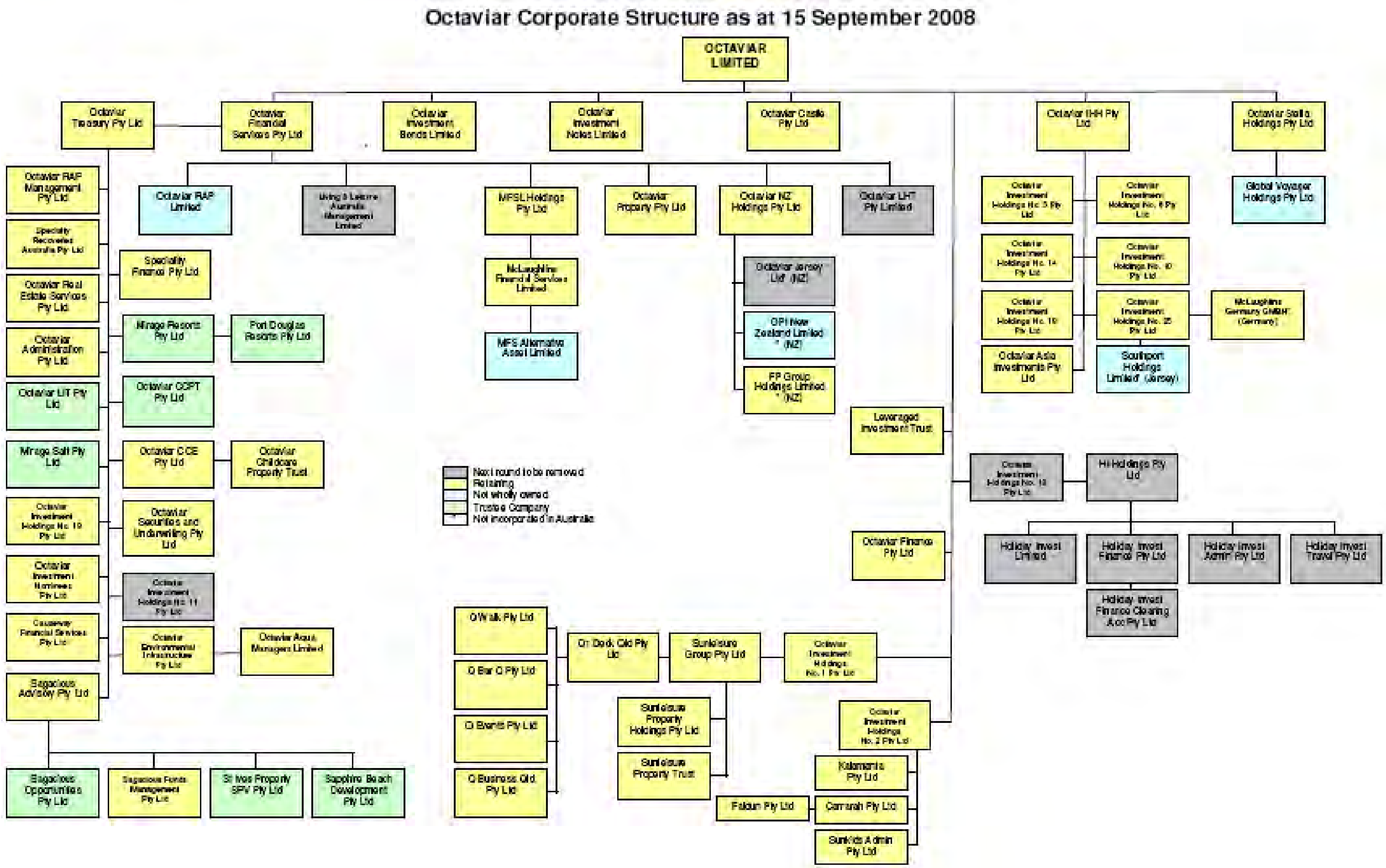
Appendix D – Director-related entities

Director	Company board	Status of boardmember	Company status
Barry Francis Cronin	A.B.T. Story Pty Ltd	Current member	Registered
Barry Francis Cronin	Albatross Investments (No.1) Pty Ltd	Current member	Registered
Barry Francis Cronin	APRE Pty Ltd	Current member	Registered
Barry Francis Cronin	Arthur Earle Youth Foundation Limited	Current member	Registered
Barry Francis Cronin	Barker Group Pty Ltd	Current member	Registered
Barry Francis Cronin	Blue Sky Capital Pty Ltd	Current member	Registered
Barry Francis Cronin	Bollenger Pty Ltd	Current member	Registered
Barry Francis Cronin	Earle Haven Pty Ltd	Current member	Registered
Barry Francis Cronin	Eynesbury Golf Pty Ltd	Current member	Registered
Barry Francis Cronin	Eynesbury Holdings Pty Ltd	Current member	Registered
Barry Francis Cronin	GEO (VIC) Pty Ltd	Current member	Registered
Barry Francis Cronin	GEO Communities Pty Ltd	Current member	Registered
Barry Francis Cronin	Guardian Aged Care (No. 4) Pty Ltd	Current member	Registered
Barry Francis Cronin	Jabar Holdings Pty Ltd	Current member	Registered
Barry Francis Cronin	Land Trend Pty Ltd	Current member	Registered
Barry Francis Cronin	Landren Pty Ltd	Current member	Registered
Barry Francis Cronin	Luladia Pty Ltd	Current member	Registered
Barry Francis Cronin	Niecon Developments Pty Ltd	Current member	Registered
Barry Francis Cronin	North Sky Investments Pty Ltd	Current member	Registered
Barry Francis Cronin	Nuvobilt Pty Ltd	Current member	Registered
Barry Francis Cronin	Nuvoprojects Pty Ltd	Current member	Registered
Barry Francis Cronin	Ocean Sky Pty Ltd	Current member	Registered
Barry Francis Cronin	Pandanus Beach Investments Pty Ltd	Current member	Registered
Barry Francis Cronin	Praylon Pty Ltd	Current member	Registered
Barry Francis Cronin	Sky Asset Management Pty Ltd	Current member	Registered
Barry Francis Cronin	South Sky Investments Pty Ltd	Current member	Registered
Barry Francis Cronin	St. Andrews Investments Pty Ltd	Current member	Registered
Barry Francis Cronin	Star Sky Investments Pty Ltd	Current member	Registered
Barry Francis Cronin	Surf Sky Pty Ltd	Current member	Registered
Barry Francis Cronin	Vasco Pty Ltd	Current member	Registered
Barry Francis Cronin	Von Investments Pty Ltd	Current member	Registered
Barry Francis Cronin	Zennyar Pty Ltd	Current member	Registered
Barry Francis Cronin	Reesta Corporation Australia Pty Ltd	Previous member	Registered
Barry Francis Cronin	Trinity House Investments Pty Ltd	Previous member	Registered

Director	Company board	Status of boardmember	Company status
Christopher Scott	Coven Pty Ltd	Current member	Registered
Christopher Scott	Octaviar Financial Services Pty Ltd	Current member	Registered
Christopher Scott	Octaviar Investment Notes Limited	Current member	Registered
Christopher Scott	Octaviar Limited	Current member	Registered
Christopher Scott	Ridgebell Pty Ltd	Current member	Registered
Christopher Scott	The Australian Federation of Travel Agents Ltd	Current member	Registered
Christopher Scott	Agreedto Pty Ltd	Previous member	Registered
Christopher Scott	Australian Holidays Pty Ltd	Previous member	Registered
Christopher Scott	Barondene Pty Ltd	Previous member	Registered
Christopher Scott	Beachbourne Pty Ltd	Previous member	Registered
Christopher Scott	Betanza Pty Limited	Previous member	Registered
Christopher Scott	Castlegale Pty Ltd	Previous member	Registered
Christopher Scott	Driftcove Pty Ltd	Previous member	Registered
Christopher Scott	Gold Coast Booking Centre Pty Ltd	Previous member	Registered
Christopher Scott	Harvey World Insurance Services Pty Limited	Previous member	Registered
Christopher Scott	Harvey World Travel Franchises Pty Limited	Previous member	Registered
Christopher Scott	Harvey World Travel International Pty Limited	Previous member	Registered
Christopher Scott	Heathbush Pty Ltd	Previous member	Registered
Christopher Scott	Sandmoon Pty Ltd	Previous member	Registered
Christopher Scott	Talpacific Holidays Australia Pty Limited	Previous member	Registered
Christopher Scott	Transonic Travel Pty Ltd	Previous member	Registered
Christopher Scott	Travel Advantage Pty Limited	Previous member	Registered
Christopher Scott	Wellington Capital Limited	Previous member	Registered
Christopher Scott	Wellington Funds Management Limited	Previous member	Registered
Christopher Scott	Woodrange Pty Ltd	Previous member	Registered
David Justin Burke	Arkasis Investment Corporation Pty Ltd	Current member	Registered
David Justin Burke	Caulfield Consulting Pty Ltd	Current member	Registered
David Justin Burke	Cyber & Wire Pty Ltd	Current member	Registered
David Justin Burke	Hepzibar Holdings Limited	Current member	Registered
David Justin Burke	Ingenius Communications Pty Ltd	Current member	Registered
David Justin Burke	T40 Pty Ltd	Current member	Registered
David Justin Burke	The Hesse Group Pty Ltd	Current member	Registered
David Justin Burke	Waldheim Travel Pty Ltd	Current member	Registered
David Justin Burke	Warratah Investments Pty Ltd	Current member	Registered
David Justin Burke	Wellington Capital Limited	Previous member	Registered
Paul Joseph Manka	Avenue Capital Management Operations Pty Ltd	Current member	Registered
Paul Joseph Manka	HFA Accelerator Plus Limited	Current member	Registered
Paul Joseph Manka	McLaughlins Financial Services Limited	Current member	Registered
Paul Joseph Manka	Midgrove Pty Ltd	Current member	Registered
Paul Joseph Manka	Vinemoon Pty Ltd	Current member	Registered
Paul Joseph Manka	C-Way Financial Services Pty Ltd	Previous member	Registered
Paul Joseph Manka	Global Voyager Holdings Pty Ltd	Previous member	Registered
Paul Joseph Manka	Global Voyager Pty Ltd	Previous member	Registered
Paul Joseph Manka	MFSL Holdings Pty Ltd	Previous member	Registered
Paul Joseph Manka	Mirage Salt Pty Ltd	Previous member	Registered
Paul Joseph Manka	Octaviar Finance Pty Ltd	Previous member	Registered
Paul Joseph Manka	Octaviar Investment Holdings No. 1 Pty Ltd	Previous member	Registered
Paul Joseph Manka	Octaviar Investment Holdings No. 2 Pty Ltd	Previous member	Registered
Paul Joseph Manka	Octaviar Investment Holdings No. 3 Pty Ltd	Previous member	Registered
Paul Joseph Manka	Octaviar Investment Nominees Pty Ltd	Previous member	Registered
Paul Joseph Manka	Octaviar NZ Holdings Pty Ltd	Previous member	Registered
Paul Joseph Manka	Octaviar Property Pty Ltd	Previous member	Registered
Paul Joseph Manka	Octaviar Real Estate Services Pty Ltd	Previous member	Registered
Paul Joseph Manka	Octaviar Treasury Pty Ltd	Previous member	Registered
Paul Joseph Manka	Specialty Finance Pty Ltd	Previous member	Registered

Appendix E – Octaviar Group Structure



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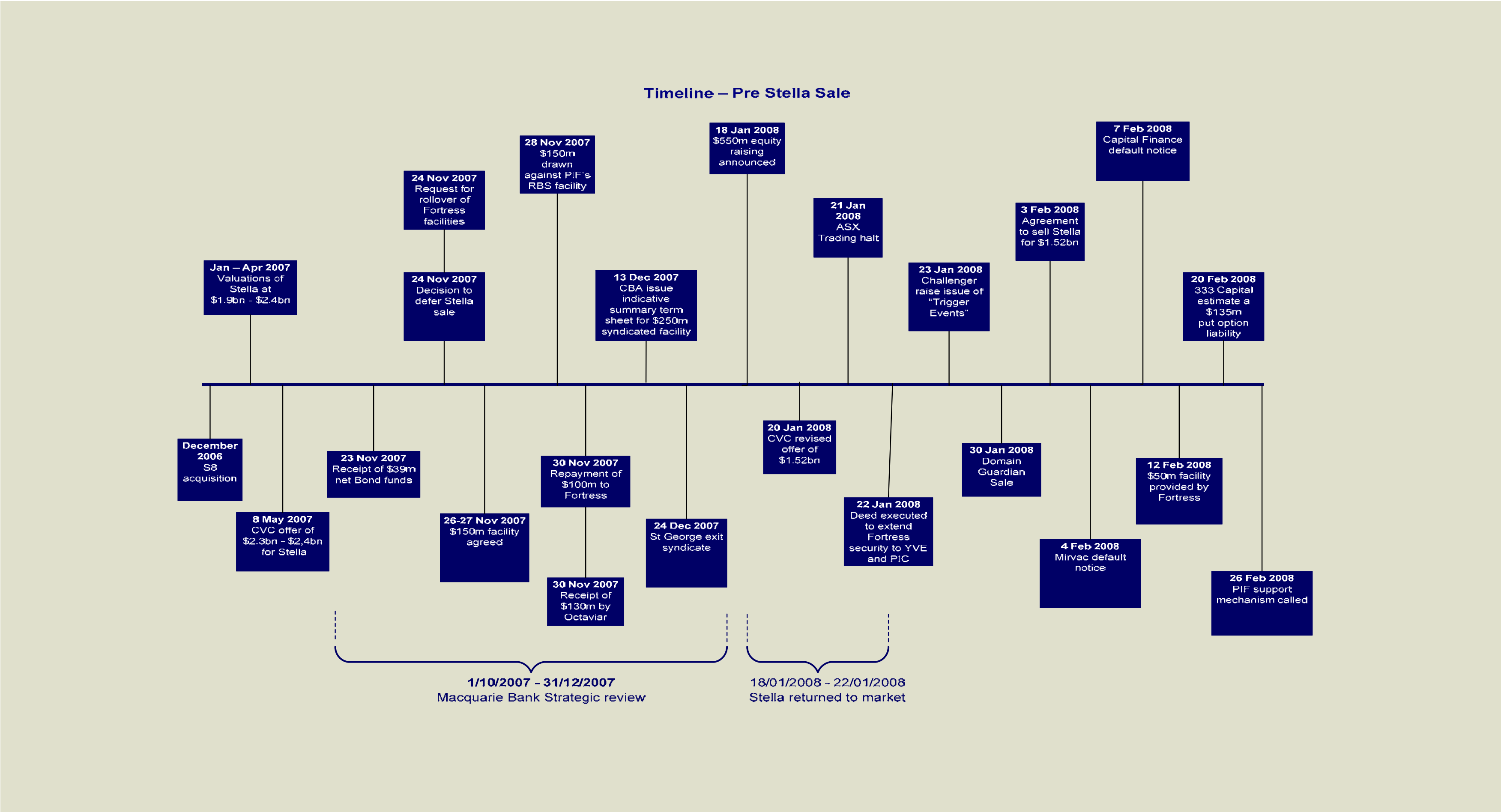
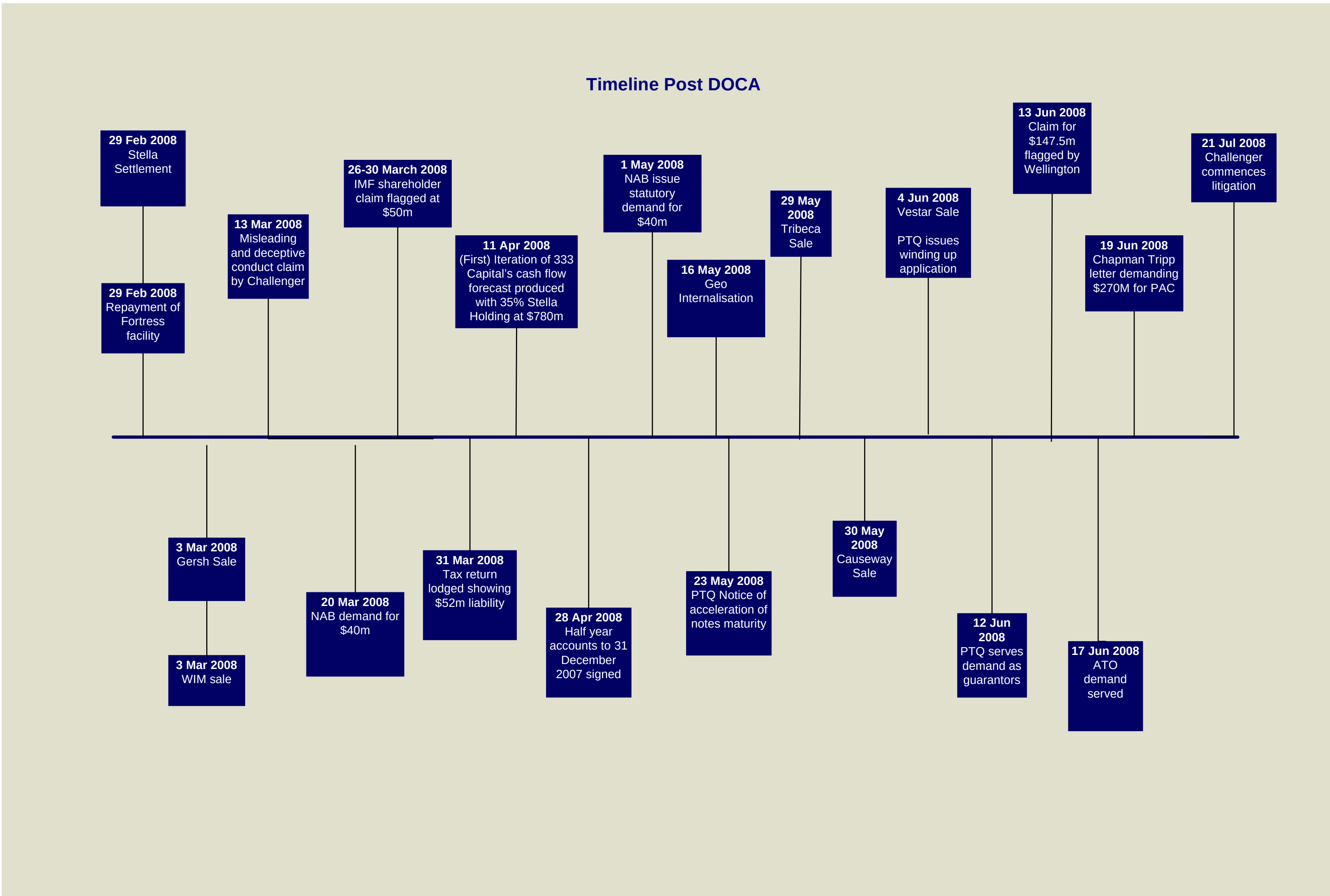
Appendix F – Chronology of Events




Timeline Post DOCA
29 Feb 2008 Stella Settlement
29 Feb 2008 Repayment of Fortress facility
3 Mar 2008 Gersh Sale
3 Mar 2008 WIM sale
13 Mar 2008 Misleading and deceptive conduct claim by Challenger
20 Mar 2008 NAB demand for $40m
26-30 March 2008 IMF shareholder claim flagged at $50m
31 Mar 2008 Tax return lodged showing $52m liability
11 Apr 2008 (First) Iteration of 333 Capital's cash flow forecast produced with 35% Stella Holding at $780m
28 Apr 2008 Half year accounts to 31 December 2007 signed
1 May 2008 NAB issue statutory demand for $40m
16 May 2008 Geo Internalisation
23 May 2008 PTQ Notice of acceleration of notes maturity
29 May 2008 Tribeca Sale
30 May 2008 Causeway Sale
4 Jun 2008 Vestar Sale
PTQ issues winding up application
12 Jun 2008 PTQ serves demand as guarantors
13 Jun 2008 Claim for $147.5m flagged by Wellington
17 Jun 2008 ATO demand served
19 Jun 2008 Chapman Tripp letter demanding $270M for PAC
21 Jul 2008 Challenger commences litigation

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Appendix G – Fortress DOCA proposal

Octaviar Limited (administrators appointed) (receivers and managers appointed)

Proposal for execution of a Deed of Company Arrangement

Confidential – For Creditors and their Advisers Only

15.2 Overview

15.2.1 This proposal for execution by the Company of a deed of company arrangement aims to achieve greater returns to the Company's unsecured creditors than would otherwise be available in a liquidation of the Company by implementing the following steps:

- Inclusion of all assets of the Company in the fund to be made available for distribution to the Company's unsecured creditors.
- Avoidance of a liquidation, which would result in realizations of the Company's property being delayed – that delay would in turn delay the distribution of dividends to unsecured creditors.
- Fortress will, for the benefit of the Company's unsecured creditors, pursue maximum recovery under the Mortgage Securities taken for the Fortress Debt.
- All creditors (other than Fortress) participate equally (in accordance with their admitted amount) in the funds which are returned to the deed fund by Fortress (which would otherwise be subject to the Fortress Charge).
- Intercompany debts owed by the Company to its subsidiaries will not be provable in the DOCA (except to the extent that such companies can demonstrate to the deed administrators that they have external third party creditors). This will minimize cash leakage out of the deed fund.
- Payment of an interim dividend to unsecured creditors shortly after execution of a DOCA by the Company.
- This proposal does not cover any other Octaviar group company.
- The claims of unsecured creditors of the other Octaviar group of companies that are in external administration will not be pooled for purposes of distribution of dividends pursuant to the DOCA.
- Minimization of disturbance to the existing contractual relationships of the Company's subsidiaries, including in relation to its interest in the Stella Group.

15.2.2 It is anticipated that this proposal will result in greater (and more timely) returns to the Company's unsecured creditors than would otherwise be available in a liquidation of the Company.

15.2.3 As a result of the serving of the Notice, the ATO is asserting a right to all funds due to the Company from the OA Receivable. The ATO is asserting that this right takes priority over Fortress' claim to the OA Receivable or, at the very least, that the right takes priority over Unsecured Creditors' right to participate in the OA Receivable. Fortress does not accept that the ATO's rights take priority over Fortress' claim. The priority dispute between the ATO and Fortress, and the priority dispute between the ATO and Unsecured Creditors, will be determined in a manner as agreed between those respective parties (whether that be mediation, negotiation or litigation).

15.2.4 A forecast of the anticipated interim return to unsecured creditors of the Company should this proposal be accepted is set out in Annexure A to this proposal. That forecast only takes into account cash assets available to the Company (including cash payable to the Company in reduction of debts owed to it by OA). It does not take into account proceeds of realization of the Company's non-cash assets. Importantly, the forecast is subject to the qualifications and assumptions set out in Annexure A to this proposal.

15.2.5 All the assets of the Company will be contributed by the Company to the deed fund. A précis of the assets expected to form part of the deed fund is set out in Schedule 2.

15.2.6 Capitalised terms and phrases used in this proposal have the meanings given to them in Schedule 1 (*Dictionary*) to this proposal.

15.3 Key Terms

15.3.1 Following are the key commercial and legal terms of this proposal for execution by the Company of a DOCA:

- The deed administrators will be John Grieg and Nicholas Harwood of Deloitte, Brisbane.
- All of the Company's assets will be contributed by the Company to the deed fund.
- The priority dispute between Fortress and the ATO in respect of the OA Receivable will be determined through a means as agreed between those parties. Further, any dispute between the ATO and the deed administrators as to priority of the ATO Notice over the claims of Unsecured Creditors to the OA Receivable will also be determined through a means as agreed between the ATO and the deed administrators.
- If Fortress' security is determined to rank ahead of the ATO's claim, then the following arrangements shall apply:
    - When funds are available, Fortress will receive a net payment of $25,000,000 plus unpaid costs for the resolution of priorities with the ATO and accrued interest on those amounts. For all amounts recovered by Fortress from the Company's assets, Fortress will grant to the Company a corresponding sub-participation in the YVE Facility.[4]

[4] This will improve the Company's rights against YVE from being only an unsecured creditor of YVE to being able to enjoy the benefits of Fortress' security for the YVE Facility, which would not otherwise be available to the Company. The

- o The balance of the OA Receivable after payment to Fortress will be released from Fortress' Charge and an amount equal to the full amount of the Fortress Debt less the amount payable to Fortress pursuant to the above paragraph (estimated in Annexure A at $49.2MM) will be available for equal distribution to the Company's Unsecured Creditors (including the ATO).
- o Thereafter, distributions from the OA Receivable are to be made according to the priorities to be determined between the ATO and Unsecured Creditors.
- o All realizations from assets of the Company not subject to the Notice (ie. all assets other than the OA Receivable) will be distributed first to Fortress, and then equally amongst the Unsecured Creditors (including the ATO).

- If the ATO is ultimately agreed or found to have first ranking priority ahead of all creditors (both secured and unsecured) in respect of the OA Receivable, then the ATO shall be entitled to full repayment of the debt owed to them by the Company prior to any distribution to any other creditors of the Company (including Fortress). After payment to the ATO, Fortress shall then be entitled to be paid the balance of the OA Receivable and the proceeds of realization of the other deed fund assets until repayment of the Fortress Debt in full. Thereafter, Unsecured Creditors are entitled to distributions from the deed fund.
- All creditors entitled to do so shall reserve their rights against the PTQ in respect of the PTQs undertaking as to damages provided to the Supreme Court for injuncting the Company from appointing voluntary administrators prior to the serving of the Notice.
- No subsidiary of the Company (either direct or indirect) will be permitted to prove under the DOCA, and all of those subsidiaries will release their claims against the Company upon execution of the DOCA. Except to the extent that such companies can demonstrate to the deed administrators that they have external third party creditors.
- The claims of the Company's unsecured creditors will be adjudicated under the DOCA by the deed administrators in accordance with the *Corporations Act*. This includes (without limitation) the claims of contingent and disputed creditors of the Company.
- Employee claims are not anticipated (it is understood that employees' claims are against OA).
- The Company will not pursue any claims against Fortress or the Receivers.
- An interim dividend will be paid by the deed administrators to unsecured creditors where claims are admitted as soon as practicable following execution of the DOCA. This dividend will represent a distribution of the maximum cash available as determined by the deed administrators.
- The deed administrators will have the discretion to realize the assets forming the deed fund as and when they see fit.
- A Creditors Committee will be constituted in accordance with the *Corporations Act* and the *Corporations Regulations*. The Creditors Committee will be consulted regularly by the deed administrators in relation to realization of the assets forming the deed fund.
- Should it be deemed appropriate for the maximization of value in non-cash assets the deed administrators will be at liberty to change the Company's existing directors and appoint new directors in their place. The deed administrators will also be at liberty to exercise the

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Company will receive distributions from realisation of the YVE Security after the unpaid balance of Fortress' participation in the YVE Facility are repaid.

Company's rights as shareholder of the Company's subsidiaries to (if it considers appropriate) change those subsidiaries' directors and appoint new directors in their place.

- The Administrators' remuneration and expenses for the period of the voluntary administration, once approved by the Company's Creditors Committee, general body of creditors or the Court (as the case may be) will be paid from the deed fund prior to any distribution to Unsecured Creditors (but, for the avoidance of any doubt, after payment to Fortress of any amount due to it in accordance with this proposal).

- The stewardship of the Company will not return to its directors unless and until all of the deed fund has been realized and distributed to creditors admitted to proof in the DOCA.

15.3.2 Further terms, not inconsistent with the terms set out in this section 2 (*Key Terms*) and more in the nature of administrative and mechanical provisions, will be negotiated and included in the DOCA following acceptance of this proposal by the Company's unsecured creditors.

15.4 Assets Available

15.4.1 As stated in section 2 (*Key Terms*), all assets of the Company will be contributed to the deed fund and will be available to the Company's unsecured creditors. The assets in the deed fund (except for the balance of the OA Receivable after payment to Fortress of $25,000,000) will remain subject to Fortress' Charge. It is anticipated that the assets available for the benefit of creditors would include those assets set out in Schedule 2 to this proposal.

15.4.2 The proposed sub-participation agreement is intended to permit:

a) Fortress to realize to the fullest extent possible all of recoveries from the Mortgage Securities (last independently valued by CBRE at $48.5m in December 2006).

b) pass through the excess recoveries from realizations of Mortgage Securities to the Company's unsecured creditors.

c) To the extent that Fortress has recourse to deed fund assets to repay the Fortress Debt, unsecured creditors of the Company will receive a corresponding interest in recoveries from the Mortgage Securities.

15.4.3 It is believed that this approach to recoveries is in the best interests of the Company's unsecured creditors. Those recoveries made under the Mortgage Securities would not otherwise be possible if Fortress instead took recourse to the guarantee and Charge provided to it by the Company as security for the Fortress Debt. This is because the principles of equitable subrogation will not operate in the Company's favour until all of the Fortress Debt has been repaid by the Company.

15.4.4 As required by the *Corporations Act* and the general law, the deed administrators will not be asked to surrender their discretion in exercising powers to realize the assets forming part of the deed fund. Through the formation of a creditors committee that will represent the interests of all major creditors of the Company, however, creditors will have a means of regular contact and discourse with the deed administrators in relation to their conduct of that realization process.

15.4.5 The powers of the deed administrators to realize the assets forming the deed fund will include the statutory power to carry on the business of the Company as they think fit. This may entail applying some assets in the deed fund (or the cash proceeds of their realization) toward working capital requirements of other businesses that form part of the deed fund, in order to optimize the value of those businesses to unsecured creditors. This might include hiring and/or retention of staff of operating subsidiaries and/or head office. It is anticipated that any such activity will be conducted with regard to the wishes and best interests of all unsecured creditors, as expressed by the proposed committee of creditors.

15.5 Creditors Claims

15.5.1 As stated in section 2 (*Key Terms*), the claims of the Company's unsecured creditors will be adjudicated in accordance with the relevant provisions of the *Corporations Act*. A forecast of the anticipated interim return to unsecured creditors of the Company should this proposal be accepted is set out in Annexure A to this proposal. That forecast does not take into account proceeds of realization of the Company's assets other than cash payable to the Company in reduction of debts owed to it by OA.

15.5.2 The DOCA would provide for an interim dividend to be payable to the Company's unsecured creditors admitted in the DOCA as soon as practicable following execution of that DOCA. Equalizing dividends would then be paid to contingent creditors (such as PAC and the Securities Class Action creditors) as those creditors' claims were adjudicated by the deed administrators or otherwise resolved through appropriate dispute resolution procedures.

15.5.3 Intercompany debts owed by the Company to its direct and indirect subsidiaries will not be admitted to proof in the DOCA and will be released by those intercompany creditors upon execution of that DOCA. Except to the extent that such companies can demonstrate to the deed administrators that they have external third party creditors. This will minimize cash leakage from the deed fund back into the Octaviar group.

15.5.4 The mechanism for dealing with any claim by PAC, and the amount of that claim, is to be discussed between PAC and the administrators.

15.6 Corporate governance of subsidiaries

15.6.1 As stated in section 2 (*Key Terms*), the deed administrators will have the powers given to them under the *Corporations Act* to change the Company's directors and replace them. The deed administrators will also, by using the Company's powers as shareholder of its various subsidiaries, have power to change those subsidiaries' directors and appoint new directors.

15.6.2 The deed administrators, acting with the benefit of input from the Company's creditors, will determine in their discretion who should be

appointed as director(s) of the Company and its subsidiaries following execution of the DOCA proposed in this proposal.

15.6.3 Stewardship of the Company will not return to its directors unless and until after all of the deed fund has been realized and distributed to the unsecured creditors admitted to proof in the DOCA. This will mean that the deed administrators will have unfettered control over the deed fund and the Company for the benefit of all unsecured creditors.

ANEXURE A

Summary of Anticipated Initial Return to Major Creditors of the Company

The returns set out in the below table are the expected returns to creditors from only the Company.

	DOCA 1[1]	DOCA 2[1]	DOCA 3[1]	Liquidation 1	Liquidation 2
	Fortress Charge First Ranking Other Creditors Pari-Passu	Fortress Charge First Ranking ATO Second Ranking	ATO First Ranking	Fortress Charge First Ranking ATO Second Ranking	ATO First Ranking
Fortress	25.00	25.00	16.23	48.60 [2]	16.23
PTQ Notes	16.68	16.64	-	8.66	-
Challenger Bonds	4.79	4.78	-	2.49	-
ATO	3.07	3.19	58.10	1.72	58.10
PAC	16.30	16.25	-	8.46	-
PIF	6.17	6.16	-	3.20	-
Class Action	2.11	2.10	-	1.10	-
Others	0.21	0.21	-	0.11	-
Total	**74.33**	**74.33**	**74.33**	**74.33**	**74.33**

The returns set out in the below table include expected returns to creditors from both the Company and OA.

	DOCA 1[1]	DOCA 2[1]	DOCA 3[1]	Liquidation 1	Liquidation 2
	Fortress Charge First Ranking Other Creditors Pari-Passu	Fortress Charge First Ranking ATO Second Ranking	ATO First Ranking	Fortress Charge First Ranking ATO Second Ranking	ATO First Ranking
Fortress	25.00	25.00	16.23	48.60 [2]	16.23
PTQ Notes	48.51	48.46	31.83	40.48	31.83
Challenger Bonds	13.94	13.93	9.15	11.63	9.15
ATO	3.07	3.19	58.10	1.72	58.10
PAC	31.85	31.80	15.55	24.00	15.55
PIF	12.92	12.90	6.74	9.95	6.74
Class Action	2.11	2.10	-	1.10	-
Others	2.31	2.31	2.10	2.21	2.10
Total	**139.7**	**139.7**	**139.70**	**139.7**	**139.7**

1. This presents the three scenarios based on priorities. The third potential DOCA scenario (where the ATO Notice ranks first and Fortress second) is the same realisations as presented in Liquidation 2.

2. Represents the net payment made to Fortress.

3. All scenarios are based on the assumption that payments are not made until Dec-10, whereby the Fortress Debt increases to $74.2m including applicable default interest rates. The $25.6m difference between the Fortress Debt and the payment to Fortress in the Liquidation 1 scenario is assumed to be shared by creditors of the Company.

As can be seen from this summary table, (subject to the assumptions and qualifications set out below), the proposed DOCA provides a materially greater return to the majority of unsecured creditors of the Company than would be achieved on a receivership/liquidation of the Company.

IMPORTANT: Qualifications and Assumptions to Initial Dividend Forecast in Annexure A

Octaviar Administration Dividend

Deloitte.

Cash Available - $120m (net of VA costs)

Admitted creditors as follows:

OIN (PTQ)	348.0
OIB (Challenger)	100.0
OCV Ltd	550.0
Other	71.0

Returns to "Other" creditors (except for amounts owed to Sunleisure Group Pty Ltd or its subsidiaries) are assumed to be distributed to OCV as the ultimate parent company.

Disputed Creditors admitted at 50c in the dollar as follows:

	Claim	Admitted
PIF	147.0	73.5
PAC	340.0	170.0

Initial dividend payable of 9.1c in the dollar.

Octaviar Ltd Dividend - $74m Available

Includes $54.6m distribution from OA to the Company and $19.7m held by OA on trust for the Company.

Fortress accept $25m, leaving a balance of $49m for distribution to unsecured creditors.

Creditors who have received a dividend from OA have their Proof of Debt reduced accordingly.

Initial dividend payable of 6.1c in the dollar.

Further dividends will be payable following realisation of the deed fund assets (including the sub-participation in the Fortress Debt).

Disputed Creditors admitted as follows:

	Claim	Admitted
PIF	147.0	73.5
IMF Class Action	Unspecified	40.0

PLEASE NOTE THE ASSUMPTION OF ADMITTING THE DISPUTED CREDITORS AT 50C IN THE DOLLAR IS FOR MODELLING PURPOSES. IT IS IN NO WAY AN ESTIMATION OR CONFIRMATION OF THE VALIDITY OF THOSE CLAIMS.

Important Disclaimer: *The dividend estimates contained in this proposal are provided as an indicative estimate of those dividends. The material provided is of a general nature, is based on estimates and in some instances information that has been provided by third parties. It does not* *constitute financial advice and it has been provided to creditors for general guidance purposes only and should not be relied upon in making any decisions regarding the Company or in calculating a creditor's final dividend at the completion of the Company's external administration.*

Fortress Credit Corporation (Australia) II Pty Limited, and Stephen Parbery and Anthony Sims of PPB as receivers and managers of the Company, are not able to verify the information provided by third parties. The estimated dividend has been provided to creditors for general guidance purposes only and should not be relied upon in making any decisions regarding the Company nor in calculating a creditor's final return at the completion of the external administration. This material is general information only and does not constitute financial advice. It does not take into account a creditor's objectives, needs and circumstances. The statements and opinions used in this proposal are based on information available at the date of this proposal. Actual circumstances may vary and may be subject to contingencies beyond the control of the Company, Fortress Credit Corporation (Australia) II Pty Limited, or Stephen Parbery and Anthony Sims of PPB as receivers and managers of the Company.

SCHEDULE 1 - DICTIONARY

In this proposal:

Administrators means John Grieg and Nicholas Harwood of Deloitte, Brisbane.

ATO means Australian Taxation Office acting by the Commissioner of Taxation.

Challenger means Challenger Managed Investments Limited in its capacity as the responsible entity of the Challenger High Yield Fund and as agent for Colonial First State Investments Limited as responsible entity of the Commonwealth Fixed Interest Fund.

Charge means the Fixed and Floating Charge dated 1 June 2007 made between the Company as chargor and Fortress as financier.

Company means Octaviar Limited (administrators appointed) (receivers and managers appointed) (formerly known as MFS Limited).

Corporations Act means the *Corporations Act* 2001 (Cth).

Corporations Regulations means the *Corporations Regulations* 2001 (Cth).

DOCA means a deed of company arrangement executed by the Company in accordance with Part 5.3A of the *Corporations Act*.

Fortress means Fortress Credit Corporation (Australia) II Pty Limited.

Fortress Debt means any and all moneys owed by the Company to Fortress.

Mortgage Securities means real property mortgages provided by YVE as security for the YVE Facility.

Notice means the "Notice under section 260-5 of Schedule 1 of the Taxation Administration Act 1953" dated 10 September 2008 and served by the ATO on OA on or about 10 September 2008.

OA means Octaviar Administration Pty Limited (administrators appointed) (formerly known as MFS Administration Pty Limited.

OA Receivable means all money (i) payable by OA to the Company in respect of book debts owed to the Company, and (ii) held by OA on trust or otherwise on behalf of the Company.

Octaviar Castle means Octaviar Castle Pty Limited (formerly known as MFS Castle Pty Limited).

PAC means OPI Pacific Finance Limited.

PIF means Octaviar Investment Management Limited as responsible entity for the Octaviar Premium Income Fund.

PTQ means Public Trustee of Queensland in its capacity as debenture trustee for the holders of debentures issued by Octaviar Investment Notes Limited (administrators appointed).

Receivers means Stephen Parbery and Anthony Sims each of PPB in their capacity as receivers and managers of the Company.

Securities Class Action creditors means those persons who hold shares in the Company who have asserted a claim against the Company otherwise than on the basis of their membership of the Company.

Stella Group means Octaviar Stella Holdings Pty Ltd as the holder of the ordinary and preference shares in and loan notes issued by Global Voyager Holdings Pty Ltd (Stella) which represent the Octaviar group's 35% interest in the Stella business.

Unsecured Creditors means Challenger, PAC, PIF, PTQ, Securities Class Action Creditors and any other person admitted as an unsecured creditor of the Company by the deed administrator.

YVE means Young Village Estates Pty Limited in its personal capacity and as trustee of the Young Village Estates Trust.

YVE Facility means the A$ Loan Agreement dated 31 May 2007 made between YVE as borrower and Fortress as lender.

SCHEDULE 2 – ANTICIPATED AVAILABLE ASSETS

For the avoidance of doubt, any assets which are not contained on the list below and which are identified as assets of the Company, will be contributed by the Company to the deed fund.

- Cash held by or on behalf of the Company.
- The dividend payable to the Company by OA.
- The Company's interests (and all rights attached to those interests, such as the right to receive dividends) in operating businesses such as:
    - Stella Group
    - Octaviar Water Fund
    - GEO Property Group
    - Living & Leisure Australia
    - Sunleisure Group (QDeck & Circle on Cavill)
    - Sunkids & CCPT
    - All other shareholdings in subsidiary companies
- The Company's interest in the proceeds of settlement of:
    - Domain/Guardian claim;
    - Tribeca claim;
    - Octaviar Investment Management claim.
- The benefit of any claims against policies of insurance held by the Company.
- The Company's sub-participation arrangement as set out in section 2 (*Key Terms*).
- Any existing causes of action that the Company has or (by virtue of circumstances currently in existence) may have against third parties.

Deloitte.

Appendix H – Director's DOCA proposal

Management DOCA for Octaviar Limited (In Voluntary Administration) (Receivers & Managers Appointed)

12. Unless stated below the Management DOCA proposal for Octaviar Limited (the "Company") is exactly the same as that proposed by Fortress/PPB for the Company including any compromises made by Fortress/PPB or actions to be undertaken by Fortress/PPB. A copy of the Fortress/PPB DOCA proposal is attached here as Appendix A.

13. The Company holds a beneficial interest in the Stella Group and is due monies by Octaviar Administration Pty Ltd which also holds a beneficial interest in the Stella Group.

14. Senior Management (including Craig Chapman and Chris Scott who each have considerable experience in the travel and accommodation sectors) agree to assist in the development of the Stella business until the termination of the DOCA.

15. The Company holds shares in a number of direct subsidiaries. Shares held by the Company in 3 direct subsidiary companies (Octaviar Castle Pty Ltd, Octaviar Investment Holdings No 1 Pty Ltd and Octaviar Investment Holdings No 2 Pty Ltd, hereafter called "3 investment companies") are excluded from the asset pool in which creditors of the Company share. We understand the Voluntary Administrators value such shareholdings at nil.

16. The Company agrees to forego (or similar) any claim it has against any of the 3 investment companies or their subsidiaries. We understand the Voluntary Administrators value any such intercompany debts at nil.

17. Senior Management will use their expertise to develop the assets and businesses held within the 3 investment companies and will together control a new company, NewCo.

18. NewCo will be issued 1 B Class share in each of the 3 investment companies. B class shares will have the rights necessary to ensure management control of the 3 investment companies until the day 14 days after a DOCA for the Company is brought to an end and the Company is returned to the control of its Directors. No dividends will be paid from any of the 3 investment companies prior to the termination of the DOCA unless all shareholders agree. The Company will agree to any reasonable requests from NewCo in relation to the issue of the B Class share including (possibly) a prior share split of existing ordinary shares with all such ordinary shares being held by the Company.

19. The Deed Administrators of the Company are to be issued shares in Octaviar Limited on behalf of creditors such that they will hold 10% of the equity in Octaviar Limited after the issue. The shares will be distributed to creditors of the Company on the basis of their admitted claims. The shares will be issued within 6 months of the signing of the DOCA for the Company and will probably require existing shareholder approval. Should any creditor decline the shares allocated to them then such shares will be distributed to other creditors on the basis of their admitted claims. After the issue of these additional shares the shareholders in Octaviar Limited will be as follows

- 80% Existing shareholders
- 10% Creditors of Octaviar Limited
- 10% Creditors of Octaviar Administration Pty Ltd

In this way Creditors will be able to share in any upside created in the businesses of the 3 investment companies.

20. Should the shares in Octaviar Limited not be issued in the 6 month timeframe then the shares in the 3 investment companies will not thereafter be excluded from the pool of assets available to creditors of the Company (as referred to in item 4 above).

21. The Management DOCA proposal for the Company is dependent on the Management DOCA proposal for Octaviar Administration Pty Ltd being accepted by the relevant meeting of creditors. To ensure there are no unintended consequences as a result of this requirement the following will apply - if the DOCA for Octaviar Limited is accepted but the Management DOCA proposal for Octaviar Administration Pty Ltd is not accepted then the terms of the Octaviar Limited DOCA are amended to reflect exactly the Fortress/PPB proposal for Octaviar Limited.

22. For the avoidance of doubt we confirm that all/100% of the cash that would otherwise be available in a Liquidation of the Company is available to Creditors under this DOCA proposal.

Appendix I – Stella Sale Process Timeline

The following table outlines the timeline of the sale process and market events from the appointment of advisors in March 2007 when MFS first considered selling down some of its interest in Stella to the Transaction:

Table 4: Sales process and market event timeline

Date	Sale process event
Mar 07	• Project Swift commences seeking a partner to support the growth of the Stella group • UBS Investment Bank (UBS) and Grant Samuel (GS) jointly appointed as Project Swift lead advisers. Additional professional advisors appointed to prepare vendor due diligence reports for the project : - Legal (Freehills) - Financial and Tax (KPMG) - Strategic/Synergies (L.E.K). **ASX announcement**: *MFS to seek partner for Stella*
Apr 07	• Project Swift IM released
May 07	• CVC submits a non-binding indicative proposal to acquire 50% of Stella at a substantial premium to cost of up to $200m. CVC's proposal based on a number of conditions including completion of due diligence and confirmation of third quarter trading results
June 07	• MFS continued negotiations with CVC under an extended timeframe whereby it was agreed not to transact until after the first quarter of FY08 in order for Stella to show proven performance against forecasts • CVC indicated its intentions to undertake further due diligence during this timeframe **ASX announcement**: *MFS announced further detail on Project Swift, in that the restructure of Stella is a 3 stage process:* - *amalgamate all assets into a separate stand alone corporate group, including a separate debt facility, within MFS* - *MFS to identify a preferred partner to invest equity into the new corporate group* - *completion of transaction.*
June 07	• Refinancing of Stella's debt completed as part of Project Swift to separate Stella from MFS. Debt financing totalling $1.2billion, including $800m of secured debt from UBS **ASX announcement:** *Stage 1 of Stella restructure completed on 28 June 08.*
July – Oct 07	• CVC conducted due diligence activities although we understand no revised or firm offer was tabled or discussed
Oct 07	• MFS engages Macquarie Bank to perform a strategic review with the objective of identifying which of the following approaches best creates shareholder value: 1 maintain status quo 2 proceed with a sale of 50% of Stella 3 separate Stella and MFS' financial services business.
Nov 07	**ASX announcements:** • *MFS no longer proceeding with sale of Stella on the basis that they were not able to conclude a transaction with private equity which achieved appropriate value outcomes for MFS shareholders*

Date	Sale process event
Dec 07	**ASX announcement:** *MFS adopt Macquarie's option 3 strategy to retain ownership of Stella in the mid term and to separately develop both its financial services and Stella businesses as stand alone operations whereby substantial shareholder value can be created*
Early Jan-08	• MFS' average daily share turnover increased six fold relative to the previous six months in the first two weeks of January on speculation of MFS' ability to meet short term debt commitments • City Pacific (CIY) approach MFS to acquire its financial services business on 14 January 08 • MFS share price declined by 20% on 15 January 2008 with volume of c.15 million shares trading (3.1% of the 483.6m shares on issue) • In response to the share price movements, the MFS Board agreed to the following actions: - to focus on implementing a sustainable strategy - address current market confusion regarding MFS corporate structure and the separation of Stella and the financial services business.
16 Jan-08	• MFS requested a trading halt to enable it to provide an update in order that the market could be fully and properly informed about the separation plan before it traded again[5.]
18 Jan-08	**ASX announcement:** *MFS announced intention to separate Stella and MFS Financial Services into separate ASX- listed companies and reduce Stella's debt profile through a $550m renounceable entitlement offer in Stella to be completed in the second quarter of FY08* • Immediately after the ASX announcement, MFS' share price dropped by 70% (from $3.18 on 17 November 2008 to $0.99 on 18 November 2008)[6].
19 Jan-08	• MFS Board noted that the market had confused MFS' current debt position, the market was not thinking logically and the current share price did not reflect MFS' value[7]
20 Jan-08	• MFS received an updated unsolicited proposal from CVC for 65% interest in Stella for $400 million, conditional on due diligence, Foreign Investment Review Board approvals and warranties. • MFS noted in their 22 January board meeting that CVC could complete the deal prior to 29 February 2008[8]
21 Jan-08	• Michael King resigns as CEO of MFS and is replaced by Craig White • MFS Board noted that Michael King was the architect of the plan released on 18 January which had led to negative publicity for MFS which, in the boards opinion, caused a rapid decline in the share price and an inability to raise capital or to pursue other equity based funding options[9] • CIY's offer for MFS' funds management business lapsed on 21 January[10]
22 Jan-08	• 333 Capital and Korda Mentha appointed by the MFS board to advise MFS • MFS commenced the "Cash is King' Project to analyse the company's cash position and the ability of the company to pay its debts as and when they fell due[8] • Three point plan outlined to the MFS Board which included sale of the Stella business. The board also noted in that meeting that although there was a bid on the table it was important to ensure due process was followed in consideration of the bid • The Board agreed to negotiate with CVC but not to grant CVC exclusivity and to solicit

[5] 16 January MFS minutes of a meeting of directors
[6] Octaviar Limited Financial Results & Business Update 28 April 2008
[7] 19 January MFS minutes of a meeting of directors
[8] 22 January MFS minutes of a meeting of directors
[9] 21 January MFS minutes of a meeting of directors
[10] MFS – Chronology of Events 6 March 2008

Date	Sale process event
	alternative offers
23 Jan-08	• MFS Board noted that 25% of MFS stock was subject to margin calls and at this point the best option was to go into voluntary administration while they were determining which party to transact with for the Stella sale • Korda Mentha NZ met with MFS' New Zealand trustee and management to understand and manage risks • MFS determined that $100 million to $150 million in short term capital was required to meet the Fortress debt repayment due in March 2008 and 60 days of cashflow to allow for the orderly sale of Stella and to restructure the financial services business • MFS' (and Stella's) debt position was released to the market (as follows) **ASX announcement:** • *MFS' short term debt comprised Fortress debt facility of $150m due in March 2008* • *Stella had net debt of $803 million, comprising $800 million UBS facility due June 2013 (of which $795 million was drawn down), $110 million facility in place for Protea due June 2014 and $102 million cash*
25 Jan-08	• MFS had received a number of non-binding indicative proposals to purchase a shareholding in Stella from four parties • MFS board noted that CVC was the most serious party and that their offer could be finalised and transaction documents signed within 10 days which provides certainty to MFS in the short term. Given the superior price and the certainty in the short term MFS decides to proceed with the sale to CVC
4 Feb-08	• Agreement for the sale of 65% shareholding of Stella to CVC executed (the Transaction). The deal was completed on 29 February with MFS selling 65% of its shareholding in Stella to CVC for c$400 million
29 Feb-08	• Transaction completes.

Source: ASX announcements, MFS board papers and presentations, MFS prepared chronology of event s(6 March 2008) per Board paper

FORM 529 Sub regulation 5.6.12(2)

Corporations Act 2001

NOTICE OF SECOND MEETING OF CREDITORS

Octaviar Ltd ACN 107 863 436
(Formerly MFS Ltd) (Receivers & Managers Appointed) (“OCV”)

Octaviar Financial Services Pty Ltd ACN 101 579 999
(Formerly MFS Financial Services Limited) (“OFS”)

Octaviar Investment Bonds Ltd ACN 126 878 608
(Formerly MFS Investment Bonds Ltd) (“OIB”)

Octaviar Investment Notes Limited ACN 122 141 986
(Formerly MFS Investment Notes Limited) (“OIN”)

Octaviar Administration Pty Ltd ACN 101 069 390
(Formerly MFS Administration Pty Ltd) (“OA”)

(All Administrators Appointed)

1. On 13 September 2008 and 3 October 2008 the companies under Section 436A of the Corporations Act 2001 appointed John Lethbridge Greig and Nicholas Harwood of Deloitte Touche Tohmatsu, Level 25 Riverside Centre, 123 Eagle Street, Brisbane QLD 4000 as the Administrators of the above companies.

2. Notice is now given that a second meeting of the creditors of the companies will be held at 10:30am Brisbane time on Wednesday 17 December 2008 at the offices of Deloitte Touche Tohmatsu, Level 25, 123 Eagle Street, Brisbane QLD 4000.

3. Arrangements have been made for creditors in Sydney to attend the meeting via telephone facilities set up for this purpose at the offices of Deloitte, Level 9, Grosvenor Place, 225 George Street, Sydney. Creditors intending to use the telephone attendance facility are requested to notify us of that intention.

4. **AGENDA**

   a) To consider the Administrator’s report on the company’s business, property, affairs and financial circumstances;

   b) With respect to OCV, OFS, OIB and OIN, for creditors to consider and resolve:

      i. that the companies execute a Deed of Company Arrangement; or

      ii. that the Administration should end.

   c) With respect to OA, for creditors to consider and resolve:

      i. that the company execute a Deed of Company Arrangement;

      ii. that the Administration should end; or

      iii. that the company be wound up.

   d) Consider the appointment of a committee of Inspection of The Deed of Company Arrangement (if so resolved);

   e) For creditors to resolve to approve the Administrator’s remuneration;

   f) Should the creditors resolve that the company be wound up, to resolve the future remuneration of the Liquidator;

   g) Any other general business.

5. A person is not entitled to vote as a creditor at the meeting unless he or she has made known the particulars of the debt or claim and the debt or claim has been admitted wholly or in part by the Administrator of the company;
6. All creditors must complete a Proof of Debt Form and Proxy Form as required. Please contact the office of Deloitte on (07) 3308 7000 for a copy of these forms. Please complete and return to the office of Deloitte by 4.00pm on 16 December 2008.

Dated: 9 December 2008

John L Greig & Nicholas Harwood
Administrators

FORM 532 Regulation 5.6.29

Corporations Act 2001

APPOINTMENT OF PROXY

Octaviar Ltd ACN 107 863 436
(Formerly MFS Ltd) (Receivers & Managers Appointed) ("OCV")

*I/*We ……………………………………………………………………………..………..……………..
of ……………………………………………………...………………………………….……………...
a creditor of **Octaviar Ltd ACN 107 863 436**
Appoint…………………..…………………………………………………………………………….
(name, address and description of the person appointed) or *in his or her absence the Chairman as *my/our *general/*special proxy to vote at the meeting of creditors to be held on Wednesday 17 December 2008 at 10:30am Brisbane time at the offices of Deloitte, Level 25, 123 Eagle Street, Brisbane Queensland or at any adjournment of that meeting and to vote:
* generally as *he/she determines on *my/our behalf
OR
*specifically in accordance with the following special directions:

FOR	AGAINST	ABSTAIN	
☐	☐	☐	That the meetings of creditors of OIB, OIN, OFS, OCV and OA be held concurrently.
☐	☐	☐	That the administration should end and control be returned to the directors.
☐	☐	☐	That the company execute a Deed of Company Arrangement ("DOCA") proposed by Fortress Credit Corporation (Australia) II Pty Ltd incorporating similar terms to those set out in the Report to Creditors dated 10 December 2008, or any approved amendment thereto, and, in the absence of any other nominations, that John Lethbridge Greig and Nicholas Harwood be appointed Deed Administrators.
☐	☐	☐	That the company execute a DOCA proposed by the directors incorporating similar terms to those set out in the Report to Creditors dated 10 December 2008, or any approved amendment thereto, and, in the absence of any other nominations, that John Lethbridge Greig and Nicholas Harwood be appointed Deed Administrators.
☐	☐	☐	That a Committee of Inspection of the DOCA be formed.
☐	☐	☐	I nominate myself to be a member of the Committee of Inspection.
☐	☐	☐	That the Administrators' remuneration as set out in the Report to Creditors be approved for the period from 13 September to 30 November 2008 in the amount of $102,850 (ex GST)
☐	☐	☐	That the Administrators' remuneration for the period 1 December to 17 December 2008 be approved and capped to an amount of $95,824 (ex GST).

Dated 2008.

......................….........
Signature (Individual)

The Common Seal of was affixed hereto in the presence of:

Director

Director/Secretary

CERTIFICATE OF WITNESS

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

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

Dated this day of 2003.

....
Signature of Witness
Place of residence *Omit if not applicable

FORM 535
CORPORATIONS ACT 2001

Subregulation 5.6.49(2)

FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)
ACN 107 863 436

To the Administrator of Octaviar Limited (Receivers & Managers Appointed) (Administrators Appointed)

1. This is to state that the company was, on 13 September 2008 [(1)] and still is, justly and truly indebted to[(2)] ....for .... dollars and .... cents.

Particulars of the debt are:

Date	Consideration[(3)]	Amount $	GST included $	Remarks[(4)]

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any manner of satisfaction or security for the sum or any part of it except for the following:[(5)]

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

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

DATED this day of 2008

Signature of Signatory ....

NAME IN BLOCK LETTERS..

Occupation..

Address ....

I would like to receive future notices electronically. My email address is …………………………….

See Directions overleaf for the completion of this form

OFFICE USE ONLY

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

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Fax: +61 (0) 7 3308 7002
www.deloitte.com.au

Circular to Creditors

10 December 2008
Ref: JG:CM:101208

Dear Sir/Madam

Octaviar Administration Pty Ltd ACN 101 069 390
(Formerly MFS Administration Pty Ltd) ("OA")

We refer to our appointment as Administrators of OA.

Please find enclosed a copy of the OA Section 439A Report to Creditors.

Pursuant to Section 439A(3) of the Act the second meeting of creditors of OA is to be held on Friday 17 December 2008 at our offices located at level 25, Riverside Centre, 123 Eagle Street, Brisbane, Queensland 4000, at 10:30am Brisbane time. This meeting is to be held concurrently with the second meetings of creditors for OCV, OFS, OIB and OIN.

Creditors may attend and vote in person, by proxy or by attorney. The appointment of a proxy must be made in accordance with Form 532 (a copy of this form is attached to the Section 439A Report to Creditors). A specific proxy can be lodged showing approval or rejection of each resolution. Proxy forms or facsimiles thereof must be lodged with the Administrators, at least one hour prior to the commencement of the meetings.

Please note that a creditor is required to lodge a Form 535 – Proof of Debt (a copy of this form is attached to the Section 439A Report to Creditors) to be entitled to vote at the second meetings of creditors. A creditor will not be able to vote at the meetings unless a Proof of Debt form is lodged and accepted prior to the commencement of the meeting.

If a creditor wishes to rely upon the Statement of Claim that they lodged at the first meeting of creditors they must make reference to that Statement of Claim when submitting a proxy, or when attending the second meeting of creditors.

Please ensure that you complete the relevant company proxy and proof of debt to which you are a creditor.

Should you have any queries and/or require any additional information, please contact Daniel Dalais on (07) 3308 7308 or via ddalais@deloitte.com.au.

Yours faithfully

John L Greig and Nicholas Harwood
Administrators

Member of
Deloitte Touche Tohmatsu

Deloitte.

Octaviar Administration Pty Ltd
(Formerly MFS Administration Pty Ltd)
(Administrators Appointed)
ACN 101 069 390
(OA)

Report to Creditors

Pursuant to Section 439A of the Corporations Act 2001

10 December 2008

Contents

Deloitte.

Definitions

Administrators	John Lethbridge Greig and Nicholas Harwood
Administration Companies	OIB, OIN, OFS, OA and OCV
Appointment Date	3 October 2008
ASIC	Australian Securities & Investments Commission
ASX	Australian Stock Exchange
Capital Finance	Capital Finance Australia Ltd
Committee	Committee of Creditors
Company or OA	Octaviar Administration Pty Ltd (OA)
CVC	CVC Asia Pacific (Australia) Limited
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities
Deloitte	Deloitte Touche Tohmatsu
DOCA	Deed of Company Arrangement
FY	Financial Year
Fortress	Fortress Credit Corporation (II) Pty Ltd
IMF	IMF (Australia) Limited
k	Thousands of dollars
Management	Management of the Company
m	Millions of dollars
Mirvac	Mirvac Funds Management Ltd
Nab	National Australia Bank Limited
Octaviar Group	The Administration Companies plus other Group entities as per Appendix D
OIB	Octaviar Investment Bonds Limited (Administrators Appointed) ACN 126 878 608
OIN	Octaviar Investment Notes Limited (Administrators Appointed) ACN 122 141 986
OFS	Octaviar Financial Services Pty Limited (Administrators Appointed) ACN 101 579 999
OA	Octaviar Administration Pty Limited (Administrators Appointed) ACN 101 069 390
OCV	Octaviar Limited (Administrators Appointed) ACN 107 863 436
PAC	OPI Pacific Finance Limited
PIF	Premium Income Fund
PTQ	Public Trustee of Queensland
RATA	Report as to Affairs
Receivers and Managers	Receivers and Managers of OCV, PPB
Relation-Back-Day	In the case of a court winding, the day upon which the application was filed or in the case of administration, the Appointment date
Stella	Stella Group comprising the Stella Hospitality Group and Stella Travel Services
The Act	Corporations Act 2001
The Court	The Federal Court of Australia or any of the state Supreme Courts
The Regulations	Corporations Regulations 2001

1 Executive Summary

On 3 October 2008 we, John Lethbridge Greig and Nicholas Harwood were appointed Administrators of Octaviar Administration Pty Ltd (Formerly MFS Administration Pty Ltd) (OA) by the director of the above company pursuant to section 436A of the Act. Messrs Greig and Harwood were also appointed Administrators of OIN, OIB, OFS and OCV on 13 September 2008 by the directors of those entities.

We have conducted an investigation into the affairs of OA pursuant to Section 438A of the Act. The results of our investigations to date are set out within this report.

In addition to investigating the affairs of the company, Section 438A of the Act requires the Administrators to form an opinion about the future of OA and give reasons for our opinion in relation to each of the following matters:

a) whether it would be in creditors' interests for OA to execute a DOCA; or

b) whether it would be in creditors' interests for the administration to end and control be returned to the directors; or

c) whether it would be in creditors' interests for OA to be wound up.

1.1 Investigation

Section 438(A)(a) of the Act provides that as soon as possible after an administration begins the Administrators must investigate the company's business, property, affairs and financial circumstances.

This investigation is to determine whether a liquidator can recover funds from transactions entered into prior to the appointment of the Administrators, known as "insolvent transactions".

We believe that the Company and the Group may have become insolvent during the period from 4 February 2008 to 4 June 2008, being the date of the Stella transaction and the PTQ winding up petition respectively. If the Company and the Group may have become insolvent during the period 4 February 2008 to 4 June 2008, it follows that the Company may have traded whilst insolvent from that date.

If the directors had continued to whilst it insolvent, then they may be liable for unpaid debts after the date of insolvency. Save for the payment of ongoing payroll and the day to day costs, we do not consider that the directors allowed the company to incur a material amount of unpaid liabilities after the probable date of insolvency. Also the Board and its directors sought continual advice on the Group's solvency from 333 Capital, Freehills and ongoing advice from another law firm. We have not identified sufficient evidence to date that would allow us to form a conclusive view as to when insolvent trading may have occurred or commenced. We believe any claim against the directors would be immaterial, both due to the amount of liabilities incurred that remain unpaid and because of the defences that may be available to them.

We consider that an amount of between \$9m to \$87m may be recovered by a liquidator as unfair preference payments or uncommercial transactions pursuant to section 588FA and section 588FB of the Act. Refer section 9.4 for more detail.

1.2 Recommendation

Two DOCAs have been proposed which in most respects are very similar. The benefits to creditors of the DOCAs as proposed are stated as follows:

- more timely realisation of assets

- minimise disturbance to key contractual relationships

We believe there are reasonable prospects of recovering unfair preference claims and uncommercial transactions within a range of $9m to $87m. This may offer creditors a better return in liquidation than they would receive under the proposed DOCA's. This would require further investigation and legal advice. Creditors should be aware that these types of recoveries can be protracted, expensive to pursue and are not always successful.

The DOCA proposals estimate a return to admitted creditors of between 10c/$ and 4c/$ compared to liquidation which returns between 15c/$ and 4c/$ and are summarised below:

	Liquidation		Fortress DOCA		Directors DOCA	
	High outcome	Low outcome	High outcome	Low outcome	High outcome	Low outcome
Priority employee creditors	100	100	100	100	100	100
Unsecured creditors	0.15	0.04	0.10	0.04	0.10	0.04

We therefore recommend that creditors resolve that OA should be wound up.

The Administrators reserve the right to change our recommendation to creditors should there be any change to the proposal, or if an alternative proposal is received subsequent to the date of this report.

Should we receive any new information relevant to creditors between issuing this report and the date of the creditors meeting, a summary will be made available on our website at www.deloitte.com.au under Services/Corporate Reorganisation/Businesses under Administration.

Our reasons for this recommendation are further discussed in section 13 of this report -Voluntary Administrators' Recommendations.

1.3 Second Meeting of Creditors

Pursuant to Section 439A(3) of the Act the second meeting of creditors is to be held on 17 December 2008 at the office of Level 25 Riverside Centre, 123 Eagle Street, Brisbane QLD 4000 10:30am Brisbane time (see enclosed Form 529 – Notice of Meeting).

Telephone conference facilities will be made available by attendance at our Sydney office, Level 9, Grosvenor House, 225 George Street, Sydney NSW 2000.

Please note that it is the Administrators intention to hold the meetings of OA, OIB, ON, OFS and OCV concurrently.

Creditors may attend and vote in person, by proxy or by attorney. The appointment of a proxy must be made in accordance with Form 532 (copy enclosed). A specific proxy can be lodged showing approval or rejection of each resolution. Proxy forms or facsimiles thereof must be lodged with the Administrators prior to the commencement of the meeting. Where a facsimile copy of a proxy is sent, the original must be lodged with us within 72 hours after receipt of the facsimile. An attorney of the creditor must show the instrument by which he or she is appointed to the Chairman of the meeting, at least one hour prior to the commencement of the meeting.

Please note that a creditor is required to lodge a Statement of Claim (copy enclosed) to be entitled to vote at the second meeting of creditors. A creditor will not be able to vote at the meeting unless a Statement of Claim is lodged with the Administrators prior to the commencement of the meeting.

Creditors must ensure that they lodge the relevant proxy and Statement of Claim form for the company of which they are a creditor only.

If a creditor wishes to rely upon the Statement of Claim that they lodged with us for the first meeting of creditors, held on 15 October 2008, they must make reference to that Statement of Claim when submitting a proxy, or when attending the second meeting of creditors.

At this meeting creditors will be asked to resolve:

a) whether it would be in the creditors' interests for OA to execute a DOCA; or

b) whether it would be in the creditors' interests that the administration of OA to end and control be returned to the directors; or

c) whether it would be in the creditors' interests for OA to be wound up.

Should creditors vote to accept a DOCA, OA will then be administered in accordance with the terms of the DOCA.

2 Independence Statement

We undertook a proper assessment of the risks to our independence prior to accepting the appointment as administrators of OA. This assessment identified no real or potential risks to our independence. We were not aware of any reasons that would prevent us from continuing with this appointment.

There are no other prior professional or personal relationships that should be disclosed, other than those as set out in the DIRRI.

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

A full statement of DIRRI, as previously provided to creditors, is attached as Appendix A.

3 Purpose of Administrators' Report

Section 435A of the Act states that the objective of a Voluntary Administration is to allow for the business, property and affairs of an insolvent (or likely to become insolvent) company to be administered in a way that either:

- maximises the chances of the company continuing; or
- if it is not possible for the company to continue trading, results in a better return for creditors than would result from an immediate winding up.

We have conducted an investigation into the affairs of OA pursuant to Section 438A of the Act. The results of our investigations to date are set out within this report.

In addition to investigating the affairs of the company, Section 438A of the Act requires the Administrators to form an opinion about the future of OA and give reasons for our opinion in relation to each of the following matters:

- whether it would be in creditors' interests for OA to execute a DOCA; or
- whether it would be in creditors' interests for the administration to end and control be returned to the directors; or
- whether it would be in creditors' interests for OA to be wound up.

4 Basis of this Report

This report has been prepared primarily from information received from the directors and the books and records of OA. We have investigated the affairs of OA, however there may be certain matters of which we are not aware, or of which we have not been advised. We have not performed an audit of OA.

In order to complete this report, and in conducting our investigations, we have utilised information from:

- the Australian Securities and Investments Commission ("ASIC")
- OA books and records
- discussions and questionnaires completed by the directors
- discussions with management and staff.

Whilst we have no reason to doubt any information contained in this report, we reserve the right to alter our conclusions should the underlying data prove to be inaccurate or materially change from the date of this report.

5 Statutory Information

A summary of the statutory information for OA is set out below:

A search of the ASIC Companies Database as at the Appointment Date discloses the following details for OA:

Organisation Name	Octaviar Administration Pty Ltd
ACN:	101 069 390
State of Incorporation:	Queensland
Registration Date:	21 June 2002
Registered Office:	5-7 Hicks Street SOUTHPORT QLD 4215

5.1 Officers

The directors and officers of OA during the 12 month period prior to the Appointment Date are:

Name	Position	Appointed	Resigned
David Mark Anderson	Director	30-Jun-05	n/a
Craig Robert White	Director	31-Aug-05	2-May-08
David John Kennedy	Director	25-Jun-07	25-Feb-08
Michael Christodoulou King	Director	21-Jun-02	25-Jun-07
Philip William Adams	Director	30-Jun-05	28-Nov-05
David Mark Anderson	Company secretary	25-Jun-07	n/a
Kim-Lee Anne Kercher	Company secretary	13-Apr-07	25-Feb-08
Michael Christodoulou King	Company secretary	21-Jun-02	25-Jun-07

5.2 Charges

A search of the ASIC companies' database revealed the following Registered Charges:

Chargee	Date registered	Nature of charge	Charge status
Esanda Finance Corporation Limited	13-May-03	Fixed	Registered

Upon further investigation, this charge was found to have been satisfied before the appointment of the Administrators so we applied for it to be released.

5.3 Shareholder Structure

OA is limited by shares. A summary of the share register is as follows:

Shareholder	Class	Number	Subscription Value $
Octaviar Treasury Pty Ltd	Ordinary	1	1

The ultimate parent company of OA, OCV, is listed on the ASX. The Octaviar Group structure is attached as Appendix D.

5.4 Auditors

KPMG are the current auditors of the Octaviar Group, which includes OA. They were appointed on 21 June 2002.

The audit of the OCV consolidated accounts for FY08 was not completed prior to the Appointment Date.

5.5 Director Related Entities

Our investigations have revealed the following director related entities:

Director	Company board	Status of boardmember	Company status
David Mark Anderson	Specialty Recoveries Australia Pty Ltd	Current member	Registered
David Mark Anderson	St Ives Property SPV Pty Limited	Current member	Registered
David Mark Anderson	Sunkids Administration Pty Ltd	Current member	Registered
David Mark Anderson	Sunleisure Group Limited	Current member	Registered
David Mark Anderson	Agreedto Pty Ltd	Previous member	Registered
David Mark Anderson	ATS Pacific Pty Limited	Previous member	Registered
David Mark Anderson	Australian Holidays Pty Ltd	Previous member	Registered
David Mark Anderson	Barondene Pty Ltd	Previous member	Registered
David Mark Anderson	Beachbourne Pty Ltd	Previous member	Registered
David Mark Anderson	Best Flights Pty Ltd	Previous member	Registered
David Mark Anderson	Betanza Pty Limited	Previous member	Registered
David Mark Anderson	Castlegale Pty Ltd	Previous member	Registered
David Mark Anderson	Driftcove Pty Ltd	Previous member	Registered
David Mark Anderson	Gold Coast Booking Centre Pty Ltd	Previous member	Registered
David Mark Anderson	Harvey World Insurance Services Pty Limited	Previous member	Registered
David Mark Anderson	Harvey World Travel Franchises Pty Limited	Previous member	Registered
David Mark Anderson	Harvey World Travel International Pty Limited	Previous member	Registered
David Mark Anderson	Heathbush Pty Ltd	Previous member	Registered
David Mark Anderson	Living and Leisure Australia Management Limited	Previous member	Registered
David Mark Anderson	Sandmoon Pty Ltd	Previous member	Registered
David Mark Anderson	Specialty Finance Pty Ltd	Previous member	Registered
David Mark Anderson	Stella Group Holdings Pty Limited	Previous member	Registered
David Mark Anderson	Stella MLR Group Pty Ltd	Previous member	Registered
David Mark Anderson	Talpacific Holidays Australia Pty Limited	Previous member	Registered
David Mark Anderson	Transonic Travel Pty Ltd	Previous member	Registered
David Mark Anderson	Travel Advantage Pty Limited	Previous member	Registered
David Mark Anderson	Woodrange Pty Ltd	Previous member	Registered

5.6 Company-related entities

Summarised below are related entities that have lodged a Statements of Claim with the Administrators for voting purposes.

Creditor	Amount
Octaviar Aqua Managers Pty Ltd	135,307
Octaviar CCE Pty Ltd	100
Octaviar CCPT Pty Ltd	244,209
Octaviar Finance Pty Ltd	7,099,120
Octaviar Investment Bonds Limited	101,267,515
Octaviar Investment Holdings No.10 Pty Ltd	100
Octaviar Investment Holdings No.14 Pty Ltd	100
Octaviar Investment Holdings No.18 Pty Ltd	100
Octaviar Investment Notes Limited	353,421,496
Octaviar LHT Pty Ltd	100
Octaviar Limited	550,133,370
Octaviar LIT Pty Ltd ATF Leveraged Investment Trust	38,464,084
Octaviar RAP Management Pty Ltd	151,933
Octaviar Real Estate Services Pty Ltd	1
Octaviar Securities & Underwriting Pty Ltd	28,615
C-WAY Financial Services Pty Ltd	500
Sunleisure Group Pty Ltd	23,424,770
Total	**1,074,371,419**

In accordance with the IPA code of Professional Practice we have disclosed those creditors who are related entities and the quantum of their claims. We have analysed each and every inter company account to verify the claim as at 31 August 2008.

5.7 Company History and Background

5.7.1 Company Purpose

The principal activity of the Company was to act as the service and treasury company for the Octaviar Group. It also employed all the employees who provided support services to responsible entities within the Octaviar Group and other operations eg accounting and compliance.

The company name was changed from MFS Administration Pty Ltd to Octaviar Administration Pty Ltd on 28 March 2008.

OA holds all the leases for financed assets and was the lessee for the following premises

- the former head office premises, leased in Sydney in February 2008 for 7 years to 31 October 2017. These premises are no longer occupied by the Octaviar Group.
- Lawson Street, Southport and Melbourne, for which OA was the tenant, but these leases were assigned to non-related entities before the Company went into administration.

The premises occupied in Southport, Gold Coast are leased by McLaughlins Financial Services Limited.

OA also owns all the plant and equipment, which comprises office furniture and equipment at the leased premises.

As the treasury company for the Octaviar Group, OA was a party to nearly all the intercompany transactions. Its main assets and liabilities are its intercompany accounts...

OA is the entity that engaged Freehills and 333 Capital as financial advisors after the events of January 2008.

Deloitte.

5.7.2 Impact of intergroup Funding

The prime sources of funding for OA were from

- OIB, a related entity, that was incorporated for the purpose of raising funds through the issue of investment bonds (MFS Bonds). Upon receipt of the funds, OIB on lent the funds to OA, the treasurer and cash management entity in the Octaviar Group. This created an inter company loan in favour of OIB to OA.
- OIN that was incorporated as a non-trading entity for the purpose of raising funds through the issue of unsecured notes. Upon receipt of the funds from note holders, OIN on lent these funds to OA, the treasurer and cash management entity of the Octaviar Group. This created an inter company loan in favour of OIN to OA.

The terms of the MFS bonds included certain default and trigger event clauses to allow bond holders to issue a notice requiring redemption within 30 days. Another key term of the bond issue was the requirement that OCV and certain subsidiaries provide a guarantee to bond holders as follows:

"MFS will procure that its Material Subsidiaries from time to time enter into a guarantee on the same terms as that provided by MFS and described in clause 10.1"

A Material Subsidiary was defined as:

"a wholly owned subsidiary of MFS with unsecured debt owed to a third party (other than an entity within the Group) of greater than $10m."

In January 2008 Challenger wrote to OCV referring to certain ASX and media announcements concerning the suspension of the OCV shares and possible sale of its interest in Stella, citing that this may represent a trigger event. Correspondence continued to be exchanged between the Octaviar Group and Challenger until March 2008 when Challenger commenced proceedings in the New South Wales Supreme Court. The statement of claim from Challenger sought relief as follows:

1. that material subsidiaries of OCV provide guarantees in accordance with the terms of the bond prospectus;
2. damages for alleged misleading and deceptive conduct

In respect of the OIN notes a Trust Deed was entered into on 2 November 2006 between the PTQ, OIN and OCV and a Guarantee Deed Poll was entered into between the PTQ and OCV. Subsequently, Deeds of Accession were entered into by OFS and OIB dated 5 January 2007 and 7 February 2007.

The Terms of Issue of Notes attached as Schedule 1 to the Trust Deed (the "Terms of Issue"), defined an Event of Default to include

"(e) the occurrence of an Insolvency Event with respect to [Octaviar] or [Octaviar Notes]".

It further defined Insolvency Event to include

"a body corporate is insolvent or is presumed to be insolvent under the Corporations Act or other applicable legislation",

and defined "Insolvent" as

"the meaning given in subsection 95A(2) of the Corporations Act".

The PTQ issued a Notice of Event of Default ("the Notice") dated 23 May 2008 stating that OCV and OIN are considered to be insolvent as they are unable to pay their respective debts as and when they fell due.

In addition to the implied insolvency of both entities resulting in an Event of Default, the PTQ (through the Notice) also stated that clause 6.5 (b) of the Trust Deed had been breached in that OIN and OCV provided the PTQ with misleading information. The PTQ stated that the Declarations of Solvency of OIN and OCV dated 17 March 2008 were considered to be misleading as there were no reasonable grounds for believing that the entities were solvent. In the Notice, the PTQ also considered information provided by OIN in response to the PTQ's requests for information dated 14 and 21 February 2008, was misleading.

The PTQ considered the breaches incapable of being remedied.

Through the Guarantee Deed Poll, OCV guaranteed OIN's obligations to the PTQ, while through the Deeds of Accession, OFS and OIB became bound by OCV's duties and obligations under the Guarantee Deed Poll.

On 23 May 2008, in accordance with the Terms of Issue, the PTQ declared and demanded all of the notes to be due and payable on 5 June 2008. OIN was directed to pay the sum of $352.6m in respect of the notes and accrued interest. OIN failed to comply with the demand so on 12 June 2008 the PTQ demanded the payment of $352.6m from the guarantors to be paid by 20 June 2008 which was also not satisfied.

On 4 June 2008 the PTQ issued winding petitions in the Supreme Court of Queensland against OIB, OCV, OFS and OIN.

On 12 June 2008 the PTQ issued a demand against OFS and other Octaviar Group entities for repayment of the MFS Notes which was not satisfied.

In July 2008 OCV issued a proposal to enter into standstill arrangements with its major creditors. The proposal was rejected by the major note holders on 9 September 2008 immediately before the hearing for the winding up of OIB, OCV,OFS and OIN.

OA was not one of the companies that was subject to the demand by the PTQ for payment of the notes and was not subject to the winding up applications issued by the PTQ in June 2008. The Administration companies, excluding OA, were placed into Administration on 13 September 2008 by the directors.

Subsequent to the winding up applications on the other Administration companies, it has been alleged that OA satisfies the definition of a material subsidiary, therefore it would be liable to provide a guarantee for the Bonds and Notes. This is still the subject of litigation.

The Administrators, at the time of their appointment to the other Administration companies, excluding OA, were concerned that OA may be insolvent and indicated that they would issue demands for the re-payment of the intercompany balances due to OIN, OIB and OCV.

On 3 October 2008, the Administrators were appointed to OA.

5.7.3 Proceedings against OA

OA provided investment committee and loan management services under a service agreement with PIF. Lawyers for PIF have alleged that OA breached the services agreement through its involvement in the alleged misappropriation of $147.5m. Company records indicate that the funds were invested by PIF in the Octaviar Group, however PIF argues that the investment was not properly authorised and therefore OA should not have received and utilised the amount $147.5m. PIF filed a statement of claim in the Queensland Supreme Court on 28 June 2008 and the matter is yet to be heard.

5.7.4 Impact of court undertakings

During the court actions taken by PTQ, it sought undertakings from OA, concerning the use of the cash OA held. The undertakings essentially read as follows:

Octaviar Ltd will undertake that neither it nor any of its wholly-owned subsidiaries (direct or indirect) will, without first having given your firm 5 clear business days' notice, pay all or part of the debt owed to any of the following:

- *Challenger Managed Investments (other than in respect of interest – see below);*
- *OPI Pacific Finance Ltd (formerly known as MFS Pacific Finance Ltd and commonly referred to as PAC) in respect of Octaviar's liability, potential liability or commuted liability under or in respect of the put option between it and PAC dated 24 July 2006;*
- *Octaviar Investment Management Pty Ltd (formerly MFS Investment Management) as responsible entity for the Octaviar Premium Income Fund (formerly known as the MFS Premium Income Fund and commonly referred to as PIF) in respect of the guarantee liability of $50 million owed to it;*
- *the Australian Tax Office in respect of income tax for the year ended 30th June 2007; and*
- *any Guarantee creditor claiming more than $10 million.*

For the avoidance of doubt Octaviar and its subsidiaries will continue to pay debts falling due in the ordinary course of their businesses including (for the sake of clarification):

- *any redundancy and similar payments;*
- *any legal, accounting and other professional advisers' costs;*
- *any operating costs and expenses which would in the ordinary course be borne by Octaviar or one of its subsidiaries and re-charged to PIF or PAC; and*
- *interest on the Challenger Bonds, on your client's notes and on any other interest bearing liabilities when due.*

The significant cash balance in OA was a result of the Stella transaction being the sale of 65% of the Stella Group to CVC which was completed in February 2008. The Octaviar Group was issued with a new 35% holding, which was legally held by Octaviar Stella Holdings Pty Ltd. However, it was beneficially held for OA and other related entities, of which OA's interest was 37.5%. When the sale was completed, OA received the cash proceeds and transferred the funds owed to the other beneficiaries, except for OCV's share, which OA continued to hold on trust for OCV.

The Octaviar Group's consolidated income tax liability for FY07 was assessed at $52m. OCV did not settle the income tax liability and on 10 September 2008, a notice ("Garnishee notice") under section 260-5 of Schedule 1 of the Taxation Administration Act 1953 was issued to OA against the debt payable by OA to OCV for $58m (this includes accruing interest). A similar notice was issued to the CBA against the cash held in an OA bank account on 10 October 2008. At the time of writing this report, the cash was still frozen in the CBA account and the issue was unresolved.

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5.8 Summary of Financial Statements

Overview

OA audited financial statements have been summarised for FY06 and FY07. Unaudited management accounts for the half year ended 31 December 2007 and for the year ended 30 June 2008 have also been summarised below, as audited results were not available.

Income Statement

For the period ended	30 June 2008 Mgmt Accounts $'000	31 December 2007 Mgmt Accounts $'000	30 June 2007 Audited $'000	30 June 2006 Audited $'000
Operating Revenue	(406,574)	2,885	83,284	10,110
Cost of Sales	(16,085)	(9,765)	-	-
Other revenue	63,953	4,923	1,459	35,000
Other expenses	(140,642)	(41,252)	(65,589)	(30,175)
Net financing costs	(65,178)	(36,169)	(9,211)	8,194
Share of profit of associates	0	-	29	-
Profit before income tax	**(564,526)**	**(79,378)**	**9,972**	**23,129**
Income tax benefit / (expenses)	100,699	24,178	(5,080)	(5,842)
Profit for the period attributable to equity holders	**(463,827)**	**(55,200)**	**4,892**	**17,287**

Operating revenue in FY06 and FY07 related to service fees received from related parties. Other revenue in FY06 of $35m related to investment income. In FY08, a loss of $406m was recorded against operating revenue. This comprised of the following:

Description	Amount $'000
Fees	2,989
Interest receivd	186
Dividend	1,614
Forex loss	(1,462)
Loss on the sale of assets	(4,159)
Other income	1,397
Debts forgiven	(80,538)
Share of MYF	604
Loss on sale of investments	(314,202)
Loss on mark to market adjustments	(13,003)
Total	**(406,574)**

Cost of sales in FY08 related to commissions ($1m), advertising ($3.8m) branding support ($4m) and sponsorship and other costs ($6.7m).

Other revenue in FY06 relates to investment income of $35m. In FY08, it includes inter-group fees of $56m and bank and non-bank interest received of $8.4m

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Other expenses are summarised below:

	30 June 2008 $'000	30 June 2007 $'000	30 June 2006 $'000
Employee costs	59,009	39,222	19,585
Occupancy	3,760	1,507	1,134
Marketing	-	10,477	3,649
Consulting, legal, compliance costs	24,965	3,968	3,896
Administration costs	50,961	9,760	1,290
Amortisation and depreciation	1,867	655	622
Total	**140,561**	**65,589**	**30,176**

The significant increase in FY08 in consulting, legal and compliance costs relates to fees paid to external advisors of $19m and management fees of $2.6m. Employee costs also increased by $40m, which was due to the increase in employees as the Octviar Group expanded operations. Occupancy costs also increased as additional premises in Melbourne and Sydney were leased. The significant increase in administration costs related to the $43m in bad and doubtful debts expensed in FY08.

Net financing costs include interest received from related party loans (FY06: $8.4m; FY07: $2.3m) and bank deposits and interest paid on bank loans and to related parties (FY07: $11m).

Balance Sheet

	30 June 2008 Mgmt Accounts $'000	31 December 2007 Mgmt Accounts $'000	30 June 2007 Audited $'000	30 June 2006 Audited $'000
Current assets				
Cash and cash equivalents	150,790	7,799	127,490	6,451
Trade and other receivables	788	670,587	1,093,213	350,521
Other assets	3,502	15,227	-	7
Assets held for sale	-	-	-	1,548
Total current assets	**155,081**	**693,613**	**1,220,703**	**358,527**
Non-current assets				
Investments	93,607	7,784	729	-
Deferred tax assets	1,254	1,050	1,055	1,140
Property, plant & equipment	581	5,392	2,640	1,689
Intangible assets	97	718	520	474
Total non-current assets	**95,539**	**14,943**	**4,944**	**3,303**
Total assets	**250,619**	**708,556**	**1,225,647**	**361,830**
Current liabilities				
Trade and other payables	705,468	758,512	1,220,219	364,885
Loans and borrowings	-	32	116	369
Employee benefits	8,230	3,518	3,640	1,516
Provisions	-	-	-	144
Total current liabilities	**713,699**	**762,061**	**1,223,975**	**366,914**
Non-current liabilities				
Trade and other payables	-	469	-	-
Loans and borrowings	-	-	316	537
Deferred tax liabilities	-	-	-	-
Employee benefits	132	132	263	179
Total non-current liabilities	132	601	579	716
Total liabilities	**713,831**	**762,662**	**1,224,554**	**367,630**
Net assets	**(463,212)**	**(54,106)**	**1,093**	**(5,800)**
Equity				
Share capital	2,354	2,354	2,354	354
Reserves	(478)	-	-	-
Retained earnings / (loss)	(465,088)	(56,460)	(1,261)	(6,153)
Total equity attributable to equity holders	**(463,212)**	**(54,106)**	**1,093**	**(5,800)**

Cash and cash equivalents have fluctuated from $6.5m as at 30 June 2006 to $150.8m as at 30 June 2008. The balance consists of cash held on deposit or in operating accounts and is significant due to the fact that OA acts as the treasury function for the Octaviar group. All funds flow through OA and are distributed to and from subsidiaries via inter-company loan accounts.

Trade and other receivables of $1,093.2m as at 30 June 2007 (30 June 2006: $350.5m) comprise mainly of $1,068.8m loans to related parties (30 June 2006: $53.4m) and to a lesser extent accrued income, prepayments, capitalised costs and trade debtors. The balance of $0.8m as at 30 June 2008 consists of trade debtors, other debtors, prepayments and GST receivable.

Other current assets of $3.5m as at 30 June 2008 (31 December 2007: $15.2m) consists of deposits.

Investments of $93.6m as at 30 June 2008 comprise mainly OA's investment in Water Fund ($10.3m), investment in Stella ($80.7m) and OA's equity accounted interest in Maximum Yield ($1.3m). The investments balance of $7.8m as at 31 December 2007 comprise of OA's investment in Water Fund and OA's equity accounted interest in Maximum Yield.

The deferred tax assets balance has remained consistent at around $1.1m since 30 June 2006. The balance as at 30 June 2008 is $1.3m.

Property, plant and equipment of $0.6m as at 30 June 2008 (30 June 2007: $2.6m) comprises mainly leasehold improvements, office equipment and furniture and fittings. During the six months to 30 June 2008, the company disposed of significant quantities of surplus plant & equipment due to the downsizing if the Group

The intangible assets balance has varied from $97k as at 30 June 2008 to as high as $718k as at 30 December 2007. The balance has always consisted of software items.

The trade and other payables balance for all periods presented have predominantly consisted of loans from related parties. The balance of $705.5m as at 30 June 2008 comprise of:

- loans from related parties ($699.4m);
- trade creditors ($2.5m);
- other payables ($2m); and
- accruals ($1.6m).

The employee benefits balance predominantly consist of the usual provisions in relation to annual leave, long service leave, bonuses and payroll tax, albeit it that is not technically an employee benefit. The balance (current) of $8.2m as at 30 June 2008 comprise mainly of:

- provision for annual leave ($3.5m);
- provision for bonuses ($2.9m);
- provision for LSL ($0.4m);
- provision – other ($1.5m); and
- provision for payroll tax ($88k).

Non-current employee benefits comprise the non-current portion of the long service leave provision.

Non-current trade and other payables of $0.5m as at 31 December 2007 represent a deferred rent liability balance that was reversed as at 30 June 2008.

Loans and borrowings as at 31 December 2007, 30 June 2007 and 30 June 2006 relate to lease and hire purchase liabilities.

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Statement of Cash Flow

For the period ended 30 June	2007 Audited $'000	2006 Audited $'000
Cash flows from Operating Activities		
Cash receipts form customers	80,303	47,592
Cash paid to suppliers and employees	(65,520)	(28,642)
Cash generated from operations	14,783	18,950
Interest received	3,067	8,400
Interest paid	(12,278)	(206)
Net cash from operating activities	**5,572**	**27,144**
Cash flows from Investing Activities		
Proceeds from sale of Plant, Property & Equipment	1,500	3,214
Payment for Plant, Property & Equipment	(1,664)	(3,101)
Payment for intangibles	(179)	(239)
Payment for investments	(729)	-
Mortgage loans advanced	-	(49,402)
Mortgage loans received	-	409
Refund / (payment) of deposit	-	9
Borrowing costs paid	-	(99)
Net cash from / (used in) investing activities	**(1,072)**	**(49,209)**
Cash flows from Financing Activities		
Repayments of other borrowings	-	(801)
Proceeds from issue of share capital	2,000	-
Payment of other advances	(13,187)	(212)
Loans to related parties	-	(15,050)
Loans from related parties	128,225	42,183
Payment of finance lease payments	(499)	(639)
Net cash from / (used in) financial activities	**116,539**	**25,481**
Net increase / (decrease) in cash and cash equivalents	121039	3416
Cash and cash equivalents at beginning of year	6451	3035
Cash and cash equivalents at end of year	**127,490**	**6,451**

Note: Statements of Cash Flow were not available for the period ended 31 Dec 2007 and year ended 30 June 2008.

5.9 Reasons for Failure

The directors attribute the failure of OA to the following reasons:

- Poor performance of the Octaviar Group
- Guarantees that have been called

In our opinion the main reasons for the failure of OA are:

- Losses on sale of investments
- Loans not recoverable
- OA performed the treasury function for the Octaviar Group and as the performance of the Octaviar Group deteriorated and other Octaviar entities were placed into administration, there

was increasing pressure on OA to be placed into administration to preserve the cash for the benefit of creditors across the Octavia Group

- The demands from PIF for damages
- The inability of the Octaviar Group to raise further equity or pledge its assets as security to raise any further debt.

6 Summary of Administration to Date

6.1 First Meeting of Creditors

On 15 October 2008, a meeting of creditors of the company was held in accordance with Section 436E of the Act. At this meeting, our appointment as Voluntary Administrators was confirmed. Also at that meeting, we advised that we would undertake an investigation into the affairs of the companies while management pursued both restructuring strategies through a proposed DOCA to be presented to creditors for their approval at a second meeting of creditors.

It was also resolved that a Committee be formed. The following creditors volunteered and were elected as members:

Member	Creditor
Stephen Parbery/Brett Lord	Receivers of Octaviar Limited
Gareth Jenkins – Clayton Utz	Public Trustee of Queensland
Dominic Emmett – Corrs Chambers Westgarth	Public Trustee of Queensland
Stuart Adamson	Employees of OA
Robert Pitt	Welling Investment Management Ltd
Jason Maywald	OPI Pacific Finance Limited
David Anderson	Various related entities
Stuart Terry	Challenger Managed Investments Ltd
Quentin Olde	Colonial First State Investments Ltd

We convened and held two committee meetings on 7 November 2008 and 14 November 2008. The purpose of the meetings was to consider and discuss a DOCA proposal involving a number of the Administration Companies, including OA. The minutes have been lodged at the ASIC.

6.2 Extension of Convening Period

Administrators are required by the Act to convene a second meeting of creditors within 20 business days of the date of their appointment, and to hold this meeting within 5 business days of the end of this convening period. Given the complexity of the Octaviar Group and the Administrators obligations to investigate the affairs of the Administration Companies, this period was considered to be inadequate to enable the Administrators to fulfil their duties.

At the first meeting of creditors, the Administrators took the opportunity to ask creditors if they would object to an application to extend the convening period. Creditors indicated that they did not object. Closer to the making of this application, all creditors appointed to the Committee were contacted in relation to the application and the Committee members advised that they either supported or did not object to the application to the Court to extend the convening period.

Affidavit evidence was presented to the court and His Honour, Justice McMurdo, gave orders pursuant to Section 439A(6) that the convening period be extended to 10 December 2008. This would allow the Administrators the opportunity to properly investigate the Administration Companies' affairs and be in a position to put, if possible, a DOCA to creditors at the second meeting. A notice dated 10 October

2008 was forwarded to all creditors advising that the extension had been granted by the Court. A notice was also forwarded to ASIC.

6.3 The Administrators' Actions to Date

Following appointment, the Administrators took control of the operations and affairs of OA and presently remain in control.

Immediate actions were taken by the Administrators for the conduct of the Voluntary Administration. These include:

Statutory matters

- convening and holding the first meeting of creditors
- convening and holding two meetings of the Committee
- preparation and lodgement of relevant notices with ASIC
- notifying statutory authorities of our appointment
- applying to the Court for an extension of the convening period
- conduct investigation into the affairs of OA
- convening second meeting of creditors
- preparation of report to creditors.

Other matters:

- meetings with CVC
- meetings with the directors of OA
- reconciliation of intercompany loans
- establishment of new banking facilities
- secure pre-appointment cash
- dealing with creditor enquiries
- establishing new supplier accounts in the name of the Administrators
- disclaiming leases for unwanted contracts
- approving receipts and payments
- approving and processing payroll
- dealing with employee enquiries

7 Administrators' Trading Performance and Receipts and Payments

7.1 Business Trading

The business trades to provide services (e.g. compliance and accounting services) to other Octaviar Group entities. This continued in a limited form during the administration whereby certain expenses and wages were oncharged to the recipients of the services..

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7.2 Administrators' Receipts and Payments

The table below provides a summary of all the receipts and payments made by the Administrators for the period 3 October 2008 to 31 October 2008. The summary does not include trading accruals incurred to date.

Summary of Receipts and Payments

Receipts	**Total $(AUD)**
Cash at bank on appointment	121,298,153
Management fee income	16,000
Refund from Work Cover QLD	1,699
Sale of equipment	66,375
Distribution income from stapled securites	64,942
Refund from ATO	242
	121,447,411
Payments	
Bank Charges	815
Repair and Maintenance	1,400
Telephone and Fax	30,355
Electricity	673
Wages and Superannuation	233,496
Expense reimbursement	990
	267,728
Net Receipts / (Payments)	**121,179,683**

8 Report as to Affairs

Under section 438B of the Act, the directors are required to provide a RATA for the company as at the Appointment Date within seven days of receipt of the request from the Administrators.

The RATA was received by this office on 5 December 2008 and is summarised below.

The RATA for the Company, together with the respective accompanying schedules may be inspected by contacting Debbie Lippstreu on (07) 3308 7048 at the Administrators office at Deloitte.

The RATA represents a snapshot of the asset and liability position of the Company on a going concern and forced asset realisation basis, **as prepared by the directors**. The Administrators have provided their comments on the director's estimated realisable values in section 11.

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RATA Summary $'000	Note	Book value $'000	Estimated realisable value $'000
Assets			
Sundry debtors	8.1.1	35,056	249
Cash on hand	8.1.2	2,000	1,000
Cash at bank	8.1.3	121,231	121,231
Plant and equipment	8.1.4	606	Uncertain
Other assets	8.1.5	429,800	Uncertain
Subtotal		**588,693**	**122,480**
Liabilities			
Priority creditors			
Employee entitlements	8.1.6	806	806
Total available to unsecured creditors		**587,886**	**121,673**
Unsecured creditors	8.1.7	1,026,976	1,026,976
Contingent liabilities	8.1.8	448,000	448,000
Subtotal		**1,474,976**	**1,474,976**
Surplus/(shortfall)		**(887,090)**	**(1,353,303)**

The book values shown in the RATA do not reflect actual returns to creditors.

Sundry debtors

Sundry debtors relate to a variety of debtors of which the director believes only $249k is recoverable. The receivable from the ATO relates to a GST refund.

Details of Debtor	Note	Amount Owing $'000	Provision for non-recoverability $'000	Recoverable $'000
Accounts receivable	(a)	5,342	5,221	122
OPI Pacific Administration Limited		21,122	21,122	0
McCullough Robertson Trust account		934	934	0
ATO		57	-	57
Rikens		1	-	1
Other		4	-	4
MFS RAP re Eskine House		7,420	7,420	0
TJP Management Pty Ltd		110	110	0
GPM Distribution		65	-	65
Total		**35,056**	**34,807**	**249**

Note (a) see debtor list below:

Details of Debtor	Amount Owing $	Provision $	Recoverable $
AusARC Limited	6,725	6,725	-
Blue Sky Development Trust	381,975	381,975	-
Clarissa Guest	300	300	-
Empire State Properties	3,500	3,500	-
Gersh Investment Partners	163	163	-
Jem Number Four Pty ltd	765	765	-
Mary De Nys	280	-	280
MFS Alternative Asset Ltd	1,100,000	1,100,000	-
MFS Germany Gmbh	85,203	85,203	-
MFS Optimiser One	63,306	63,306	-
Nadine Brown	300	-	300
CCPT	4,518	-	4,518
Octaviar PIF	15,053	15,053	-
Octaviar Property Trust No 7	935	935	-
Octaviar RAP Ltd	545,000	545,000	-
Octaviar Water Fund	1,125,775	1,100,000	25,775
Pacific Administration Ltd	19,951	19,951	-
Southport Holdings Ltd	1,502,056	1,502,056	-
Stella Hospitality	74,825	-	74,825
St Ives Property Trust	1,000	1,000	-
Villaworld Limited	291,313	291,313	-
Webresource Internet	100	-	100
Wellington Capital Limited	16,000	-	16,000
World of Gold	5,499	5,499	-
Young Village Estates	97,900	97,900	-
Total	**5,342,443**	**5,220,644**	**121,798**

The GPM distribution was received by the Administrators in October 2008.

Cash on Hand

The RATA discloses the value of cash on hand at appointment of $2m. This is an error and should have in fact read $2k, not $2m.

Cash at Bank

The RATA discloses cash at bank, as at the date of our appointment, to be $121m. The bank accounts are currently frozen and the cash is still being held by the CBA and not in an Administrators account until a resolution regarding the garnishee notice from the ATO is resolved.

OA also holds $19.7m on trust for OCV, which is subject to a claim from Fortress, a secured chargeholder in OCV.

Plant & Equipment

The RATA discloses the following plant and equipment that is owned by OA,

Category	Amount $'000
Leasehold improvements	138
Accumulated depreciation	(40)
Subotal	**97**
Plant and equipment	516
Accumulated depreciation	(180)
Subotal	336
Furniture and fittings	271
Accumulated depreciation	(106)
Subotal	165
Low value asset - current	2
Accumulated depreciation	
Subotal	2
Low value asset - prior years	7
Accumulated depreciation	(1)
Subotal	7
Total	**606**

Other Assets

The RATA discloses the following other assets:

Details	Book value	Realisable
Prepaid D&O insurance	43,448	-
Sundry P&E for sale	43,543	20,000
Investment in GEO	1,125,663	Uncertain
Investment in Water Fund	10,318,000	Uncertain
Investment in Stella	80,698,100	-
GST receivable	144,477	144,477
Intercompany balances	333,610,937	Uncertain
Staff leave loans	119,053	119,053
Deposit - Package Plus	5,000	5,000
Deposit - Rental Hicks St	133,214	-
Retainer - 333 Capital	150,000	120,000
Deposit - LLA termination	75,000	-
Deposit - Fitzgerald claim	53,620	-
Retention - Stella	3,200,000	-
Retention - Business Puzzle Solutions	50,000	50,000
Retention - Gadens	500	-
Retention - Gilshenan & L	4,000	-
Retention - M Oaks	25,000	-
Total	**429,799,555**	**458,530**

Employee Entitlements

The RATA discloses employee claims totalling $806k. The amounts disclosed are summarised below:

Type of Entitlement	$
Wages	-
Annual Leave	146,222
Short term incentive payments	13,000
Payment in lieu of Notice	494,543
Redundancy	152,713
Total	**806,477**

The Administrators have completed their review of the entitlements of all employees, including those that have been terminated during the Administration period and a summary is provided in section 11.

The claims of the employees represent a priority claim pursuant to section 556 of the Corporations Act and subject to the normal adjudication process that may result in changes to the above amounts.

Unsecured Creditors

Unsecured creditor claims are estimated to total $1,026m, which includes intercompany balances.

A summary of the RATA values for this section is shown below:

Supplier	Claimed $	Amount accepted as due $
2020 DirectInvest Pty Ltd	369	-
AAPT	749	-
ABN Amro Morgans	330	-
Australia Post	4,331	4,331
Bespoke Financial Solutions Pty Ltd	1,800	-
Calumo-SPF Asia Pacific Pty Ltd	12,650	-
Cannings Corporate Communications	17,490	-
Collins St Investment Advisors	300	-
Concur Technologies	6,000	-
Dealer Management Systems Pty Ltd	1,833	-
Dexus Funds Management Ltd	97,142	-
Egans Asset Management Pty Ltd	1,535	-
Energy Australia	692	-
Foxtel	682	682
Gadens Lawyers Melbourne	1,564	1,564
GComm (General Communications)	4,054	-
Gersh Investment Partners Ltd	134,797	-
GFI Asia Pacific Pty Ltd	1,336	-
Macquarie Capital Advisers Ltd	550,000	-
Meridian Financial	738	-
MinterEllison Lawyers	5,814	5,814
Premier Global Services	1,314	-
Reward Distribution	338	-
Salesforce.com Singapore Pte Ltd	286,650	-
Shred X Pty Ltd	1,194	1,194
Stella Resorts Group	750	750
Telstra	(320)	(320)
TSA Software Solutions Pty Ltd	495	495
Zintel Communications Ltd	385	385
	1,135,011	**14,893**
Intercompany balances	1,026,862,067	1,026,862,067
PAYG Withholding account	93,028	93,028
Package Plus refund	2,609	2,609
AMP Life refund	3,719	3,719
Total	**1,028,096,433**	**1,026,976,315**

A summary of the Statements of Claims relating to the related party entities is summarised in section 5.6. The sum of these claims amounts to $1,074m.

Contingent liabilities

Creditor	Nature of liability	Gross liability $'000
Public Trustee of Queensland	Guarantee of obligations of OIN	348,000
Challenger Managed Investments Ltd	Guarantee of obligations of OIB	93,000
Colonial First State Investments Ltd	Guarantee of obligations of OIB	7,000
Total		**448,000**

The RATA included a contingent liability for $100m which relates to unsecured bonds held by Challenger Managed Investments Limited (Challenger) for $93m and Colonial First State Investments Limited (Colonial) for $7m. The bonds were issued by a related entity, OIB, and include material subsidiary provisions similar to the notes issue. Consequently, Challenger and Colonial have formed the view that OA is a material subsidiary and have lodged proofs of debt in OA for $97m and $7.3m respectively for a total of $114.7m.

Also included is a contingent liability which relates to unsecured MFS Notes held by note holders amounting to $348m. The PTQ is the trustee for note holders. The notes were issued by a related entity, OIN, and include similar material subsidiary provisions as mentioned above. Consequently the PTQ has formed the view that OA is a material subsidiary and has lodged a proof on that basis. The proof of debt is for the amount of $359m which includes accrued interest and costs.

9 Administrators' Investigations

Section 438(A)(a) of the Act provides that as soon as practicable after an administration begins the Administrators must investigate the company’s business, property, affairs and financial circumstances.

The purpose of the investigation is to determine whether there are transactions where money, property or other benefits could be recoverable by a liquidator (should creditors resolve to place the Company in liquidation) which would result in a greater dividend to creditors than entering into a DOCA. Recovery action is only available to a liquidator. To decide whether creditors are better served by liquidation, an estimate of the amounts that could be recovered must be made so an informed comparison can be made between a DOCA proposal and liquidation. Whilst the Administrators' focus has been on re-establishing normal trading operations of the Company and exploring proposals for a DOCA for the benefit of all creditors, preliminary investigations have identified transactions that could be recoverable by a liquidator if appointed.

These transactions reviewed are known as “insolvent transactions” and include:

- Insolvent trading (Section 588G)
- Unfair preferences’ (Section 588FA)
- Uncommercial transactions (Section 588FB)
- Unfair loans to a company (Section 588FD)
- Damages for breach of director’s duties (Section 184)
- Unreasonable director-related transactions (Section 588FDA)
- Agreements to avoid employee entitlements (Section 596AB)
- Transactions with the Purpose of Defeating Creditors (Section 588FE(5))
- Floating charge created within 6 months (Section 588FJ)

It is important to note that such transactions are only voidable if they are considered insolvent transactions of the Company. In order for a liquidator to recover any amount it would first be necessary to establish that the Company was in fact insolvent at the time of the transaction.

Generally such actions are expensive and are likely to require Court applications. As such, should there be inadequate funds available, or the liquidators consider it uncommercial or not in the creditors' best interests, such recovery actions may not be commenced by the liquidators.

In these circumstances, creditors wishing to fund any such actions may do so. Should any funds be recovered from these actions, the creditors providing the funding may be entitled to receive their contribution in priority to other creditors.

Litigation insurance may also be available to fund these actions. However, such funding is generally only available where legal advice indicates that there is a strong potential for success.

9.1 Insolvency of OA

A company is insolvent if it is unable to pay its debts as and when they fall due. This is a cash flow test. The ability of the company to raise further funds by sale or mortgaging of its assets, or from shareholders or related entities, needs also to be taken into account. For this reason a balance sheet test of the solvency of a company may also be relevant in determining its ability to meet its debts as and when they fall due. However, insolvency is not only to be assessed as at a particular date, but needs to take into account the commercial reality in all the circumstances. For instance, the realisation of major income generating assets may enable a company to meet its short term debts, but prevent it from being able to meet future debts in the foreseeable future.

The solvency of OA needs to be considered in light of the solvency of the entire Octaviar Group given:

- The inter–connectivity of the Octaviar Group's activities;
- That OA was the Group treasury entity;
- The provision of guarantees to major creditors by OCV and other Octaviar Group entities.

Within the Octaviar Group there are numerous inter company loan positions, the majority of which involve OA as the creditor or debtor. Consequently, where an individual Octaviar Group entity was suffering temporary illiquidity it was able to borrow sufficient funds from OA to discharge its obligations. As such we have adopted the position that either the entire Octaviar Group was insolvent or it was not and that no individual Octaviar Group entity could be determined to be insolvent if the remainder of the Octaviar Group were not also determined to be insolvent.

From a balance sheet test point of view, OA has had a history of net asset deficiencies since June 2006. OA's net asset position deteriorated by $55m during the six months ended 31 December 2007 and then a further $409m during the six months ended 30 June 2008. The major portion of this deterioration occurred between January and February 2008 at which time the sale of the 65% interest in Stella occurred. OA's major assets comprise cash and its investment in Stella.

We consider therefore that the most likely point of insolvency on a balance sheet basis for OA is the point at which OA should have provided for a diminution in the carrying value of Stella. This raises the issue of the potential timing for a write down in the carrying value of Stella and when this should have been foreseen. This is relevant because it colours the ability of OA to utilise its assets to meet significant debts the group was otherwise unable to pay out of the income generated by it

We consider that upon the execution of the Stella sale agreement in January 2008 that a substantial and permanent diminution in the carrying value of Stella occurred. The need for the urgent sale of

Stella arose because debt facilities provided by Fortress were due to be repaid in February 2008. Repayment of these facilities was planned to come from the $550m capital raising which was to facilitate the separation of the travel and wealth businesses announced to the market on 18 January 2008. The market reaction to the capital raising was such that approximately 70% of the current market capitalisation of the Octaviar Group was lost such that:

- There was no capacity to raise further equity from the market and would not be for some time; and
- Stella was the only asset that could be realised quickly enough to repay the short term Fortress debt facility

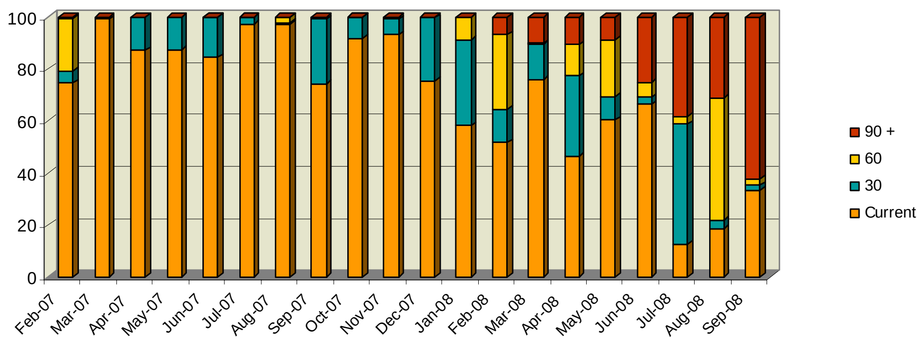
As a consequence Stella was made available for sale immediately which concluded with CVC acquiring a 65% interest in Stella for $400m. This implied an enterprise value of approximately $1.52bn compared to the $2.46bn in 2007 when CVC made its original approach. The sale generated surplus cash to OA of $202m after the repayment to Fortress as compared to the $688m potentially available under the original CVC offer in 2007.

This diminution of value, along with the value of other Octaviar Group assets at that time, resulted in a total write downs of $1.14bn over the ensuing 6 months to August 2008. Consequently, it appears that there were insufficient assets at that time with which to discharge the long term debt obligations of approximately $450m in notes and bonds. The repayment of notes and bonds could only have ever been made from the cash funds in OA of approximately $200m and from the sale of the remaining 35% interest in Stella which had an indicative value of at best $215m given the enterprise value from the recent sale to CVC. Free cash resulting from the settlement of the Stella sale in February 2008, after debt retirement of approximately $190m to Fortress, was insufficient to reduce leverage to a point where EBITDA could meet future interest commitments. Consequently, we consider that as at 22 January 2008 OA should have identified that it may have been balance sheet insolvent because:

- a substantial permanent diminution in the carrying value of Stella (and other related party assets) was required along with the recognition of related party tax liabilities;
- the sale proceeds would generate only $202m of free cash compared to $688m to $818m after debt repayment to Fortress that was previously anticipated;
- there would be insufficient free cash to repay long term debt (notes and bonds);
- and that the Octaviar Group's gearing level was not sustainable and that it was unlikely to be addressed by an injection of equity

This is also supported from a cash flow test point of view. OA, and its advisers, 333 Capital, regularly prepared a summary cash flow waterfall document which was designed to highlight any cash shortfalls after taking into account an estimate of the cash value of all remaining assets if realised and all known cash requirements. By adjusting this document to value the interest in Stella at $215m as implied by the enterprise value of the remaining 35% interest in Stella as at 22 January 2008 then it becomes apparent that there is a cash deficiency to meet known short and long term debt commitments. An analysis of aged creditors for OA does not indicate any level of stress as all smaller creditors were paid in preference to the larger funding providers as follows:

Analysis of aged creditors (%)



A review of the historical income statements for OA for the period July 2007 to August 2008 demonstrates that OA was consistently loss making as follows:

Income statement	Jul $ '000	Aug $ '000	Sep $ '000	Oct $ '000	Nov $ '000	Dec $ '000	Jan $ '000	Feb $ '000	Mar $ '000	Apr $ '000	May $ '000	Jun $ '000	Jul $ '000	Aug $ '000
Income	237	275	(699)	267	2,262	542	1,634	(357,413)	193	(1,340)	158,017	(210,549)	(327)	384
Cost of sales	550	(858)	(745)	(677)	(450)	(7,587)	(1,047)	(868)	(4,278)	(28)	(1)	(98)	0	(34)
Expenses	(6,295)	(5,904)	(6,866)	(7,128)	(8,039)	(6,397)	(5,912)	(31,966)	(29,879)	(7,509)	(8,545)	(14,253)	(414)	(940)
Other income	817	1,767	843	397	1,125	(28)	678	46,050	153	1,357	7,279	3,512	1,000	985
Other expense	(73)	(68)	(66)	(87)	(92)	(237)	(113)	(110)	(113)	(110)	(111)	(774)	(17)	(93)
Interest other	0	0	(7,756)	(16,027)	(5,488)	(6,896)	(6,686)	(3,339)	(3,505)	(3,589)	(3,525)	(8,361)	(8)	0
Income tax expense	1,431	1,436	4,584	5,282	4,899	6,545	0	0	0	20	76,001	499	0	272
Net profit	**(3,333)**	**(3,352)**	**(10,705)**	**(17,973)**	**(5,783)**	**(14,058)**	**(11,446)**	**(347,646)**	**(37,429)**	**(11,199)**	**229,115**	**(230,024)**	**234**	**574**

A summary of the major relevant events from January 2008 follows:

January 2008	• the Octaviar Group had exhausted all opportunities to raise further long term debt or equity to continue to fund the Group. • On 18 January 2008 OCV's market capitalisation decreased by 70% in response to a market announcement relating to a planned $550m capital raising which was aborted rendering access to further equity unlikely
February 2008	• default notices were issued by both Mirvac and Capital Finance, • an additional $50m short term funding facility was made available to Octaviar Castle Pty Ltd by Fortress, • a $135m shortfall was identified in relation to the PAC Option Agreement resulting in a subsequent $20m payment to PAC and PIF made a $50m demand under a Support Mechanism Agreement • OCV in consultation with its advisers 333 Capital, recognise the need to reach standstill agreements with its major creditors and commenced negotiations for a stand still.
March 2008	• Nab made a demand for the repayment of $40m, • IMF advised of a pending shareholder class action claim estimated to be $50m • OCV lodged its 2007 income tax return which gave rise to a $52m liability to the ATO

April 2008	• the half year accounts to 31 December 2007 of OCV were finalised which refer to going concern issues and the need to reach financial accommodation with its major creditors
May 2008	• Nab issue a statutory demand for the repayment of $40m • PTQ issued an Acceleration Notice to OIN and OCV making the $356m in notes due and payable on 5 June 2008

The issue of the date of insolvency of OA and the Octaviar Group will be the subject of further detailed investigations by a liquidator if appointed by creditors.

The above investigations would be continued by a liquidator to establish the date when the Group became insolvent, however, the Administrators preliminary view is that this may have occurred on 4 February 2008 but no later than 4 June 2008.

9.2 Insolvent Trading (section 588G)

A director may be personally liable to the company under the Act if the director fails to prevent a company from incurring a debt when, at the time of incurring that debt, the company is insolvent, or becomes insolvent by incurring that debt. A company is insolvent when it cannot pay its debts as and when they fall due.

The liquidator must prove the insolvent trading claim against each director individually. In the event that a liquidator does not pursue the directors, creditors are able to pursue the directors for a claim for insolvent trading. Claims for insolvent trading are often difficult to prove and directors have a number of defences available to them pursuant to section 588(H) of the Act, as follows:

- That when the debt was incurred, the director had reasonable grounds to suspect that the company was solvent and would remain solvent even if the debt was incurred.
- That when the debt was incurred, the director had reasonable grounds to believe, and did believe, that a subordinate was competent and responsible for providing adequate information about the company's solvency and the directors expected, on the basis of the information, that the company was solvent or would remain solvent.
- That 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 at that time.
- That the director took all reasonable steps to stop the company form incurring the debts.

It is important to note that these defences are not defences against insolvent trading itself, but are defences the directors have against personal liability for insolvent trading.

To be successful in pursuing a claim against a director for insolvent trading the Liquidator must prove that the company was insolvent at the relevant date. The basic tests of insolvency relate to both the net asset position of the company (the cash flow test) and whether the company can pay its debts as and when they fall due (the balance sheet test). The assessment of a company's solvency is complex and comes down to a question of fact in the circumstances which requires detailed examination.

Our investigations have been extensive, but are preliminary. A liquidator would investigate further the possibility of taking action against the directors of OA for breaches of their duties to prevent insolvent trading. If it is established that a director has breached his or her duties to prevent OA from incurring debts whilst OA was insolvent and OA was being wound up. A liquidator could recover from those directors an amount equal to the loss that has been suffered by the creditors whose debts remain unpaid.

If a liquidator chooses to pursue an insolvent trading action, creditors are prevented from taking their own action against the director(s) for compensation. If a liquidator does not choose to take any action in this regard, a creditor may commence proceedings on its own behalf but only with the consent of the liquidator or the Court.

Based on the above preliminary investigations outlined above, further investigations would be required by a liquidator. If the Company and the Group became insolvent during the period 4 February 2008 to 4 June 2008, the Company may have traded whilst insolvent from that determined insolvent date onwards.

If the directors had continued to trade the business of the Company whilst it was insolvent, then they may be liable for unpaid debts incurred after that date. Except for the payment of ongoing payroll and the day to day costs, we do not consider that the directors allowed the company to incur a material amount of credit after the probable insolvent date. As the Board and its directors sought continual advice on the Group's solvency from 333 Capital, Freehills and ongoing advice from another law firm, we believe that if the Company did not trade whilst insolvent, the defences available under the Act would apply. We have not identified sufficient evidence to date that would allow us to form a conclusive view as to when insolvent trading may have occurred or commenced.

9.3 Holding Company Liability

Section 588V of the Act states that a holding company is liable for the debts of its subsidiary where the subsidiary is insolvent, and:

- the holding company and one or more of its directors were aware it was insolvent; or
- it is reasonable to expect the holding company or its directors would have been aware that the subsidiary was insolvent.

As OCV was placed into administration prior to the appointment of Administrators to OA, it is unlikely that a liquidator of OA would commence an action for recovery against OCV as holding company of OIN.

9.4 Unfair Preferences Payments (Section 588FA)

An unfair preference is a transaction, generally occurring in the six months prior to the Relation-Back-Day to which the company and a creditor were parties and which results in that creditor receiving more for its debt than it would if the transaction were set aside and that creditor had to prove for the full amount of their debt in the winding up of the company like all other creditors. If a receipt is proven to be an unfair preference, the creditor must return the benefit they received to the liquidator and it is then available for the benefit of all creditors.

In order to prove a creditor received an unfair preference payment, the liquidator must demonstrate that the company was insolvent at the time the creditor received the payment/benefit. The creditor has a defence to a claim by a liquidator that a transaction is an unfair preference if, at the time the benefit was received the creditor had no reasonable grounds for suspecting that the company was insolvent or would become insolvent through entering into the transaction and valuable consideration was given.

We have identified payments made by OA since December 2007 totalling $154m. Some of these payments were made on behalf of other Octaviar entities and an appropriate journal was entered to the inter company loan account. Our view is that the Octaviar entity with the contractual relationship is entitled to pursue a preference claim and the entity that made the payment, if different, is entitled to pursue an uncommercial transaction claim. Consequently, both OA and a related entity may be able to commence an action for recovery in relation to the same payment. Were liquidators to be appointed to the relevant entities, further consideration would need to be given to which entity, or both, that would bring any action.

Given our comments about the likely insolvent date of the Octaviar Group we consider the possible recovery from preference claims and uncommercial transactions to be in the range of $9.0m and $86.7m.

9.5 Unfair Loans (Section 588FD)

A loan is unfair if it is made to a company at an extortionate rate of interest or charges and may be set aside by a subsequently appointed Liquidator.

Our investigations of the company books and records revealed that OA had not made or received any loans from or to any parties which committed either company to extortionate terms.

9.6 Uncommercial Transactions (Section 588FE)

A transaction of a company is an uncommercial transaction if the following elements are established by the Liquidator:

- the transaction was entered into or given effect to within two years of the Relation Back Day
- at the time the transaction was entered into, or when given effect to, the company was insolvent or became insolvent as a result of the transaction
- a reasonable person in the company's circumstances would not have entered into the transaction having regard to the benefits and detriments to the company of entering into the transaction and the respective benefits to other parties.

The defences available to a party involved in an uncommercial transaction claim are, in effect, the same as those for an unfair preference. Please refer to 9.4 above in relation to possible recoveries as a result of possible uncommercial transactions.

There is one other transaction in which OA held a beneficial interest, being the sale of the 65% interest in Stella early in 2008. With access to information provided by Stella, under a strict confidentiality deed, and information available in company records, we have reached the preliminary conclusion that the transaction does not warrant challenge. While it is possible that the transaction was effected at a value marginally lower that our perceived market value, we have seen evidence of a reasonable sale process in prevailing commercial circumstances which could justify entering into the transaction.

Refer to appendix B for our analysis of the Stella sale transaction.

9.7 Damages for Breach of Director's Duties (Section 184)

From our investigations to date we have not found that the directors have acted dishonestly and/or fraudulently in the exercise of their powers and discharge of their duties. To date, there has been no evidence that the directors have used their powers other than in the company's interest.

Whilst we will continue to investigate any potential breaches of director's duties, at the time of writing this report it is unlikely that there will be actions against the directors for breach of statutory duties.

A Liquidator would investigate any potential breaches of director's duties.

9.8 Unreasonable Director-Related Transactions (Section 588FDA)

A transaction of a company is an unreasonable director related transaction of a company if, and only if, the transaction is a payment, conveyance, transfer or other disposition by the company of property to a director or a close associate of a director. Further, it may be expected that a reasonable person in the company's circumstances would not have entered into the transaction having regard to the benefits (if any) and detriment to the company of entering into the transaction.

We have not to date identified any unreasonable director related transactions.

9.9 Agreements to Avoid Employee Entitlements (Section 596AB)

Pursuant to Section 596AB of the Act, a person must not enter into a relevant agreement or a transaction with the intention of, or with intentions that include the intention of, preventing the recovery of entitlements of employees of the company or significantly reducing the amount of the entitlements of employees of a company that can be recovered.

We have not to date identified any transactions of this nature.

9.10 Transactions with the Purpose of Defeating Creditors (Section 588FE(5))

We have conducted a review of the transactions of OA for the six months prior to our appointment to identify any transactions that may have been entered into with the purpose of defeating creditors.

Aside from the potential preference payments outlined above, we have not to date identified any transactions undertaken for the purposes of defeating creditors that would be recoverable by a liquidator.

9.11 Floating Charge Created Within Six Months (Section 588FJ)

A search of the Company's register of charges required to be notified to the ASIC reveals that no floating charges have been created over the Company's assets in the six months prior to our appointment.

9.12 Maintenance of Proper Books and Records

Section 588E(4) of the Act provides that where the books and records of a company fail to meet the obligations outlined in section 286 of the Act to keep proper books and records, that company is presumed to be insolvent for the period it failed to meet the requirements. We have reviewed the books and records of OA and have relied on these throughout the administration.

In our opinion the books and records of OA have been maintained in accordance with the requirements of Section 286 of the Act.

Accordingly, we do not believe the presumption of insolvency afforded to a Liquidator under Section 588E(4) of the Act would be available if OA was liquidated.

10 Liquidation Scenarios

Should the creditors resolve at the second meeting of creditors that the Company be wound up, We, as Administrators, will, in the absence of other nominations, become liquidators of the Company pursuant to Section 499(2A) of the Act. Pursuant to Section 513B of the Act, the winding up of the Company will be deemed to have commenced as at the date of our appointment as Administrators, being 3 October 2008 for OA.

As Liquidators of the Companies our primary duties would be to:

- Realise the assets of the Companies
- Investigate the affairs of the Companies and its directors
- Instigate any appropriate legal action to recover transactions that may only be recoverable by a liquidator, as discussed above in 9 - Administrators' Investigations.
- Distribute any surplus funds to creditors in accordance with the priorities set out in the Act.

11 Estimated Return from a Winding Up

We have prepared an analysis of the likely realisation under liquidation on two bases. The estimated high and low outcomes are outlined below. Both scenarios assume:

- submission of a proof of debt to Octaviar Limited Pty Ltd ("OA") for dividend purposes
- recovery of preferences for the benefit of all creditors
- adjudication of the PIF, PAC and PTQ proof of debt and Challenger and Colonial proof of debt for dividend purposes

Below is a comparison of the realisations probable under a liquidation scenario, being a high outcome and a low outcome:

Estimated Statement of Position as at 31 August 2008	Note	Book value $'000	ERV High $'000	ERV Low $'000
Fixed assets not specifically charged				
Plant & equipment	1	458	681	127
Land & buildings	2	99	-	-
Investments	3	11,574	8,878	7,713
Assets held for disposal	4	80,698	-	-
Investments in associates	4	229	-	-
Intangibles	5	87	-	-
Assets available to fixed chargeholders		**93,143**	**9,559**	**7,840**
Assets subject to floating charges				
Cash at bank	6	141,825	121,777	61,777
Receivables	7	58	-	-
Other assets	8	5,408	-	-
Intercompany receivables	9	380,424	27,740	16,365
Total floating charge assets		**527,715**	**149,516**	**78,141**
Priority creditors				
Employee claims - wages and superannuation	10	(167)	117	117
Employee claims - annual and other leave	10	4,069	179	179
Employee claims - retrenchment payments	10	-	650	1,910
Administrator's fees and costs		-	765	850
Liquidator's fees and costs		-	500	2,000
Other costs		-	796	1,546
Total priority creditors		**3,902**	**3,007**	**6,602**
Assets available to fixed and floating chargeholders		**616,957**	**156,068**	**79,379**
Shortfall to priority creditors		-	-	-
Estimated voidable transaction recoveries	11	-	86,700	9,000
Surplus available/(shortfall) to ordinary unsecured creditors		**616,957**	**242,768**	**88,379**
Ordinary unsecured creditors				
Trade and other payables	12	5,371	559,932	1,080,123
Tax liabilities	13	21	-	-
Intercompany payables	14	1,075,440	1,075,440	1,077,701
Total ordinary unsecured creditors		**1,080,832**	**1,635,372**	**2,157,824**
Estimated surplus/(deficiency) to shareholders		**(463,875)**	**(1,392,604)**	**(2,069,445)**

1.	Plant & equipment	Book value $'000	ERV High $'000	ERV Low $'000
	Balance sheet value	731	681	127
	Less: Accumulated depreciation	(273)	-	-
		458	681	127

2.	Land & buildings	Book value $'000	ERV High $'000	ERV Low $'000
	Leasehold improvements	138	-	-
	Less: Accumulated depreciation	(39)	-	-
		99	-	-

3.	Investments	Book value $'000	ERV High $'000	ERV Low $'000
	Investment in GEO Property Group	1,256	628	563
	Investment in Water Fund	10,318	8,250	7,150
		11,574	8,878	7,713

4.	Investments in associates	Book value $'000	ERV High $'000	ERV Low $'000
	Investment in Stella held for sale	80,698	-	-
	Investment in Causeway	229	-	-
		80,927	-	-

5.	Intangibles	Book value $'000	ERV High $'000	ERV Low $'000
	Software	221	-	-
	Less: Accumulated depreciation	(135)	-	-
		87	-	-

6.	Cash at bank	Book value $'000	ERV High $'000	ERV Low $'000
	Operating Account	229	869	869
	Payroll Account	5	22	22
	Cash Deposit Account 1	20,802	19,792	19,792
	Cash Deposit Account 2 (held on Trust for OCV)	19,695	-	-
	Cash Deposit Account 3	101,093	101,093	41,093
	Petty cash	2	1	1
		141,825	121,777	61,777

7.	Receivables	Book value $'000	ERV High $'000	ERV Low $'000
	Other debtors	993	-	-
	Less: Provision for doubtful debts	(934)	-	-
	Other interest bearing liabilities	7,530	-	-
	Less: Provision for doubtful debts	(7,530)	-	-
		58	-	-

8.	Other assets	Book value $'000	ERV High $'000	ERV Low $'000
	Prepayments	87	-	-
	Deposits	3,745	-	-
	Other current assets	227	-	-
	Deferred tax assets	1,275	-	-
	On-charges	(27)	-	-
	GST receivable	101	-	-
		5,408	-	-

Deloitte.

9.	Intercompany receivables	Book value $'000	ERV High $'000	ERV Low $'000
	OFS	51,250	2,990	201
	OT	89,922	1,249	198
	OINom	20,515	-	-
	SAG	8	-	-
	SFin	7,322	148	74
	MFSL	1,753	1,753	1,753
	OP	4,000	-	-
	OIH1	92,715	-	-
	OIH2	63,286	3,263	765
	OIH3	10,667	9,261	5,534
	OAI	5,100	-	-
	CCPT	13,475	436	-
	SRA	0	-	-
	OLIT	0	-	-
	OIH19	117	-	-
	CFS	128	-	-
	OIH11	130	-	-
	OEI	3,050	2,469	2,007
	MFSLH	6,479	6,170	5,833
	OIHH	0	-	-
	OIH25	48	-	-
	OIH13	3,879	-	-
	ONZ	6,146	-	-
	OSH	0	-	-
	CEP	0	-	-
	Water fund	400	-	-
	Unallocated	33	-	-
		380,424	27,740	16,365
	Octaviar NZ Holdings Pty Ltd	18,654	-	-
	Less: Provision for doubtful debts	(18,654)	-	-
		-	-	-
	Total	380,424	27,740	16,365

10.	Priority creditors	Book value $'000	ERV High $'000	ERV Low $'000
	Annual leave	3,496	179	179
	Long Service Leave	573	-	-
	Retrenchment payments - PILN	-	588	588
	Retrenchment payments - Redundancy	-	158	158
	Superannuation	(167)	10	10
	Provision for bonuses	(53)	107	107
	Less: employee loans	-	(152)	(152)
		3,849	890	890
	Other employee claims	-	56	1,316
		3,849	946	2,206
	Administrator's fees and costs	-	765	850
	Liquidator's fees and costs	-	500	2,000
	Other costs	-	796	1,546
		-	2,061	4,396
	Total priority creditors	3,849	3,007	6,602

11.	Estimated voidable transactions	Book value $'000	ERV High $'000	ERV Low $'000
	Preference recoveries		86,700	9,000
		-	86,700	9,000

12.	Trade and other payables	Book value $'000	ERV High $'000	ERV Low $'000
	Trade creditors	1,527	17,568	2,385
	PAC		411,851	461,851
	PIF	-	130,000	147,500
	PTQ	-	-	360,868
	Challenger	-	-	96,417
	Colonial	-	-	7,257
	Other payables	2,006	6	2,006
	Other provisions	1,267	-	1,267
	Accruals	572	507	572
		5,371	559,932	1,080,123

13.	Tax liabilities	Book value $'000	ERV High $'000	ERV Low $'000
	Deferred tax liabilities	21	-	-
		21	-	-

14.	Intercompany payables	Book value $'000	ERV High $'000	ERV Low $'000
	OCV	551,201	551,201	551,201
	OIB	101,268	101,268	101,268
	OIN	353,421	353,421	353,421
	ORAP	152	152	152
	OCCPT	244	244	244
	OAqua	135	135	135
	OFin	7,099	7,099	7,099
	SLG	23,426	23,426	23,426
	LIT	38,464	38,464	38,464
	ORE	0	0	0
	OCCE	0	0	0
	OSU	29	29	29
	OIH14	0	0	0
	OIH18	0	0	0
	OIH6	0	0	0
	OIH10	0	0	0
	OLHT	0	0	0
	MFSL	-	-	2,261
		1,075,440	1,075,440	1,077,701

11.1 High outcome

These values have been included on the basis that there is potential for an increased recovery or realisation above that of a pessimistic position for specific assets. Where there are two estimates of the value of an asset, the higher value has been included in the optimistic calculations. Achieving these values is subject to a number of factors that would arise during the realisation process. This includes various market forces affecting the value of each asset, including the interest in each asset and the general economic status at the time of sale.

11.2 Low outcome

The values included in this calculation are considered the lower possible values recoverable from the specific assets of the company. These amounts have been calculated by either discounting for a reduced return or where two values were provided for an asset, the lower value was included.

Again, the realisations will be subject to costs and also fluctuations in value.

11.3 Notes to the Estimated Statement of Position

1. Plant and equipment

The market value of the plant and equipment, which includes office equipment and office furniture, as provided by an external valuer, PVAS, in a going concern scenario was $681k and in a forced sale scenario was $127k.

2. Investments

Investment in GEO Property Group relates to 4m units held in the ASX-listed entity, GEO Property Group. The market value of the units as at 14 November 2008 was 14.5c and a low outcome was estimated at 13c. The unit price, at the time of writing this report, was fluctuating between 12c – 18c.

OA also holds 11 million units in the Aqua Water Fund, which is a Fund that owns investments in water assets locally and globally. The value per units as at 31 October 2008 from the Water Fund monthly report was 75c and it was estimated to continue to decline, therefore a unit price of 70c was estimated in a low outcome scenario.

3. Investments in associates

OA held an investment in Stella and Causeway. The Causeway assets were sold prior to the administrators being appointed at a loss and this investment is considered not recoverable.

The investment in Stella relates to OA's 36.5% beneficial interest in the 35% Stella holding. As previously mentioned Stella has provided Deloitte Corporate Finance (DCF) with access to records, under a strict confidentiality deed, to assess the likely value of the remaining 35%. DCF has formed the view that the 35% holding in Stella currently has a nil value on a high and low basis.

4. Cash at bank

The cash at bank as at 31 October 2008 was $122m. The funds are currently frozen due to competing claims, however it is expected that this will be partially resolved in the near future. That should see the undisputed funds released to the Administrators while approximately $60m remains frozen pending resolution between the ATO, the OCV Receivers and the Administrators. In our ESOP we have assumed a high recovery of $120m and a low recovery of $60m, the difference being the quantum of the ATO Garnishee notice.

5. Other assets

The only significant balance in other assets is deposits and deferred tax assets. In accordance with AASB112 "Income Taxes", a deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. As there is no probable taxable profit, the deferred tax asset is assessed as zero.

Deposits include a retention payment to Stella of $3.2m, which is assessed as zero, due to the warranty claims from CVC of $249m. An assessment of this warranty claim will be required in due course.

6. Intercompany receivables

The recoverability of the intercompany receivables has been calculated by assessing the estimated realisable value of the respective related entity assets.

7. Priority creditors

Upon our appointment as Administrators, entitlements were calculated in accordance with the relevant contracts and awards applicable. This included entitlements owing to employees should they be made redundant. We calculated entitlements at approximately $890k,.

Creditors should note that employee's outstanding entitlements are afforded priority over ordinary unsecured creditors and are subject to the normal adjudication process that may result in changes to the above amount.

General Employee Entitlements and Redundancy Scheme ("GEERS")

Creditors may be aware that he Federal Government's Department of Employment and Workplace Relations (”DEWR") has established GEERS. GEERS provides for all entitlements of employees whose employment has been terminated because of an employer's liquidation where there are insufficient funds available from the liquidation of the company to pay those entitlements. GEERS do not provide for unpaid superannuation entitlements.

Creditors should note that GEERS only applies to a company that has been placed into liquidation and does not apply where a company is in Administration or subject to a DOCA.

At this stage, we expect that there will be sufficient funds to pay all outstanding employee entitlements. However, in the unlikely event that there are insufficient funds and OA is placed into liquidation by the court, employees will be able to lodge a GEERS claim with DEWR.

We shall be in contact with former employees should this need arise. Should employee entitlements be paid by GEERS, the DEWR will be entitled to stand in the place of these employees as a priority creditor in the event that there are subsequent asset realisations.

8. Trade and other payables

Due to the allegation that OA is a material subsidiary (refer section 8.1.8), we have assessed the low outcome to include the Statement of Claims in OA from the PTQ and Challenger and Colonial.

PAC has a damages claim of up to $461m against OA. It has issued a formal notice to OA outlining that claim. It relates to an alleged breach of a management services agreement between OA and PAC relating to the activities of the PAC investment committee and its loans management unit, comprising employees of OA. The allegation is that OA has not complied with or followed PAC's investment policies and did not seek appropriate approvals for certain investments. As a result PAC is said to have lost up to $461m, less any recoveries they make from the loan portfolio.

PIF has a damages claim against OA, which is currently unresolved, as a result of which was outlined in 5.7.3 above.

9. Intercompany payables

The intercompany payables are included at the values provided from the Statement of Claims lodged at the first creditors meeting.

The recoverability of debtors will be dependant upon a number of factors including the settlement of disputes.

11.4 Overall Realisations in Liquidation Scenarios

Assuming the amount of all debts proved and accepted by the liquidators correspond to the amounts disclosed in our analysis, we estimate that the return to unsecured creditors on liquidation would be between 15c/$ and 4c/$.

	Liquidation	
	High outcome	Low outcome
Priority employee creditors	100	100
Unsecured creditors	0.15	0.04

12 Proposed Deed of Company Arrangement and Comparison to Liquidation

We have received two DOCA proposals, one from the directors and one from Fortress. We have undertaken an assessment of the estimated return to creditors under a liquidation scenario and both the DOCA scenarios. Below is a summary of the estimated return to creditors.

	Liquidation		Fortress DOCA		Directors DOCA	
	High outcome	Low outcome	High outcome	Low outcome	High outcome	Low outcome
Priority employee creditors	100	100	100	100	100	100
Unsecured creditors	0.15	0.04	0.10	0.04	0.10	0.04

In respect of the Fortress proposal the key terms are summarised below and the detailed proposal is attached as Appendix G.

- *The deed administrators will be John Greig and Nicholas Harwood of Deloitte, Brisbane.*
- *All of the Company's assets will be contributed by the Company to the deed fund.*
- *The claims of the Company's unsecured creditors will be adjudicated by the deed administrators in accordance with the Corporations Act. This includes (without limitation) the claims of contingent and disputed creditors of the Company.*
- *Employee claims will be paid in full. The deed administrators will determine which (if any) employees should remain and employee entitlements will be paid immediately to those released from employment. This process and timing is the same as it would be in liquidation.*
- *An interim dividend will be paid by the deed administrators to unsecured creditors where claims are admitted as soon as practicable following execution of the DOCA. This dividend will represent a distribution of the maximum cash available as determined by the deed administrators.*
- *The deed administrators will have the discretion to realize the assets forming the deed fund as and when they see fit.*
- *The Company will not pursue any claims against Fortress or the Receivers.*
- *A Creditors Committee will be constituted in accordance with the Corporations Act and the Corporations Regulations. The Creditors Committee will be consulted regularly by the deed administrators in relation to realisation of the assets forming the deed fund.*
- *Should it be deemed appropriate for the maximisation of value in non-cash assets the deed administrators will be at liberty to change the Company's existing directors and appoint new directors in their place.*
- *The deed administrator will retain (at their discretion) employees currently working on the PAC loan portfolio. This may be deemed necessary to maximize the recoveries from the PAC loan portfolio and thereby reduce a claim by PAC on the Company or OL to the benefit of (mostly) common creditors.*

- *The stewardship of the Company will not return to its directors unless and until all of the deed fund has been realized and distributed to creditors admitted to proof in the DOCA.*

The directors' proposal is reproduced in full below:

1. *Unless stated below the Management DOCA proposal for Octaviar Administration Pty Ltd (the "Company") is exactly the same as that proposed by Fortress/PPB for the Company including any compromises made by Fortress/PPB or actions to be undertaken by Fortress/PPB. A copy of the Fortress/PPB DOCA proposal is attached here as Appendix A.*

2. *The Company holds a beneficial interest in the Stella Group. Senior Management (including Craig Chapman and Chris Scott who each have considerable experience in the travel and accommodation sectors) agree to assist in the development of the Stella business until the termination of the DOCA.*

3. *Octaviar Limited holds shares in a number of direct subsidiaries including 3 direct subsidiary companies (Octaviar Castle Pty Ltd, Octaviar Investment Holdings No 1 Pty Ltd and Octaviar Investment Holdings No 2 Pty Ltd, hereafter called "3 investment companies").*

4. *The Company agrees to forego any claim it has against any of the 3 investment companies or their subsidiaries. We understand the Voluntary Administrators value any such intercompany debts at nil.*

5. *Senior Management will use their expertise to develop the assets and businesses held within the 3 investment companies and will together control a new company, NewCo, which will have management control over the 3 investment companies. Whilst the equity in these 3 investment companies has been valued by the Administrators of Octaviar Limited at nil, were they to be improved over time and attain a value in the future that value would flow to the shareholders of Octaviar Limited.*

6. *The Deed Administrators of the Company are to be issued shares in Octaviar Limited on behalf of creditors such that they will hold 10% of the equity in Octaviar Limited after the issue. The shares will be distributed to creditors of the Company on the basis of their admitted claims. The shares will be issued within 6 months of the signing of the DOCA for the Company and will probably require existing shareholder approval. Should any creditor decline the shares allocated to them then such shares will be distributed to other creditors on the basis of their admitted claims. After the issue of these additional shares the shareholders in Octaviar Limited will be as follows:*

    - *80% Existing shareholders*
    - *10% Creditors of Octaviar Limited*
    - *10% Creditors of Octaviar Administration Pty Ltd*

    In this way Creditors will be able to share in any upside created in the businesses of the 3 investment companies.

7. *The director's DOCA proposal for the Company is dependent on the Management DOCA proposal for Octaviar Limited being accepted by the relevant meeting of creditors. To ensure there are no unintended consequences as a result of this requirement the following will apply - if the DOCA for Octaviar Administration Pty Ltd is accepted but the Management DOCA proposal for Octaviar Limited is not accepted then the terms of the Octaviar Administration Pty Ltd DOCA are amended to reflect exactly the Fortress/PPB proposal for Octaviar Administration Pty Ltd.*

8. *For the avoidance of doubt we confirm that all/100% of the cash that would otherwise be available in a Liquidation of the Company is available to Creditors under this DOCA proposal.*

Creditors need to be aware that in the case of the director's DOCA proposal for OA, circumstances may arise where the respective DOCA's terminate and the Deed Fund is distributed through a Creditors' Trust mechanism. Whilst the Administrators have taken all possible steps to protect the interests of creditors by ensuring that their claims are not released and the DOCA does not terminate until the relevant conditions are met, creditors should understand that their rights under a Creditors' Trust are different to their rights under the DOCA.

Under a DOCA, creditors' rights are regulated by both the terms of the DOCA and the provisions of the Corporations Act (which deal with such matters as the right of creditors to appeal against a rejection of a proof of debt). Under a Creditors' Trust, the rights of creditors will transform into the rights of a beneficiary under the terms of the trust instrument with any additional rights under the Trusts Act. The Administrators have made attempts to ensure that the rights of creditors under a Creditors' Trust are as similar as possible to their rights under a DOCA.

Notwithstanding the possible voidable transaction recoveries highlighted in this report, we do not believe that either of the DOCA proposals offer any significant benefits beyond the outcome that we would expect in a liquidation scenario. The Fortress proposal does not indicate a greater return than would be available under a liquidation, nor does it indicate that a dividend would be received any earlier. The condition that the Company not pursue a claim against Fortress or the Receivers is more relevant to the OCV, as the party who will ultimately be paying Fortress between $25m and $40m under a secured claim, depending on the outcome of the 2nd creditors meeting for OCV.

- **Prior to 22 January 2008 Fortress held unsecured guarantees from OCV for facilities provided to Octaviar related investments, Young Village Estates and OPI Pacific Investments**
- **On 22 January 2008 a deed was executed with the effect of converting the aforementioned guarantees to a secured position, under the Fortress facilities previously advanced to Octaviar Castle, incorporating OCV.**

Creditors have asked the Administrators to investigate the circumstances surrounding the above transactions.

In conjunction with our legal advisers, we have considered whether there was consideration and reached the conclusion that as the relevant document was a deed, consideration was not required.

We have considered whether notification should have been made to ASIC, if the conversion was treated a variation in the term of a registrable charge. The conclusion here is that it was not a variation of a term, rather the unsecured guarantee document was converted into a "Transaction Document" as defined in the secured Fortress facilities. Therefore no variation in term occurred.

We have considered if the conversion could be regarded as a voidable transaction. For that to be the case the relevant Octaviar companies or Group would have to have been insolvent on 22 January 2008 when the document was executed. We consider that unlikely based on our findings to date.

13 Voluntary Administrators' Recommendations

Pursuant to Section 439A of the Act, the Administrators must provide a statement setting out their opinion about each of the following options:

a) whether it would be in the creditors’ interests for OA to execute a DOCA; or

b) whether it would be in the creditors’ interests that the administration of OA to end and control be returned to the directors; or

c) whether it would be in the creditors’ interests for OA to wound up

and to state reasons for those opinions.

13.1 Deed of Company Arrangement

Two DOCAs have been proposed, however we are of the opinion that the return to creditors is likely to be greater in liquidation. We comment as follows:

- Two DOCA’s have been proposed, however, we are of the opinion that the return to creditors is likely to be greater from the liquidation of OA due to the possible availability of significant insolvent transactions
- The DOCA proposals do not provide any outcomes that are not available in liquidation
- The Fortress DOCA proposal requires OA to forgo its rights, if any, against Fortress and the Receivers and Managers of OCV. We are uncertain of what those rights may be and have received preliminary legal advice only at this stage on this issue.

We therefore recommend that creditors do not vote in favour of a DOCA.

The Administrators reserve the right to change their recommendation to creditors should there be any change to the proposal, or if an alternative proposed is received subsequent to the date of this report.

13.2 Administration to End

Based on our analysis OA is presently insolvent and unable to pay its debts as and when they fall due. This would not be in the best interest of creditors and would expose the directors to the possibility of liability for insolvent trading.

Accordingly, we do not recommend that the Administration end and control be returned to the directors.

13.3 Company to be wound up

As the proposed DOCAs do not result in a greater return than liquidation, we recommend that creditors place OA into liquidation.

The Administrators reserve the right to change our recommendation to creditors should there be any change in circumstances subsequent to the date of this report.

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14 Voluntary Administrators' Fees

The costs of the Administration to 30 November 2008 is as follows:

	$
Administrators Fees (excluding GST)	$618,359
GST	$61,836
Total (including GST)	**$680,195**

TheAdministrators' remuneration is based on the firm's hourly rates which are included in Appendix B to this report. Creditor approval for fees will be sought at the second meeting of creditors where a detailed narrative will be submitted together with the fee breakdown of work performed by the Administrators' staff.

A summary of the time spent by the Administrators and their staff in the Administration to 30 November 2008 at their respective hourly rates is attached as Appendix B. We expect that a further $147,580 will be incurred by the Administrators in the period 1 December 2008 to 17 December 2008, the date of the second creditors meeting.

At the second meeting of creditors, the Administrators will propose a resolution in relation to the unpaid fees from 3 October 2008 to 30 November 2008 and estimated future fees for the period 1 December 2008 to 17 December 2008, the date of the second creditors meeting. If a lesser amount is incurred only the amount actually incurred will be paid.

These fees will be capped and accordingly we will be unable to draw fees more than this amount without further approval by creditors.

Please note that none of these fees include disbursements, which Administrators are entitled to draw as and when incurred.

The remuneration that we request creditors approve has been incurred as a result of exercising, inter alia, the following functions and duties:

1. **Establishing control**
   - Meetings with directors and staff at company premises
2. **Statutory matters**
   - notifying statutory authorities of our appointment
   - convening and holding of meetings of creditors
   - applying to court for an extension of the convening period
   - attendance to lodgement of statutory documentation with the ASIC
   - preparation of both this report and the first report to creditors
   - calling and holding the first meeting of creditors
   - calling and holding two meetings of the Committee
   - calling and holding second meeting of creditors
   - preparation of report to creditors.
3. **Investigations**
   - review financial performance
   - consider and investigate the financial position of the company

- investigation of company affairs including statutory requirements under the Act
- review of company books and records

4. **General matters**

- administrative duties including typing, mailing and filing
- regular meetings with directors of OA

15 Second Meeting of Creditors

Pursuant to Section 439A(3) of the Act, we have attached a notice convening the second meeting of creditors to be held on 10 December 2008 at Level 25 Riverside Centre, 123 Eagle Street, Brisbane QLD 4000 (see Form 529 enclosed).

Telephone conference facilities will be made available by attendance at our Sydney office, Level 9, Grosvenor House, 225 George Street, Sydney NSW 2000.

Creditors may attend and vote in person, by proxy or by attorney. The appointment of a proxy must be made in accordance with Form 532 (copy attached). A specific proxy can be lodged showing approval or rejection of each resolution. Proxy forms or facsimiles thereof must be lodged with the Administrators prior to the commencement of the meeting. Where a facsimile copy of a proxy is sent, the original must be lodged with the Administrators within 72 hours after receipt of the facsimile. An attorney of the creditor must show the instrument by which he or she is appointed to the Chairman of the meeting, prior to the commencement of the meeting.

Please note that attendance at this meeting is not compulsory.

We trust that creditors find this report informative and useful. In the event that you have any queries regarding the contents of this report, or the administration in general, please do not hesitate to contact Debbie Lippstreu of this office on (07) 3308 7048 or Daniel Dalais on (07) 3308 7308.

Yours faithfully

John Lethbridge Greig Administrator	Nicholas Harwood Administrator

Deloitte.

Appendix A - Declaration of Independence, Relevant Relationships and Indemnities

We, John Lethbridge Greig and Nicholas Harwood have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as administrators of OA. 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

We, or a member of our firm, have or have had within the preceding 24 months, a relationship with:

Name	Nature of relationship	Reasons why not an Impediment or Conflict
The Public Trustee of Queensland (trustee for the Octaviar Ltd note holders)	From time to time, we accept engagements on behalf of the Public Trustee of Queensland	It is a commercial relationship
Freehills (the Companies' solicitors)	We have engaged Freehills from time to time to provide Deloitte with legal advice. Freehills have from time to time referred professional matters to Deloitte	It is a commercial relationship
Stella Group Ltd	Deloitte was engaged a number of times over the prior two years to provide financial due diligence services on companies MFS (now the Stella Group) was considering acquiring	Octaviar Limited has a 35% interest in the Stella Group Ltd. Deloitte did not provide any professional services related to the sale of the 65% interest in the Stella Group to CVC

There are no other prior professional or personal relationships that should be disclosed.

Prior Engagements with the Insolvent

We, or a member of our firm, have undertaken the following engagements for the Companies prior to the acceptance of this appointment:

Name	Nature of engagement	Reasons why not an Impediment or Conflict
Octaviar Administration Pty Ltd	Deloitte was engaged in June 2006 to provide financial due diligence services in relation to the acquisition of three financial planning businesses located in New Zealand. Total fees were $479,562 plus GST with nil written off	The assets on which due diligence was performed are located in New Zealand and are not material to the total Octaviar Group

There are no other prior professional relationships or engagements that should be disclosed.

Indemnities

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

Dated: 10th day of December 2008

John Lethbridge Greig	Nicholas Harwood

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

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Appendix B - Assessment of Stella transaction

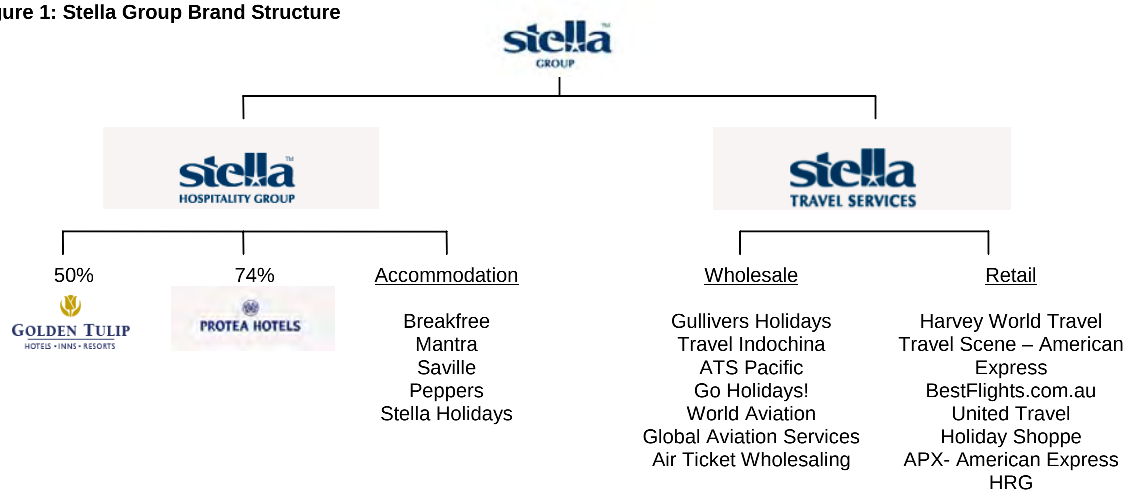
The Transaction

CVC purchased a 65% shareholding in Stella from MFS for $400 million on 4 February 2008.
The Transaction occurred in a two week time period following a rapid fall in the traded price of MFS' shares on 19 January 2008, the resignation of MFS' CEO on 21 January 2008 and reported shortfalls in MFS' cash position required to meet operating and funding commitments. There had also been previous negotiations with CVC to acquire a 50% interest which had commenced in early 2007 but had been discontinued by mid 2007.
A detailed chronology of relevant events, including leading up to the execution of the Transaction is set out in Appendix 1.

Stella's business

Stella is an integrated travel business comprising Stella Hospitality Group (SHG) and Stella Travel Services (STS) as follows:

Figure 1: Stella Group Brand Structure



Source: Stella Group Information Memorandum, www.stellagroup.com.au

SHG

SHG markets, manages or controls over 15,000 rooms or more than 250 resorts, retreats, hotels and apartments throughout Australia, New Zealand, Africa and the United Kingdom. SHG is the second largest accommodation provider in Australia.
In addition to directly owning property management rights across four brands, SHG also holds:

- 74% interest in Protea Hotels (Protea), the largest hotel group in Africa with over 100 hospitality establishments, which Stella acquired in July 2007
- 50% shareholding in Golden Tulip Hospitality Group (Golden Tulip). Golden Tulip franchises and manages more than 780 hotels or 75,000 rooms around the world.

Deloitte.

STS

STS sells travel products and related services through the largest integrated travel network in Australasia, comprising retail and wholesale operations in 12 countries. STS' main operations are based in Australia, New Zealand and the UK.
STS was formed in a single transaction when MFS acquired S8 Limited (S8) in December 2006. In addition to its travel business which formed STS, S8 also comprised a hotel accommodation business which was absorbed into SHG.

The retail division provides leisure travel offerings through over 2,100 retail agencies, online platforms and call centres. STS' retail travel agencies are principally operated under a franchise model, except for Harvey World

Travel (HWT) UK which has 55 company owned stores and 2 franchises. STS has a range of retail brands including Best Flights, Harvey World Travel, Gullivers (New Zealand), Travelscene American Express and United Travel.

STS also provides wholesale and intermediary services in the air travel industry through a range of international brands, including air ticket consolidation, airline representation, ticketing agencies, holiday packaging and a range of add-on travel products.

Stella's operations are separated geographically as follows:

Table 1: Stella's worldwide operations

Country	SHG	STS	Operations
Australia	✓	✓	Significant operations across all areas
New Zealand	✓	✓	Significant operations across all areas
UK		✓	STS: Retail presence (HWT) and wholesale capabilities (Travel2 Travel4)
Africa	✓	✓	STS: Retail presence in South Africa (HWT) SHG: 74% interest in Protea Hotel Group
US		✓	STS: Wholesale capabilities (Qantas Vacations)
Europe	✓		SHG: Product/accommodation control (Golden Tulip)

Source: Stella Group Information Memorandum April 2007

History of Octaviar's investment in Stella

Octaviar's (then MFS) strategy for Stella was to acquire companies with potential synergies, combine them to realise those synergies and then exit the investment through either an Initial Public Offering (IPO) or trade sale once established.

OCV established Stella via acquisitions of established businesses and entities over a three year period commencing in March 2005 at a total cost of combination of approximately $2.25 billion as follows:

Table 2: Stella's Consolidation

Date	SHG	STS	Acquisition
Mar 05	✓		Peppers
May 05	✓		BreakFree
Sep 06	✓		Tourism Hotels & Leisure (incl. Pacific International and Golden Tulip[1])
Jan 07	✓		Saville
Feb 07	✓		Outrigger
May 07	✓		Sunleisure
Dec 06	✓	✓	S8 (comprising S8 Resorts and S8 Travel)
Jul 07	✓		Protea Hotels

Source: Stella Group Information Memorandum April 2007

Once consolidated, OCV began to develop and implement a strategy for Stella to improve its earning potential as set out in the following table.

Table 3: MFS' strategies to improve Stella's earning potential

SHG	STS
• Re-branding to increase the average room rates, including development of brand labels to increase customer awareness • Optimisation of channel mix by increasing revenue management, leveraging Stella Holidays and leveraging IT to reduce overall cost • Delivering value to owners of properties • Leveraging best practice to increase revenues and create cost synergies.	• Development of differentiated brands • Development of the franchise model and network • Development of online channels • Growth of specialist wholesalers • Reduction of commission leakages.

Source: L.E.K – Stella Group Strategic Vendor Due Diligence Final Report 3 May 2007

As OCV had created Stella by way of a number of transactions over a relatively short timeframe, there was no significant history of consolidated earnings or evidence of synergies achieved at the time of the Transaction. In addition, many of the strategies outlined above for increasing Stella's earnings potential were only in the early stages of development at the time of the Transaction.

Transaction outcome

The sale was completed on 29 February 2008 resulting in OCV selling 65% of its shareholding in Stella to CVC for approximately $400 million.

Value realised

Assuming no adjustments for contingent liabilities, the transaction value implies an enterprise value of approximately $1.5 billion[2] (100% interest).

[1] Interest in Golden Tulip increased to 50% through subsequent transactions
[2] Assumes net debt of $905 million as per ASX announcement, 1 February 2008

Motivation for the Transaction

Prior to the Transaction, OCV undertook Project Swift in early 2007 whereby it attempted to sell down 50% of its investment in Stella with the stated motivation of attracting a joint venture partner that could bring both skills in the travel industry and capital contributions to the business. The objective was for the joint venture partner to help implement the strategies for the business (as set out above) and realise increased growth in the Stella operations.

Project Swift was effectively put on hold after the preferred identified joint venture partner, CVC, sought to extend the timetable to undertake further due diligence and see evidence of Stella's projected earnings through actual results. Project Swift had not proceeded any further by the time of the Transaction.

Following Project Swift, OCV sought to separate Stella from OCV with the intention of undertaking an initial public offer (IPO) or trade sale of the standalone Stella business. On 18 January 2008, OCV announced its intentions to separately list Stella on the Australian Stock Exchange (ASX) by way of an IPO raising $550 million to reduce debt and create value. However, the public announcement of this project contributed to a dramatic and immediate 70% drop in OCV's share price as the market interpreted OCV's intentions as a sign that it required capital to meet short-term debt obligations. At the time, OCV had a $189 million debt facility (the Fortress Facility) due for repayment in March 2008.

The sharp fall in OCV's market capitalisation had the following impacts on its business:

- Its five day volume-weighted average share price dropped below a threshold price ($3.20) on 18 January 2008 which resulted in a breach of covenant of the Fortress Facility enabling Fortress to enforce its security
- Its ability to renegotiate the facility or arrange new financing to meet short-term requirements was significantly restricted by the lack of market confidence and weakened equity position
- Stella's business experienced negative impacts as a result of its association with OCV. The operations of both of Stella's business lines and STS in particular are highly susceptible to shifts in public perception as customers generally pay for their travel services and accommodation in advance and will not transact with a supplier unless they have confidence that the supplier is financially secure to honour their booking. As a result of the perceived financial fragility of its parent, Stella's revenue base began to deteriorate as evidenced by:
    - reduced retail activity
    - some of Stella's franchisees seeking to terminate franchise arrangements
    - franchisees began to book through other third party holiday wholesalers instead of those owned by Stella
    - some suppliers indicated that they would seek to change supply terms such as American Express who sought to change from daily turnarounds to monthly, a move which would have significantly hampered the cash flow of the business.

Fortress Credit Corporation (Australia) II Pty LTD (Fortress) advised MFS, in a letter dated 21 January 2008, that they waived their right to action in the event of OCV defaulting on their debt facility until 4 February 2008.

Following agreement of the Transaction, OCV negotiated an extension of the Fortress Facility to the earlier of 31 March 2008 or the date of completion or termination of the Stella sale agreement with CVC. Significant additional extension, maintenance and transaction fees would have been payable to Fortress should the extension have been utilised.

Accordingly, commercial motivations that OCV had for undertaking the Transaction included:

- to raise cash to meet $189 million debt repayment of the Fortress Facility due on 29 February 2008
- to provide evidence to Fortress and other security holders of a clear plan to meet its commitments and therefore discourage enforcement of covenant breaches
- to preserve remaining value in Stella which was being eroded due to its association with the failing OCV
- to restore market confidence in its ability to meet its obligations through repayment of all short-term debt and enable OCV to continue trading.

Through its 'Cash is King' Project, undertaken in conjunction with its newly appointed advisers, 333 Capital (associated with Korda Mentha), OCV identified its only option to satisfy these motivations was to sell down its investment in Stella as soon as practical as part of a three point plan.

Given that achieving these objectives was required to remain trading and that OCV considered it had no alternative option, it is reasonable to conclude that OCV had a strong compulsion to sell down its investment in Stella in an accelerated timeframe and that a justifiable commercial outcome in this situation would be a transaction that met its immediate objectives to remain solvent rather than necessarily achieve fair market value.

Given the public nature of its decline, it is also reasonable to expect that all potential acquirers of an interest in Stella would have been aware of MFS' situation and its motivations.

Transaction Process

As set out above, we consider that there is reasonable justification for OCV to have accepted a transaction value other than fair market value given the commercial motivations compelling OCV to enter into the Transaction.

Accordingly, in then determining whether the Transaction was commercial, we have considered whether the transaction process undertaken by MOCV was reasonable to support a commercial outcome in the circumstances. Our findings are set out below.

Overview of process

Advisers

OCV appeared to engage competent third party advisers throughout the transaction process. Although the Transaction occurred in a very short timeframe, OCV had the benefit of advice and a suite of advisers engaged for the earlier Project Swift, including:

- UBS and Grant Samuel (as joint financial advisers)
- Freehills (legal)
- KPMG (financial and tax).

It appears that these advisers were retained by OCV beyond Project Swift in relation to the proposed separation of Stella and OCV financial services business and as required for the Transaction. UBS and Grant Samuel were involved in consideration of the bids received in January 2008.

In addition, OCV engaged 333 Capital, the corporate finance arm of insolvency practitioners Korda Mentha, in January 2008 to advise OCV in its effort to turnaround its performance and resolve its funding issues. 333 Capital devised the three point plan which resulted in the Transaction.

Timeframe

Once it was decided to sell down an interest in Stella in late January 2008, the sales process occurred in a very short time frame of less than two weeks. This timeframe, although significantly less than could be considered reasonable for a normal transaction, was likely justified in the circumstances given:

- the requirement to have cash to meet debt repayments due in early March 2008
- OCV had determined under the 'Cash is King' Project that it needed 60 days of cashflow to allow for the orderly sale of Stella and to restructure the financial services business.

Process

In various minutes of board meetings held at the time, there appears to be evidence of a reasonable transaction process being undertaken notwithstanding the accelerated timeframes and circumstances as follows:

- although CVC's bid had been received, the Board recognised it was important to ensure due process was followed in consideration of the bid. There were other proposals that had been received which needed consideration
- the board noted that the fundamental duty for the directors was to consider shareholder and creditor interest and to maximise prices regarding asset sales
- OCV did not grant CVC exclusivity as they considered it reasonable CVC would not withdraw their offer
- OCV received non-binding indicative proposals from three additional parties as set out below. A further three parties held discussions with Stella but did not proceed to formal proposals
- no significant conditions or restrictions were set by OCV in relation to the sale other than the timeframe. This freedom for bidders was reflected in the range of offers, structures and conditions proposed by the various bidders.

Of the four proposals received (including CVCs), two subsequently withdrew from the process. One party withdrew due to inadequate timeframes to undertake appropriate due diligence and the other withdrew as a result of OCV not granting exclusivity or a break fee. It is reasonable to assume that the number and quality of bids received would have been negatively impacted by the short time frame set. However, this abridged timeframe appears justified from a commercial perspective given the circumstances set out above.

Bids received

CVC first contacted OCV shortly after its share price fall in January 2008. OCV then either solicited or received unsolicited offers for Stella from three additional parties, being two further private equity players and one trade player, as follows:

	CVC	Bidder 1	Bidder 2	Bidder 3
Offer	65% equity interest for $400 million	50-75% equity interest for $273 million to $409 million	33.3% equity interest for $200 million plus secured convertible note for $154 million convertible into 16.8% equity in Stella if not repaid in 18 months	50% equity interest based on enterprise value of $1.6 billion
Implied enterprise value[1]	$1.5 billion	$1.4 billion	$1.5 billion	$1.6 billion
Proposal status	Committed to complete transaction	Unwilling to commit to a confirmatory	Offer withdrawn as MFS would not agree to	Offer withdrawn due to inability to

within MFS' required timeframe with completion prior to 29 Feb-08	due diligence without extra time.	exclusivity or a break fee	commit to time line

1. Based on calculations prepared by Grant Samuel for MFS consideration of bids. No adjustments for contingent liabilities assumed in calculation of enterprise value for illustrative purposes only.

Source: MFS Project Swift Update 1 February 2008, GS

Stella acquisition cost versus sale value received

CVC's offer of $400 million for 65% of Stella implies an enterprise value of $1.55 billion to $1.65 billion (as discussed above). This implied enterprise value is significantly less than both:

- Stella's total combination cost of approximately $2.26 billion
- the enterprise value implied by CVC's earlier offer in May 2007, which expressly referred to an enterprise value of $2.26 billion to $2.46 billion.

However, it is noted that CVC's earlier offer was a non-binding indicative offer based on limited information contained in the information memorandum and conditional upon due diligence. Furthermore, this offer was subsequently withdrawn by CVC, as announced to the market in November 2007.

The lower actual enterprise value realised through the Transaction appears to have been significantly influenced by the time constraints placed on the sale of Stella and the market's knowledge of OCV's compulsion to sell which resulted in lower earnings multiple being offered in the sales process than might otherwise be achieved in an orderly realisation of the asset. In addition, the softening market at the time of the Transaction would likely have influenced a revision of maintainable earnings forecasts below the top end of our expected range.

Conclusion

Based on the analysis undertaken, it appears that, although OCV may not have realised fair market value for the 65% interest in Stella at the time of the Transaction, there appears to be reasonable justification for OCV to have accepted a transaction value other than fair market value. Given the commercial motivations compelling OCV to enter into the Transaction, it appears that the transaction process undertaken was reasonable to support a commercial outcome in the circumstances.

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Sale process and market event timeline

The following table outlines the timeline of the sale process and market events from the appointment of advisors in March 2007 when MFS first considered selling down some of its interest in Stella to the Transaction:

Table 4: Sales process and market event timeline

Date	Sale process event
Mar 07	• Project Swift commences seeking a partner to support the growth of the Stella group • UBS Investment Bank (UBS) and Grant Samuel (GS) jointly appointed as Project Swift lead advisers. Additional professional advisors appointed to prepare vendor due diligence reports for the project : - Legal (Freehills) - Financial and Tax (KPMG) - Strategic/Synergies (L.E.K). **ASX announcement**: *MFS to seek partner for Stella*
Apr 07	• Project Swift IM released
May 07	• CVC submits a non-binding indicative proposal to acquire 50% of Stella at a substantial premium to cost of up to \$200m. CVC's proposal based on a number of conditions including completion of due diligence and confirmation of third quarter trading results
June 07	• MFS continued negotiations with CVC under an extended timeframe whereby it was agreed not to transact until after the first quarter of FY08 in order for Stella to show proven performance against forecasts • CVC indicated its intentions to undertake further due diligence during this timeframe **ASX announcement**: *MFS announced further detail on Project Swift, in that the restructure of Stella is a 3 stage process:* - *amalgamate all assets into a separate stand alone corporate group, including a separate debt facility, within MFS* - *MFS to identify a preferred partner to invest equity into the new corporate group* - *completion of transaction.*
June 07	• Refinancing of Stella's debt completed as part of Project Swift to separate Stella from MFS. Debt financing totalling \$1.2billion, including \$800m of secured debt from UBS **ASX announcement:** *Stage 1 of Stella restructure completed on 28 June 08.*
July – Oct 07	• CVC conducted due diligence activities although we understand no revised or firm offer was tabled or discussed
Oct 07	• MFS engages Macquarie Bank to perform a strategic review with the objective of identifying which of the following approaches best creates shareholder value: 1 maintain status quo 2 proceed with a sale of 50% of Stella 3 separate Stella and MFS' financial services business.
Nov 07	**ASX announcements:** • *MFS no longer proceeding with sale of Stella on the basis that they were not able to conclude a transaction with private equity which achieved appropriate value outcomes for MFS shareholders*
Dec 07	**ASX announcement:** *MFS adopt Macquarie's option 3 strategy to retain ownership of Stella in the mid term and to separately develop both its financial services and Stella businesses as*

Date	Sale process event
	stand alone operations whereby substantial shareholder value can be created
Early Jan-08	• MFS' average daily share turnover increased six fold relative to the previous six months in the first two weeks of January on speculation of MFS' ability to meet short term debt commitments • City Pacific (CIY) approach MFS to acquire its financial services business on 14 January 08 • MFS share price declined by 20% on 15 January 2008 with volume of c.15 million shares trading (3.1% of the 483.6m shares on issue) • In response to the share price movements, the MFS Board agreed to the following actions: - to focus on implementing a sustainable strategy - address current market confusion regarding MFS corporate structure and the separation of Stella and the financial services business.
16 Jan-08	• MFS requested a trading halt to enable it to provide an update in order that the market could be fully and properly informed about the separation plan before it traded again[3.]
18 Jan-08	**ASX announcement:** *MFS announced intention to separate Stella and MFS Financial Services into separate ASX- listed companies and reduce Stella's debt profile through a $550m renounceable entitlement offer in Stella to be completed in the second quarter of FY08* • Immediately after the ASX announcement, MFS' share price dropped by 70% (from $3.18 on 17 November 2008 to $0.99 on 18 November 2008)[4].
19 Jan-08	• MFS Board noted that the market had confused MFS' current debt position, the market was not thinking logically and the current share price did not reflect MFS' value[5]
20 Jan-08	• MFS received an updated unsolicited proposal from CVC for 65% interest in Stella for $400 million, conditional on due diligence, Foreign Investment Review Board approvals and warranties. • MFS noted in their 22 January board meeting that CVC could complete the deal prior to 29 February 2008[6]
21 Jan-08	• Michael King resigns as CEO of MFS and is replaced by Craig White • MFS Board noted that Michael King was the architect of the plan released on 18 January which had led to negative publicity for MFS which, in the boards opinion, caused a rapid decline in the share price and an inability to raise capital or to pursue other equity based funding options[7] • CIY's offer for MFS' funds management business lapsed on 21 January[8]
22 Jan-08	• 333 Capital and Korda Mentha appointed by the MFS board to advise MFS • MFS commenced the "Cash is King' Project to analyse the company's cash position and the ability of the company to pay its debts as and when they fell due[8] • Three point plan outlined to the MFS Board which included sale of the Stella business. The board also noted in that meeting that although there was a bid on the table it was important to ensure due process was followed in consideration of the bid • The Board agreed to negotiate with CVC but not to grant CVC exclusivity and to solicit alternative offers
23 Jan-08	• MFS Board noted that 25% of MFS stock was subject to margin calls and at this point the

[3] 16 January MFS minutes of a meeting of directors
[4] Octaviar Limited Financial Results & Business Update 28 April 2008
[5] 19 January MFS minutes of a meeting of directors
[6] 22 January MFS minutes of a meeting of directors
[7] 21 January MFS minutes of a meeting of directors
[8] MFS – Chronology of Events 6 March 2008

Date	Sale process event
	best option was to go into voluntary administration while they were determining which party to transact with for the Stella sale • Korda Mentha NZ met with MFS' New Zealand trustee and management to understand and manage risks • MFS determined that $100 million to $150 million in short term capital was required to meet the Fortress debt repayment due in March 2008 and 60 days of cashflow to allow for the orderly sale of Stella and to restructure the financial services business • MFS' (and Stella's) debt position was released to the market (as follows) **ASX announcement:** • *MFS' short term debt comprised Fortress debt facility of $150m due in March 2008* • *Stella had net debt of $803 million, comprising $800 million UBS facility due June 2013 (of which $795 million was drawn down), $110 million facility in place for Protea due June 2014 and $102 million cash*
25 Jan-08	• MFS had received a number of non-binding indicative proposals to purchase a shareholding in Stella from four parties • MFS board noted that CVC was the most serious party and that their offer could be finalised and transaction documents signed within 10 days which provides certainty to MFS in the short term. Given the superior price and the certainty in the short term MFS decides to proceed with the sale to CVC
4 Feb-08	• Agreement for the sale of 65% shareholding of Stella to CVC executed (the Transaction). The deal was completed on 29 February with MFS selling 65% of its shareholding in Stella to CVC for c$400 million
29 Feb-08	• Transaction completes.

Source: ASX announcements, MFS board papers and presentations, MFS prepared chronology of event s(6 March 2008) per Board papers

Appendix C- Statement of Remuneration

Deloitte Hourly Rates

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

Classification	Hourly Rate (exc GST)	Hourly Rate (inc GST)	Description
CRG Partner 1	472.73	520.00	Registered liquidator or bankruptcy trustee. Brings his or her specialist skills to the administration or insolvency task.
CRG Sr Manager 1	340.91	375.00	Typically CA or CPA qualified with in excess of 10 years experience on insolvency matters with a number of years at manager level. Answerable to the appointee but otherwise responsible for all aspects of an administration. Capable of controlling all aspects of an administration. May be appropriately qualified to take appointments in his/her own right.
CRG Sr Manager 2	309.09	340.00	
CRG Manager 1	236.36	260.00	Typically CA or CPA qualified with 6 to 8 years experience working on insolvency matters. Will have experience conducting administrations and directing a number of staff.
CRG Manager 2	200.00	220.00	
CRG Sr Analyst 1	181.82	200.00	Typically completed or near completion of CA or CPA qualifications with 4 to 6 years insolvency experience. Assists in planning and control of smaller matters as well as performing some more difficult tasks on larger matters.
CRG Sr Analyst 2	168.18	185.00	
CRG Sr Analyst 3	145.45	160.00	
CRG Analyst 1	140.91	155.00	Typically studying towards CA or CPA qualification with 2 to 4 years insolvency experience. Works under supervision of more senior staff in performing day-to-day fieldwork.
CRG Analyst 2	131.82	145.00	
CRG Analyst 3	122.73	135.00	
CRG Graduate	118.18	130.00	
CRG Support A	118.18	130.00	Generally a person currently undertakes a university degree. Works under supervision in providing assistance on tasks involved in insolvency matters
CRG Support B	104.55	115.00	
CRG Vacationer	113.64	125.00	

Administrators' Remuneration

At the meeting, we shall be asking that an interim level for our remuneration as Administrators be approved. Those fees are based on our Rates as shown above.

The amount of further interim fees that we shall be requesting are based upon the budgeted range of fees as set out below. We shall be asking that these fees be set at an interim limit at the top of this range with further remuneration being approved by creditors at a later date if appropriate.

Fees incurred to Date: $618,359

Details of the work to be performed by Administrators are set out in the summary below

Company	Octaviar Administration Pty Ltd	**Period**	3 October 2008 – 30 November 2008
Practitioner	John Lethbridge Greig and Nicholas Harwood	**Firm**	Deloitte
Administration Type	Voluntary Administration		

Task Area	General Description	Includes
Assets 219 hours $79,247	Valuation of Stella investment	Review Stella financial information Research industry for comparable companies Commence writing indicative valuation background and industry information
Creditors 545 hours $133,944	Creditor Enquiries	Receive and follow up creditor enquiries via telephone and email Maintaining creditor listing for correspondence Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Secured creditor reporting	Prepared letter to secured creditor - Esanda Requested release from charge relating to secured creditor as no outstanding liability existed
	Creditor reports	Review general ledger extracts to assist in preparing an estimated statement of position

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		Prepare s439A report
	Proof of Debt	Reviewing Proof of Debt or Claims submitted by creditors
	Meeting of Creditors and creditors committees	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
Trade On 427 hours $113,672	Employees enquiry	Receive and follow up employee enquiries via email or by phone Maintain employee enquiry register, as necessary Preparation of letters to employees advising of their entitlements and options available
	Workcover	Correspondence regarding Workcover premium cover in various states
	Trade On Management	Liaising with suppliers of services etc eg utilities, landlords, IT services Liaising with management and staff Attendance on site Preparing and authorising payment vouchers Liaising with OSR regarding

		payroll tax issues Review and processing of fortnightly payroll
	Processing receipts and payments	Entering receipt and payments into accounting system
Investigation 1,133 hours $308,872	Conducting investigation	Reviewing company's books and records Review of specific transactions and liaising with directors regarding certain transactions
Administration 68 hours $10,344	Appointment	Hold discussions regarding appointment
	Document maintenance/file review/checklist	Filing of documents File reviews Updating checklists
	Insurance	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
	Bank account administration	Preparing correspondence opening and closing accounts Requesting bank statements Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	Notification of appointment
	Planning / Review	Discussions regarding status of administration

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Calculation of Remuneration

Employee	Position	$ / hour (excl GST)	Total actual hours	Total	Task area									
					Creditors		Trade on		Investigations		Assets		Administration	
					Hrs	$	Hrs	$	Hrs	$	Hrs	$	Hrs	$
John Greig	Appointee	472	165.0	77,880	43.00	20,296.0	43.00	20,296.0	61.00	28,792.0	18.00	8,496.0	-	-
Nick Harwood	Co-appointee	472	305.0	143,960	78.00	36,816.0	80.00	37,760.0	113.00	53,336.0	34.00	16,048.0	-	-
Employee 1	Partner	472	51.0	24,072	-	-	-	-	-	-	51.00	24,072.0	-	-
Employee 2	Director	341	355.0	121,055	-	-	-	-	324.00	110,484.0	31.00	10,571.0	-	-
Employee 3	Manager	236	199.0	46,964	48.00	11,328.0	136.00	32,096.0	-	-	-	-	15.00	3,540.0
Employee 4	Senior	181	504.0	91,224	134.00	31,624.0	-	-	285.00	67,260.0	85.00	20,060.0	-	-
Employee 5	Analyst	140	785.0	109,900	242.00	33,880.0	168.00	23,520.0	350.00	49,000.0	-	-	25.00	3,500.0
Employee 6	Support	118	28.0	3,304	-	-	-	-	-	-	-	-	28.00	3,304.0
		259	**2,392.00**	**$ 618,359**	**545.00**	**$ 133,944**	**427.00**	**$ 113,672**	**1,133.00**	**$ 308,872**	**219.00**	**$ 79,247**	**68.00**	**$ 10,344**

Disbursements

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

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

B1 disbursements are externally provided non-professional costs such as travel, accommodation and search fees. B1 disbursements are recovered at cost.

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

Full details of disbursements on this appointment are provided below

Disbursement	Amount $
A Disbursements	339,036
B1 Travel, Accommodation, Search Fees etc	12,199
B2 Materials (Photocopying, Faxes, Telephone expenses)	14,966
Total	**366,201**

The amount of disbursements relates to legal fees and valuation expenses that have been invoiced. This has been disclosed in the body of the Report to Creditors as part of the total outstanding liabilities of the Administrators incurred to date.

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Future fees – Administration period

Company	Octaviar Administration Pty Ltd (OA)	Period	1 December to 17 December 2008
Practitioner	John Greig & Nicholas Harwood		
Administration type	Liquidation		

Task area	General description	Includes
Creditors $86,205 (ex GST)	Creditor enquiries	Receive and follow up creditor enquiries via telephone, email and fax
	Creditors Report	Drafting of s439A report, investigations, meeting and general reports to creditors
	Meeting of creditors	Preparation meeting notices, proxies and advertisements
Investigations $38,240 (ex GST)	Conducting investigation	Reviewed bank statements and MYOB, and other company books and records Discussions with directors regarding company transactions Preparation of investigation file
	ASIC reporting	Preparing statutory investigation reports
Assets $20,535 (ex GST)	Investments	Consider warranty claim Consider correspondence from investment company Consider Valuation Finalise Valuation
Administration $2,600 (ex GST)	Typing and secretarial	Formatting of s439A report
TOTAL FUTURE FEES $147,580 (ex GST)		

Total future fees for the liquidation process will be capped at $147,580 (excluding GST and disbursements).

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Appendix D - Creditor Information Sheet

Approving remuneration in external administrations

If company is in financial difficulty, it can be put under the control of an independent insolvency administrator. Such a person is called a 'liquidator' or a 'voluntary administrator' or an 'administrator of a deed of company arrangement' depending on the type of administration involved. For the purposes of this guide, we use the collective word 'administrator'.

This information sheet gives general information for creditors on the approval of an administrator's fees in a liquidation, a voluntary administration or a deed of company arrangement (other forms of insolvency administration are beyond the scope of this information sheet). It outlines the rights that creditors have in the approval process.

Work undertaken by administrators

The work undertaken by administrators depends on the type of administration concerned and the issues that need to be resolved. Some issues are straightforward, while others are more complex.

However, what is common amongst all administration types is that an administrator is, by law, required to undertake a number of tasks which may not directly benefit creditors (for example, the preparation of reports to the Australian Securities and Investments Commission or the preparation of six monthly receipts and payments). An administrator is still entitled to remuneration for undertaking these statutory tasks.

For more information on the tasks involved ind different administrations, see ASIC's information sheets: 'Liquidation: a guide for creditors' and 'Voluntary administration: a guide for creditors'.

Entitlement to fees and costs

An 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
- to be reimbursed for out-of-pocket *costs* incurred in performing their role (these costs do not need creditors' committee, creditor or court approval).

Administrators are entitled to an amount of fees for the necessary work that they and their staff properly perform in the administration.

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

- legal fees
- valuer's, real estate agent's and auctioneer's fees
- trading costs involved in running the company's business during the administration (e.g. for the purchase of stock)
- 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 administrator will, generally, be paid from the company's available assets before any payments to creditors are made. If there are not enough assets, the administrator may arrange for a third party, for example another creditor, to pay any shortfall. As a creditor, you should receive details of such arrangements.

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 and the administrator is in effect 'out of pocket'.

Calculation of fees

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

- on the basis of *time spent* by the administrator and their staff, according to hourly rates,
- a quoted *fixed fee*, based on an estimate of the costs, or
- a *percentage*, usually of asset realisations.

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

If the administrator intends to charge on a time basis, you should receive a copy of these hourly rates before the administrator requests approval of their fees.

The 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 realise that administrators are professionals who are required to have accounting qualifications and maintain up-to-date knowledge of accounting, business and legal issues. They have serious responsibilities under the law. Their hourly rates and those of their qualified staff reflect this.

The hourly rates do not represent an hourly wage for the administrator and their staff. The 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, and taxes with allowance then made for profit.

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 administrator for their services.

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 administrator about the fees and whether the rates are negotiable.

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

Report on proposed fees

In order to seek approval of fees, the administrator must hold a meeting of the members of any committee of creditors, or, if there is no committee, the creditors themselves. A report must be sent, 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.

The report should also provide a summary of out-of-pocket costs incurred or expected to be incurred.

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

If the work is yet to be carried out, it is advisable for creditors to set a maximum limit ('cap') on the amount that the administrator may receive. For example, 'future fees are approved calculated on 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 administrator will have to ask the creditors' committee/creditors to approve a further amount of fees, after accounting for the fees already incurred.

Who may approve fees

Who may approve fees depends on the type of external administration: see Table 1. The administrator must provide sufficient information to enable the creditors' committee, the creditors or the court to make an informed assessment as to whether the fees are reasonable.

Table 1: Who may approve fees

	Creditors' committee	Creditors	Court
Administrator in a voluntary administration	✓[1]	✓[2]	✓[3]
Administrator of a deed of company arrangement	✓[1]	✓[2]	✓[3]
Creditors' voluntary liquidator	✓[1]	✓[4]	✗[5]
Court-appointed liquidator	✓[1, 6]	✓[2, 6]	✓[3]

1 If there is one.

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

3 If there is no approval by creditors.

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4 If there is no creditors' committee.

5 Unless an application is made for a fee review.

6 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 $5,000, 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, it is important that the members realise that they represent all the creditors, not just their own individual interests.

A creditors' committee will generally only be set up where there are a large number of creditors. If there is one, then they will ask the committee to approve their fees.

A creditors' committee makes its decision by a majority in number of its members present in person at a meeting, but it can only act if a majority of its members attend.

If you would like to know more about creditors' committees and how they are formed, see ASIC's information sheets: 'Liquidation: a guide for creditors', 'Voluntary administration: a guide for creditors' and 'Insolvency: a glossary of terms'.

Creditors' approval

Creditors approve fees by passing a resolution at a creditors' meeting. The vote requires a simple majority of creditors present and voting, in person or by proxy, indicating that they agree to the resolution. Unlike committee members, creditors may vote according to their individual interests.

If a 'poll' is taken at the meeting (that is, rather than a vote being decided on the voices or by a show of hands, a count of each vote and its value is taken), 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 proxy is a document whereby 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 how they want on a resolution, while a special proxy directs the proxy holder to vote in a particular way.

A creditor will sometimes appoint the administrator as a proxy to vote on the creditor's behalf. An 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.

Deciding if fees are reasonable

If you are 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 administration and the results of that work.

The IPA's Code of Professional Practice: Remuneration outlines the steps administrators should take to make sure they fulfil their responsibilities to creditors when asking creditors to approve fees, including when those creditors are acting in their capacity as committee members. This guide is available on the IPA website at www.ipaa.com.au

If you need more information about fees than is provided in the 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 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 administrator should be very careful incurring costs that must be paid from the administration - as careful as if they were incurring the expenses on their own behalf. Their report on fees sent to creditors should also include information on the out-of-pocket costs of the administration.

If you have questions about any of these costs, you should ask the 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 administrator. If this fails to resolve your concerns, including any concerns about their conduct, you can lodge a complaint with the IPA at www.ipaa.com.au or write to:

Complaints Manager
IPA
GPO Box 3921
SYDNEY NSW 2001

You can also contact ASIC at www.asic.gov.au, or write to:

Manager National Assessment & Action
ASIC
GPO Box 9827
IN YOUR CAPITAL CITY

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 'Insolvency: a glossary of terms'.
For more on insolvency administration, see ASIC's related information sheets at www.asic.gov.au/insolvencyinfosheets:

- Voluntary administration: a guide for creditors
- Voluntary administration: a guide for employees
- Liquidation: a guide for creditors
- Liquidation: a guide for employees
- Receivership: a guide for creditors
- Receivership: a guide for employees
- Insolvency: a guide for shareholders
- Insolvency: a guide for directors

These are also available from the Insolvency Practitioners Association (IPA) website at www.ipaa.com.au.

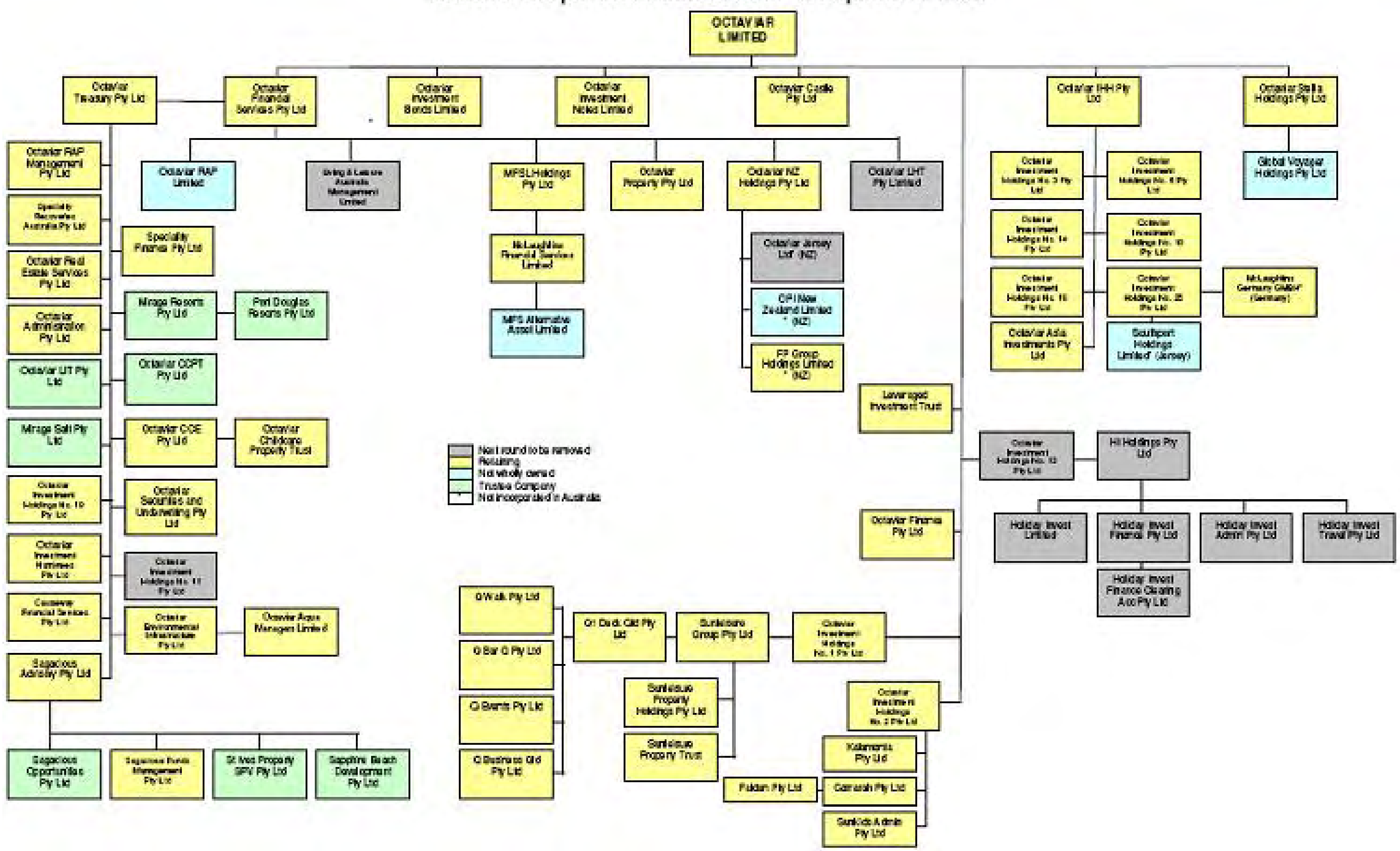
The IPA website also contains the IPA's Code of Professional Practice that is applicable to its members.

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.

Deloitte.

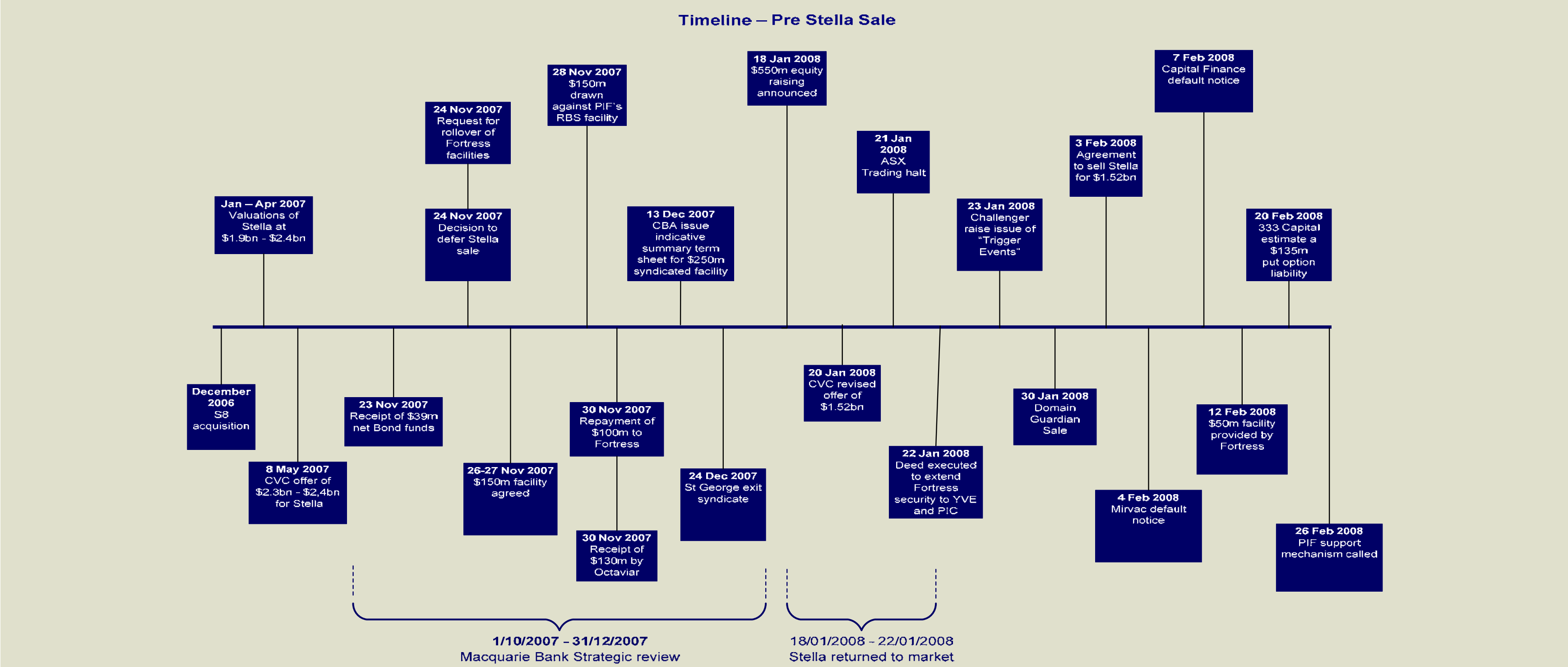
Appendix E – Octaviar Group Structure

Octaviar Corporate Structure as at 15 September 2008

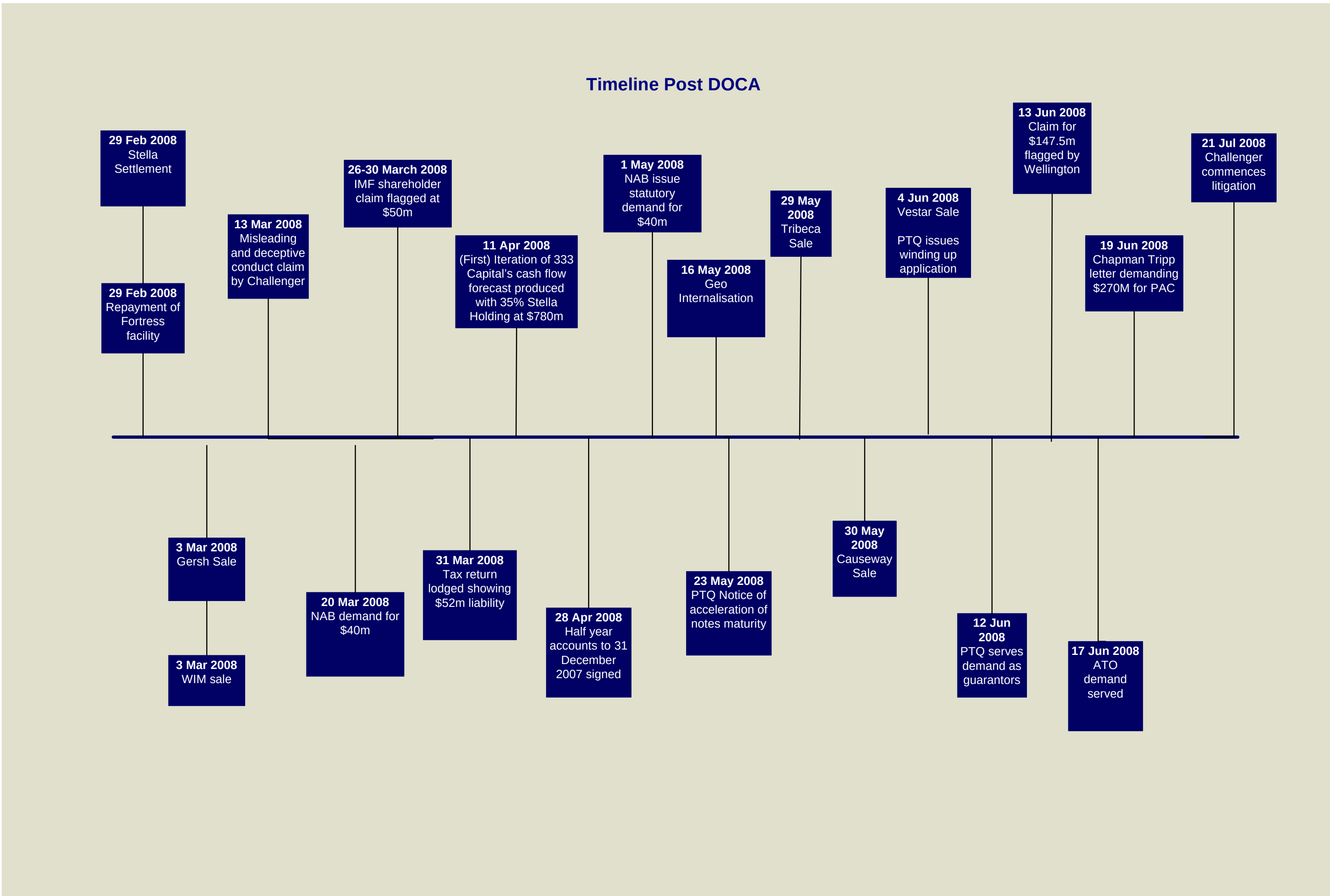


Deloitte.

Appendix F – Chronology of Events



Deloitte.



Timeline Post DOCA
29 Feb 2008 Stella Settlement
29 Feb 2008 Repayment of Fortress facility
3 Mar 2008 Gersh Sale
3 Mar 2008 WIM sale
13 Mar 2008 Misleading and deceptive conduct claim by Challenger
20 Mar 2008 NAB demand for $40m
26-30 March 2008 IMF shareholder claim flagged at $50m
31 Mar 2008 Tax return lodged showing $52m liability
11 Apr 2008 (First) Iteration of 333 Capital's cash flow forecast produced with 35% Stella Holding at $780m
28 Apr 2008 Half year accounts to 31 December 2007 signed
1 May 2008 NAB issue statutory demand for $40m
16 May 2008 Geo Internalisation
23 May 2008 PTQ Notice of acceleration of notes maturity
29 May 2008 Tribeca Sale
30 May 2008 Causeway Sale
4 Jun 2008 Vestar Sale
PTQ issues winding up application
12 Jun 2008 PTQ serves demand as guarantors
13 Jun 2008 Claim for $147.5m flagged by Wellington
17 Jun 2008 ATO demand served
19 Jun 2008 Chapman Tripp letter demanding $270M for PAC
21 Jul 2008 Challenger commences litigation

Appendix G – Fortress DOCA proposal

Octaviar Administration Pty Limited
(administrators appointed)

Proposal for execution of a Deed of Company Arrangement

Confidential – For Creditors and their Advisers Only

15.1 Overview

This proposal for execution by the Company of a deed of company arrangement aims to improve outcomes to the Company's unsecured creditors than would otherwise be available in a liquidation of the Company by implementing the following steps:

- Facilitation of a deed of company arrangement proposal made in relation to OL, which will benefit creditors who have claims against both the Company and OL.
- Inclusion of all assets of the Company in the fund to be made available for distribution to the Company's unsecured creditors.
- Payment of employee claims in full, with the prospect of those employees retaining their employment as a result of the Octaviar group companies (including OA) continuing to operate as a going concern.
- Minimization of disturbance to the existing contractual relationships of the Company's sister companies, including in relation to its interest in the Stella Group and operating divisions and assets such as Sunkids, Circle on Cavill and Q Deck.
- Avoidance of a liquidation, which would result in realizations of the Company's property (primarily cash) being delayed – that delay would in turn delay the distribution of dividends to unsecured creditors.
- Payment of an interim dividend to creditors shortly following execution of a DOCA by the Company.
- This proposal does not cover any other Octaviar group company.
- The claims of unsecured creditors of the other Octaviar group of companies that are in external administration will not be pooled for purposes of distribution of dividends pursuant to the DOCA.

It is anticipated that this proposal will result in more timely returns to the Company's unsecured creditors than would otherwise be available in a liquidation of the Company.

A forecast of the anticipated interim return to unsecured creditors of the Company should this proposal be accepted is set out in Annexure A to this proposal. That forecast only takes into account cash assets available to the Company. It does not take into account proceeds of realization of the Company's non-cash assets.

Importantly, the forecast is subject to the qualifications and assumptions set out in Annexure A to this proposal.

All the assets of the Company will be contributed by the Company to the deed fund. A précis of the assets expected to form part of the deed fund is set out in Schedule 2

Capitalised terms and phrases used in this proposal have the meanings given to them in Schedule 1 (*Dictionary*) to this proposal.

15.2 Key Terms

Following are the key commercial and legal terms of this proposal for execution by the Company of a DOCA.

- The deed administrators will be John Grieg and Nicholas Harwood of Deloitte, Brisbane.
- All of the Company's assets will be contributed by the Company to the deed fund.
- The claims of the Company's unsecured creditors will be adjudicated by the deed administrators in accordance with the *Corporations Act*. This includes (without limitation) the claims of contingent and disputed creditors of the Company.
- Employee claims will be paid in full. The deed administrators will determine which (if any) employees should remain and employee entitlements will be paid immediately to those released from employment. Those employees retained will have cash set aside to cover their full entitlements for future redundancies. This process and timing is the same as it would be in a liquidation.
- An interim dividend will be paid by the deed administrators to unsecured creditors where claims are admitted as soon as practicable following execution of the DOCA. This dividend will represent a distribution of the maximum cash available as determined by the deed administrators.
- The deed administrators will have the discretion to realize the assets forming the deed fund as and when they see fit.
- The Company will not pursue any claims against Fortress or the Receivers.
- A Creditors Committee will be constituted in accordance with the *Corporations Act* and the *Corporations Regulations*. The Creditors Committee will be consulted regularly by the deed administrators in relation to realization of the assets forming the deed fund.
- Should it be deemed appropriate for the maximization of value in non-cash assets the deed administrators will be at liberty to change the Company's existing directors and appoint new directors in their place.
- The deed administrator will retain (at their discretion) employees currently working on the PAC loan portfolio. This may be deemed necessary to maximize the recoveries from the PAC loan portfolio and thereby reduce a claim by PAC on the Company or OL to the benefit of (mostly) common creditors.
- The stewardship of the Company will not return to its directors unless and until all of the deed fund has been realized and distributed to creditors admitted to proof in the DOCA.

Further terms, not inconsistent with the terms set out in this section 2 (*Key Terms*) and more in the nature of administrative and mechanical provisions, will be

negotiated and included in the DOCA following acceptance of this proposal by the Company's unsecured creditors.

15.3 Assets Available

As stated in section 2 (*Key Terms*), all assets of the Company will be contributed to the deed fund and will be available to the Company's unsecured creditors. It is anticipated that the assets available for the benefit of creditors would include those assets set out in Schedule 2 to this proposal.

As required by the *Corporations Act* and the general law, the deed administrators will not be asked to surrender their discretion in exercising powers to realize the assets forming part of the deed fund. Through the formation of a creditors committee that will represent the interests of all major creditors of the Company, however, creditors will have a means of regular contact and discourse with the deed administrators in relation to their conduct of that realization process.

15.4 Creditors Claims

As stated in section 2 (*Key Terms*), the claims of the Company's unsecured creditors will be adjudicated in accordance with the relevant provisions of the *Corporations Act*. A forecast of the anticipated interim return to unsecured creditors of the Company should this proposal be accepted is set out in Annexure A to this proposal. That forecast does not take into account proceeds of realization of the Company's assets other than cash presently held by the Company.

The DOCA would provide for an interim dividend to be payable to the Company's unsecured creditors admitted in the DOCA shortly following execution of that DOCA. That dividend would facilitate the effectuation of a proposed deed of company arrangement to be executed by OL. Equalizing dividends would then be paid to contingent creditors (such as PAC) as those creditors' claims were adjudicated by the deed administrators or otherwise resolved through appropriate dispute resolution procedures.

15.5 Corporate governance of subsidiaries

As stated in section 2 (*Key Terms*), the deed administrators will have the powers given to them under the *Corporations Act* to remove the Company's directors and replace them. The deed administrators, acting with the benefit of input from the Company's creditors, will determine in their discretion whether such a change is required, and if so, who should be appointed as director(s) of the Company and its subsidiaries following execution of the DOCA proposed in this proposal.

Stewardship of the Company will not return to its directors unless and until after all of the deed fund has been realized and distributed to the unsecured creditors admitted to proof in the DOCA. This will mean that the deed administrators will have unfettered control over the deed fund and the Company for the benefit of all unsecured creditors.

ANNEXURE A

Summary of Anticipated Initial Return to Major Creditors of the Company

Returns from OA to unsecured creditors:

	DOCA +	Liquidation
OL	50.30	50.30
OIN	31.83	31.83
OIB	9.15	9.15
PAC	15.55	15.55
PIF	6.74	6.74
Sunleisure Group	2.10	2.10
Other	4.33	4.33
Total	**120.00**	**120.00**

Total returns to unsecured creditors from both OL and OA DOCA proposals:

	DOCA +	Scenario 1 *		Scenario 2 *
		Fortress Charge First Ranking		ATO Notice First Ranking
Fortress	25.00	38.00	^	16.23
PTQ Notes	51.81	46.54		31.83
Challenger Bonds	14.89	13.37		9.15
ATO	3.67	2.70		58.10
PAC	25.31	22.74		15.55
PIF	14.14	12.19		6.74
Class Action	2.53	1.86		-
Others	2.36	2.29		2.10
Total	**139.7**	**139.7**		**139.7**

+ DOCA scenario as outlined in this proposal (or in the OL DOCA proposal, which is separate but accompanies this proposal).

* The ATO has argued its Notice ranks ahead of Fortress' Charge. Scenario 1 is where Fortress claim a full entitlement ahead of the ATO. Scenario 2 is where the ATO claims a full entitlement ahead of the Fortress Charge.

^ Represents the net payment made to Fortress. As can be seen from this summary table, (subject to the assumptions and qualifications set out below), the proposed DOCA provides a materially greater return to the majority of unsecured creditors of the OL Group than would be achieved on a receivership/liquidation.

<u>IMPORTANT: Qualifications and Assumptions to Initial Dividend Forecast in Annexure A</u>

Octaviar Administration Dividend

Cash Available - $120m (net of VA costs)

Deloitte.

Admitted creditors as follows:

OIN (PTQ)	348.0
OIB (Challenger)	100.0
OCV Ltd	550.0
Other	71.0

Returns to "Other" creditors (except for amounts owed to Sunleisure Group Pty Ltd or its subsidiaries) are assumed to be distributed to OL as the ultimate parent company.

Disputed Creditors admitted at 50c in the dollar as follows:

	Claim	Admitted
PIF	147.0	73.5
PAC	340.0	170.0

Initial dividend payable of 9.1c in the dollar.

Octaviar Ltd Dividend - $74m Available

Includes $54.6m distribution from OL to OA and $19.7m held by OA on trust for OL.

Fortress accept $25m, leaving a balance of $49m for distribution to unsecured creditors.

Creditors who have received a dividend from OA have their Proof of Debt reduced accordingly.

Initial dividend payable of 6.1c in the dollar.

Further dividends will be payable following realisation of the deed fund assets (including the sub-participation in the Fortress Debt).

Disputed Creditors admitted as follows:

	Claim	Admitted
PIF	147.0	73.5
IMF Class Action	Unspecified	40.0

PLEASE NOTE THE ASSUMPTION OF ADMITTING THE DISPUTED CREDITORS AT 50C IN THE DOLLAR IS FOR MODELLING PURPOSES. IT IS IN NO WAY AN ESTIMATION OR CONFIRMATION OF THE VALIDITY OF THOSE CLAIMS.

Important Disclaimer: *The dividend estimates contained in this proposal are provided as an indicative estimate of those dividends. The material provided is of a general nature, is based on estimates and in some instances information that has been provided by third parties. It does not constitute financial advice and it has been provided to creditors for general guidance purposes only and should not be relied upon in making any decisions regarding the Company or in calculating a creditor's final dividend at the completion of the Company's external administration.*

Fortress Credit Corporation (Australia) II Pty Limited, and Stephen Parbery and Anthony Sims of PPB as receivers and managers of the Company, are not able to verify the information provided by third parties. The estimated dividend has been provided to creditors for general guidance purposes only and should not be relied upon in making any decisions regarding the Company nor in calculating a creditor's final return at the completion of the external administration. This material is general information only and does not constitute financial advice. It does not take into account a creditor's objectives, needs and circumstances. The statements and opinions used in this proposal are based on information available at the date of this proposal. Actual circumstances may vary and may be subject to contingencies beyond the control of the Company, Fortress Credit Corporation (Australia) II Pty Limited, or Stephen Parbery and Anthony Sims of PPB as receivers and managers of the Company.

SCHEDULE 1 - DICTIONARY

In this proposal:

Challenger means Challenger Managed Investments Limited in its capacity as the responsible entity of the Challenger High Yield Fund and as agent for Colonial First State Investments Limited as responsible entity of the Commonwealth Fixed Interest Fund.

Company means Octaviar Administration Pty Limited (administrators appointed) (formerly known as MFS Administration Pty Limited).

Corporations Act means the *Corporations Act* 2001 (Cth).

Corporations Regulations means the *Corporations Regulations* 2001 (Cth).

DOCA means a deed of company arrangement executed by the Company in accordance with Part 5.3A of the *Corporations Act*.

Fortress means Fortress Credit Corporation (Australia) II Pty Limited.

OIB means Octaviar Investment Bonds Limited (administrators appointed) (formerly known as MFS Investment Bonds Limited.

OIN means Octaviar Investment Notes Limited (administrators appointed) (formerly known as MFS Investment Notes Limited.

OL means Octaviar Limited (administrators appointed) (receivers and managers appointed) (formerly known as MFS Limited).

PAC means OPI Pacific Finance Limited.

PIF means Octaviar Investment Management Limited as responsible entity for the Octaviar Premium Income Fund.

PTQ means Public Trustee of Queensland in its capacity as debenture trustee for the holders of debentures issued by Octaviar Investment Notes Limited (administrators appointed).

Receivers means Stephen Parbery and Anthony Sims each of PPB in their capacity as receivers and managers of the OL.

Stella Group means Octaviar Stella Holdings Pty Ltd as the holder of the ordinary and preference shares in and loan notes issued by Global Voyager Holdings Pty Ltd (Stella) which represent the Octaviar group's 35% interest in the Stella business.

SCHEDULE 2 - ANTICIPATED AVAILABLE ASSETS

For the avoidance of doubt, any assets which are not contained on the list below and which are identified as assets of the Company, will be contributed by the Company to the deed fund.

- Cash held by or on behalf of the Company.
- To the extent available, the beneficial interest in the shares of the Stella Group.
- Any existing causes of action that the Company has or (by virtue of circumstances currently in existence) may have against third parties.

Appendix H – Directors DOCA

Management DOCA for Octaviar Administration Pty Ltd (In Voluntary Administration)

9. Unless stated below the Management DOCA proposal for Octaviar Administration Pty Ltd (the "Company") is exactly the same as that proposed by Fortress/PPB for the Company including any compromises made by Fortress/PPB or actions to be undertaken by Fortress/PPB. A copy of the Fortress/PPB DOCA proposal is attached here as Appendix A.

10. The Company holds a beneficial interest in the Stella Group. Senior Management (including Craig Chapman and Chris Scott who each have considerable experience in the travel and accommodation sectors) agree to assist in the development of the Stella business until the termination of the DOCA.

11. Octaviar Limited holds shares in a number of direct subsidiaries including 3 direct subsidiary companies (Octaviar Castle Pty Ltd, Octaviar Investment Holdings No 1 Pty Ltd and Octaviar Investment Holdings No 2 Pty Ltd, hereafter called "3 investment companies").

12. The Company agrees to forego any claim it has against any of the 3 investment companies or their subsidiaries. We understand the Voluntary Administrators value any such intercompany debts at nil.

13. Senior Management will use their expertise to develop the assets and businesses held within the 3 investment companies and will together control a new company, NewCo, which will have management control over the 3 investment companies. Whilst the equity in these 3 investment companies has been valued by the Administrators of Octaviar Limited at nil, were they to be improved over time and attain a value in the future that value would flow to the shareholders of Octaviar Limited.

14. The Deed Administrators of the Company are to be issued shares in Octaviar Limited on behalf of creditors such that they will hold 10% of the equity in Octaviar Limited after the issue. The shares will be distributed to creditors of the Company on the basis of their admitted claims. The shares will be issued within 6 months of the signing of the DOCA for the Company and will probably require existing shareholder approval. Should any creditor decline the shares allocated to them then such shares will be distributed to other creditors on the basis of their admitted claims. After the issue of these additional shares the shareholders in Octaviar Limited will be as follows:

    - 80% Existing shareholders
    - 10% Creditors of Octaviar Limited
    - 10% Creditors of Octaviar Administration Pty Ltd

    In this way Creditors will be able to share in any upside created in the businesses of the 3 investment companies.

15. The Management DOCA proposal for the Company is dependent on the Management DOCA proposal for Octaviar Limited being accepted by the relevant meeting of creditors. To ensure there are no unintended consequences as a result of this requirement the following will apply - if the DOCA for Octaviar Administration Pty Ltd is accepted but the Management DOCA proposal for Octaviar Limited is not accepted then the terms of the Octaviar Administration Pty

Ltd DOCA are amended to reflect exactly the Fortress/PPB proposal for Octaviar Administration Pty Ltd.

16. For the avoidance of doubt we confirm that all/100% of the cash that would otherwise be available in a Liquidation of the Company is available to Creditors under this DOCA proposal.

FORM 529 Sub regulation 5.6.12(2)

Corporations Act 2001

NOTICE OF SECOND MEETING OF CREDITORS

Octaviar Ltd ACN 107 863 436
(Formerly MFS Ltd) (Receivers & Managers Appointed) ("OCV")

Octaviar Financial Services Pty Ltd ACN 101 579 999
(Formerly MFS Financial Services Limited) ("OFS")

Octaviar Investment Bonds Ltd ACN 126 878 608
(Formerly MFS Investment Bonds Ltd) ("OIB")

Octaviar Investment Notes Limited ACN 122 141 986
(Formerly MFS Investment Notes Limited) ("OIN")

Octaviar Administration Pty Ltd ACN 101 069 390
(Formerly MFS Administration Pty Ltd) ("OA")

(All Administrators Appointed)

1. On 13 September 2008 and 3 October 2008 the companies under Section 436A of the Corporations Act 2001 appointed John Lethbridge Greig and Nicholas Harwood of Deloitte Touche Tohmatsu, Level 25 Riverside Centre, 123 Eagle Street, Brisbane QLD 4000 as the Administrators of the above companies.

2. Notice is now given that a second meeting of the creditors of the companies will be held at 10:30am Brisbane time on Wednesday 17 December 2008 at the offices of Deloitte Touche Tohmatsu, Level 25, 123 Eagle Street, Brisbane QLD 4000.

3. Arrangements have been made for creditors in Sydney to attend the meeting via telephone facilities set up for this purpose at the offices of Deloitte, Level 9, Grosvenor Place, 225 George Street, Sydney. Creditors intending to use the telephone attendance facility are requested to notify us of that intention.

4. **AGENDA**

    a) To consider the Administrator's report on the company's business, property, affairs and financial circumstances;

    b) With respect to OCV, OFS, OIB and OIN, for creditors to consider and resolve:

        i. that the companies execute a Deed of Company Arrangement; or

        ii. that the Administration should end.

    c) With respect to OA, for creditors to consider and resolve:

        i. that the company execute a Deed of Company Arrangement;

        ii. that the Administration should end; or

        iii. that the company be wound up.

    d) Consider the appointment of a committee of Inspection of The Deed of Company Arrangement (if so resolved);

    e) For creditors to resolve to approve the Administrator's remuneration;

f) Should the creditors resolve that the company be wound up, to resolve the future remuneration of the Liquidator;

g) Any other general business.

5. A person is not entitled to vote as a creditor at the meeting unless he or she has made known the particulars of the debt or claim and the debt or claim has been admitted wholly or in part by the Administrator of the company;

6. All creditors must complete a Proof of Debt Form and Proxy Form as required. Please contact the office of Deloitte on (07) 3308 7000 for a copy of these forms. Please complete and return to the office of Deloitte by 4.00pm on 16 December 2008.

Dated: 10 December 2008

John L Greig & Nicholas Harwood
Administrators

FORM 532 Regulation 5.6.29

Corporations Act 2001

APPOINTMENT OF PROXY

Octaviar Administration Pty Ltd ACN 101 069 390
(Formerly MFS Administration Pty Ltd) ("OA")

*I/*We
………………………………………………………………………………..………..……………
..
of
…………………………………………………...……………………………….………
……...
a creditor of **Octaviar Administration Pty Ltd ACN 101 069 390**
Appoint…………………..…………………………………………………………………
……….
(name, address and description of the person appointed) or *in his or her absence the Chairman as *my/our *general/*special proxy to vote at the meeting of creditors to be held on Wednesday 17 December 2008 at 10:30am Brisbane time at the offices of Deloitte, Level 25, 123 Eagle Street, Brisbane Queensland or at any adjournment of that meeting and to vote:
* generally as *he/she determines on *my/our behalf
OR
*specifically in accordance with the following special directions:

FOR	AGAINST	ABSTAIN	
☐	☐	☐	That the meetings of creditors of OIB, OIN, OFS, OCV and OA be held concurrently.
☐	☐	☐	That the administration should end and control be returned to the directors.
☐	☐	☐	That the company execute a Deed of Company Arrangement ("DOCA") proposed by Fortress Credit Corporation (Australia) II Pty Ltd incorporating similar terms to those set out in the Report to Creditors dated 10 December 2008, or any approved amendment thereto, and, in the absence of any other nominations, that John Lethbridge Greig and Nicholas Harwood be appointed Deed Administrators.
☐	☐	☐	That the company execute a DOCA proposed by the directors incorporating similar terms to those set out in the Report to Creditors dated 10 December 2008, or any approved amendment thereto, and, in the absence of any other nominations, that John Lethbridge Greig and Nicholas Harwood be appointed Deed Administrators.
☐	☐	☐	The company should be wound up and, in the absence of any other nominations, that John Lethbridge Greig & Nicholas Harwood be appointed Liquidators

☐	☐	☐	That a Committee of Inspection of the DOCA be formed.
☐	☐	☐	I nominate myself to be a member of the Committee of Inspection.
☐	☐	☐	That the Administrators' remuneration as set out in the Report to Creditors be approved for the period from 3 October to 30 November 2008 in the amount of $618,359 (ex GST)
☐	☐	☐	That the Administrators' remuneration for the period 1 December to 17 December 2008 be approved and capped to an amount of $147,580 (ex GST).

Dated 2008.

......................…........
Signature (Individual)

The Common Seal of was affixed hereto in the presence of:

Director

Director/Secretary

CERTIFICATE OF WITNESS

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

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

Dated this day of 2008.

....
Signature of Witness
Place of residence *Omit if not applicable

FORM 535
CORPORATIONS ACT 2001

Subregulation 5.6.49(2)

FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)
ACN 101 069 390

To the Administrator of Octaviar Administration Pty Ltd (Administrators Appointed)

1. This is to state that the company was, on 3 October 2008 [1] and still is, justly and truly indebted to[2] .... for .... dollars and .... cents.

Particulars of the debt are:

Date	Consideration[3]	Amount $	GST included $	Remarks[4]

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any manner of satisfaction or security for the sum or any part of it except for the following:[5]

3.[6]* I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.

3.[6]* I am the creditor's agent authorised in writing to make this statement in writing. I know that the debt was incurred and for the consideration stated and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.

DATED this day of 2008

Signature of Signatory...

NAME IN BLOCK LETTERS ....

Occupation..

Address ....

I would like to receive future notices electronically. My email address is

…………………………….

See Directions overleaf for the completion of this form

OFFICE USE ONLY

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