

Senate Select Committee on Superannuation and Financial Services

Main Inquiry Reference (a)

Submission No. 226

Submittor: Ferrier Hodgson Management
Services Pty Limited
Mr P M Walker
Director
GPO Box 4114
SYDNEY NSW 2001
 - (02) 9286 9999
 - (02) 9286 9977

FERRIER HODGSON MANAGEMENT SERVICES PTY LIMITED

ACN: 095 839 651

3 July 2001

Ref: pmw\19278\jhz0620b

Select Committee On Superannuation and Financial Services
Parliament House
CANBERRA ACT 2600

Attention: Sue Morton

Dear Madam

**Commercial Nominees of Australia Limited ("CNAL") &
Enhanced Cash Management Trust ("ECMT")**

I refer to your correspondence dated 8 June 2001 and received by this office on 15 June 2001 in relation to the Senate Inquiry into Commercial Nominees of Australia Limited.

Ferrier Hodgson Management Services Pty Limited ("FHMS") now provides a response to the matters raised.

Marshall

Submission 103

- P3. Current Situation, bullet point 2
FHMS was appointed trustee of ECMT on 13 February 2001 and correspondence was forwarded to a list of "unitholders" provided by CNAL on 15 February 2001 (Annexure "A"). After further enquiries FHMS was advised that the parties circularised were beneficial unitholders in the ECMT and not the legal unitholders in the ECMT. In the case of Marshall the legal unitholder in the ECMT is Oakbreeze Pty Limited as trustee for the PR & VT Marshall Superannuation Fund, which has a financial interest in the ECMT.
- P3. Current Situation, bullet point 3
As noted above the PR & VT Marshall Superannuation Fund is a beneficial unitholder.
- P4, Current Situation, bullet point 4
Refer attached letter (Annexure "B") from FHMS to Marshall dated 26 February 2001.

FERRIER HODGSON MANAGEMENT SERVICES PTY LIMITED

LEVEL 17, 2 MARKET ST SYDNEY NSW 2000

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Select Committee On Superannuation and Financial Services
3 July 2001

- P4, Current Situation, bullet point 5
FHMS referred Marshall to CNAL in respect of Marshall's allegations against CNAL and its conduct of the account.

Proof Committee Hansard

- SFS 919, Para 7
FHMS was appointed trustee of ECMT on 13 February 2001 and correspondence was forwarded to a list of "unitholders" provided by CNAL on 15 February 2001 (Annexure "A"). After further enquiries FHMS was advised that the parties circularised were beneficial unitholders in the ECMT and not the legal unitholders in the ECMT. In the case of Marshall the legal unitholder in the ECMT is Oakbreeze Pty Limited as trustee for the PR & VT Marshall Superannuation Fund, which has a financial interest in the ECMT.
- SFS 924, Para 9
Refer previous comments above.

Watts

Proof Committee Hansard

- SFS 887, Para 8
FHMS was not appointed by ASIC. FHMS was appointed by 75% of the legal unitholders of the ECMT at 13 February 2001. A copy of the Deed of Appointment is attached ("Annexure "C"). Also attached is the Deed of Amendment (Annexure "D") detailing the fees payable to FHMS as trustee. In respect of asset realisation projections and actions FHMS has provided Oakbreeze Pty Limited and ACT Super Management Pty Limited with a report (Annexure "E") detailing each asset of the ECMT together with an estimated realisable value. This report was provided under cover of letters dated 20 April 2001 (Annexure "F") same allowed Oakbreeze Pty Limited to disseminate the information to the small DIY funds that they represent. An update of that asset position is attached (Annexure "G").
- SFS 889, Para 10
Refer to attached Deed of Amendment regarding payment of trustee's fees.
- SFS 889, Para 11
FHMS was not appointed by APRA. FHMS was appointed by 75% of the legal unitholders of the ECMT at 13 February 2001. A copy of the Deed of Appointment is attached (Annexure "C").

Select Committee On Superannuation and Financial Services
3 July 2001

- SFS 890, Para 9 & 10
FHMS is not in a position to comment on the responsibility for funding issues.

Should you have any queries in relation to the above matter, please do not hesitate to contact Jon Howarth of this office.

Yours faithfully
Ferrier Hodgson Management Services Pty Limited



P M Walker
Director

FERRIER HODGSON MANAGEMENT SERVICES PTY LIMITED

ACN: 095 839 651

15 February 2001

Ref: pmw\19278\rdz0213a

TO THE UNITHOLDERS

Dear Sir/Madam

The Enhanced Cash Management Trust ("ECMT")

I would advise that with effect from 13 February 2001, Ferrier Hodgson Management Services Pty Limited ("FHMS") has replaced Commercial Nominees of Australia Limited ("CNA") as Trustee of the ECMT.

CNA has been replaced as Trustee as an essential part of the proposed winding up of ECMT, as a result of the impairment of the Trust's assets and in order to attend to the recovery and realisation of those assets.

The reasons for the winding up on ECMT include:

- The apparent loss of value of various investments made by the fund; and
- The resultant illiquidity of the fund and its inability to meet redemption requests.

At present the new trustee is undertaking an investigation into the affairs of the ECMT with a view to assessing the financial position thereof which, by necessity, will include an assessment of the various investments made by ECMT. Once our investigations have progressed, I would foreshadow that a meeting of unitholders will be convened in order to provide you with an overview of the situation.

In the interim, should you have any questions in relation to the matters raised herein, please do not hesitate to contact Bradley Grimshaw or Ken Fung of this office.

Yours faithfully

Ferrier Hodgson Management Services Pty Limited


P M Walker
Director

FERRIER HODGSON MANAGEMENT SERVICES PTY LIMITED

LEVEL 17, 2 MARKET ST SYDNEY NSW 2000

GPO BOX 4114 SYDNEY NSW 2001 DX 13020 SYDNEY MARKET ST EXCHANGE

TELEPHONE 02 9286 9999 FACSIMILE 02 9286 9977

26 February 2001

Ref: pmw\19278\Kfz0226b

Mr and Mrs Peter and Valda Marshall
22 Romilly Avenue
MANINGHAM SA 5086

Dear Sir/ Madam

Enhanced Cash Management Trust

I refer to your letter dated 21 February 2001.

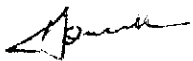
I confirm that your superfund is not a unitholder of Enhanced Cash Management Trust ("ECMT"). It would appear that Commercial Nominees of Australia Limited ("CNA") was the trustee of your fund and was the legal unitholder of ECMT on your behalf.

In relation to your queries I would recommend that you contact CNA as I currently hold no information to assist you.

My investigations in relation to ECMT are continuing and I shall report to all unitholders regarding the outcome of my investigations.

Should you have any queries please contact Kenneth Fung of this office.

Yours faithfully
Ferrier Hodgson Management Services Pty Limited



P M Walker
Director

ANNEXURE "C"

Deed of Appointment of Trustee

Commercial Nominees' Enhanced Cash Management Trust

Clayton Utz, Levels 23-35 No 1 O'Connell Street Sydney NSW 2000 Australia
PO Box H3 Australia Square Sydney NSW 1215 DX 370 Sydney
Tel + 61 2 9353 4000 Fax + 61 2 9353 7832
Our ref - 196/1611771 Contact - Noel Davis

Sydney • Melbourne • Brisbane • Perth • Canberra • Darwin

Liability is limited by the Solicitors Scheme under the Professional Standards Act 1994 NSW

Deed made at **SYDNEY** on **13 February** 2001.
 Between **OAK BREEZE PTY LTD (ACN 095 333 743)**
AUT SUPER MANAGEMENT PTY LTD
COMMERCIAL NOMINEES OF AUSTRALIA LTD (ACN
("Unitholders") **004 572 525**
 And **Ferrier Hodgson Management Services Pty Limited (ACN 095 839 651)**
("Replacement Trustee")

Recitals

- A. By a deed dated 30 June 1998 ("Deed") the Commercial Nominees' Enhanced Cash Management Trust ("Trust") was established.
- B. Under clause 19.4 of the Deed, the Unitholders are empowered, by an instrument evidencing the consent in writing of unitholders holding 75% or more of the units in each class of units in the Trust, to appoint a replacement trustee of the Trust.
- C. The Unitholders hold 75% or more of the units in the Trust and wish to appoint the Replacement Trustee as trustee of the Trust.


This deed witnesses

- 1. The Unitholders hereby declare that they hold 75% or more of the units in each class of units in the Trust.
- 2. The Unitholders appoint the Replacement Trustee as trustee of the Trust with effect from the date of this deed.
- 3. The Replacement Trustee accepts its appointment as trustee of the Trust.
- 4. The Replacement Trustee acknowledges that it is not and cannot become a beneficiary of the Trust.
- 5. The fees that are, initially, to be payable from the Trust to the Replacement Trustee under an amendment proposed to be made to clause 17.2(a) of the Deed are set out in annexure "A" to this deed. The payment of those fees is conditional on the proposed amendment to clause 17.2(a) being made in accordance with the draft deed in annexure B of this deed.

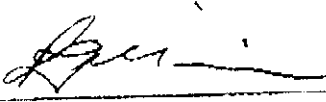
Executed as a deed.

Signed on behalf of

in the presence of **OAK BREEZE PTY LTD, ACN 095 333 743**



 Director



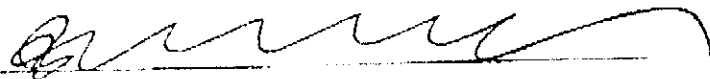
 Director/Secretary

Signed on behalf of **ACT SUPER MANAGEMENT PTY LIMITED**

in the presence of:



Director



Director/Secretary

Signed on behalf of

in the presence of:



Director

Director/Secretary

Signed on behalf of **Commercial Nominees of Australia Ltd**

in the presence of:



Director

Director/Secretary

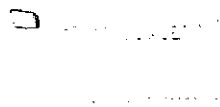
Signed on behalf of Ferrier Hodgson Management Services Pty Limited in the presence of:



Director



Director/Secretary



ANNEXURE "A"**TRUSTEE'S FEES WITH EFFECT FROM 1 JANUARY 2001**

Classification of Fenner Hodgson personnel performing work on behalf of the Trustee	Trustee's fee to be charged to the Trust (\$ rate per hour)
Partner	377
Director	296
Senior Manager	242
Manager	183
Supervisor	154
Senior 1	137
Senior 2	112
Intermediate 1	95
Intermediate 2	89
Secretary/WPO	97
Computer Operator	89
Junior	49
Clerk	75
Typist	65

ANNEXURE B

Deed of Amendment

Clayton Utz, Levels 23-35 No 1 O'Connell Street Sydney NSW 2000 Australia
 PO Box H3 Australia Square Sydney NSW 1215 DX 370 Sydney
 Tel + 61 2 9353 4000 Fax - 61 2 9353 7832
 Our ref - 196/ Contact - Noel Davis

Sydney Melbourne Brisbane Perth Canberra Darwin

Liability is limited by the Solicitors Scheme under the Professional Standards Act 1994 NSW

Deed made at _____ on _____ 2001
Between _____

("Unitholders")

And **Ferrier Hodgson Management Services Pty Limited ACN 095 839 651**
("Trustee")

Recitals

- A. By a deed dated _____ ("Deed") the Commercial Nominees' Enhanced Cash Management Trust ("Trust") was established.
- B. Under Clause 22 of the Deed, the Trustee, with the consent in writing of unitholders holding 75% or more of the units in each class of units in the Trust, may amend the Deed, subject to the limitations there expressed.
- C. The Trustee, with the consent of the required majority of Unitholders, wishes to amend the Deed in the manner set out below.

This deed witnesses

Clause 17.2 is amended by the deletion of paragraph (a) and the substitution therefor of the following:

- (a) The Trustee is entitled to charge and be paid out of the Trust Fund, as trustee's fees, the amount agreed between the Trustee and Unitholders by instrument evidencing the Requisite Consent.

Executed as a deed.

Signed on behalf of _____

in the presence of _____

Director

Director/Secretary

Signed on behalf of

in the presence of:

Director

Director/Secretary

Signed on behalf of

in the presence of:

Director

Director/Secretary

Signed on behalf of

in the presence of:

Director

Director/Secretary

Signed on behalf of Ferrier Hodgson Management
Services Pty Limited in the presence of:

Director

Director/Secretary

COMMERCIAL NOMINEES' ENHANCED CASH MANAGEMENT TRUST

Deed of Amendment

Clayton Utz Levels 23-25 No 100 Connel Street Sydney NSW 2000 Australia
PO Box 113 Australia Square Sydney NSW 1215 DN 370 Sydney
Tel - 61 2 9353 4000 Fax - 61 2 9353 7832
Our ref - 196/1611071 Contact - Noel Davis

Sydney • Melbourne • Brisbane • Perth • Canberra • Darwin

Liability is limited by the Solicitors Scheme under the Professional Standards Act 1994 NSW

Deed made at SYDNEY on 13 February 2001

Between OAK BREEZE PTY LTD ACN 095 333 743
ACT SUPER MANAGEMENT PTY LTD
COMMERCIAL NOMINEES OF AUSTRALIA
LTD (ACN 054 235 853)

("Unitholders")

And Perrier Hodgson Management Services Pty Limited ACN 695 839 651
("Trustee")

Recitals

- A By a deed dated 30 June 1998 ("Deed") the Commercial Nominees' Enhanced Cash Management Trust ("Trust") was established.
- B Under Clause 22 of the Deed, the Trustee, with the consent in writing of unitholders holding 25% or more of the units in each class of units in the Trust may amend the Deed, subject to the limitations there expressed.
- C The Trustee, with the consent of the required majority of Unitholders, wishes to amend the Deed in the manner set out below.

This deed witnesses

Clause 22 is amended by the deletion of paragraph (a) and the substitution thereof of the following:

- (a) The Trustee is entitled to charge and be paid out of the Trust Fund, as trustee's fees, the amount agreed between the Trustee and Unitholders by instrument evidencing the Requisite Consent

Executed as a deed:

Signed on behalf of OAK BREEZE PTY LTD ACN 095 333 743

in the presence of:

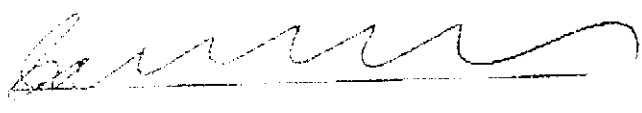
Director

Director Secretary

Signed on behalf of **ACT SUPER MANAGEMENT PTY LIMITED**
in the presence of.



Director



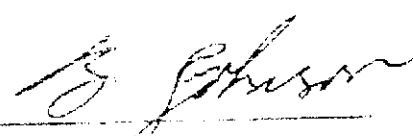
Director Secretary

Signed on behalf of
in the presence of.

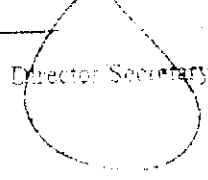
Director

Director Secretary

Signed on behalf of **Commercial Nominees of Australasia Pty**
in the presence of.

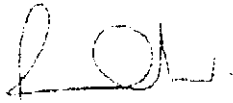


Director



Director Secretary

Signed on behalf of Ferrier Hodgson Management Services Pty Limited in the presence of:



Director



Director Secretary



**Enhanced Cash Management Trust ("ECMT")
and Equity Enhanced Fund ("EEF")**

Overview on Status of Matters for APRA

10 April 2001

FERRIER HODGSON MANAGEMENT SERVICES PTY LIMITED
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TELEPHONE 02 9286 9999 FACSIMILE 02 9286 9888



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1. Foreword

This report has been prepared for the sole purpose of providing APRA with an overview on the position of Enhanced Cash Management Trust and Equity Enhanced Fund.

The report is highly confidential and must not be reproduced or provided to any party other than APRA without the written authorisation of Ferrier Hodgson Management Services Pty Limited.

2. Introduction

Ferrier Hodgson Management Services Pty Limited ("FHMS") replaced Commercial Nominees of Australia Limited ("CNA") as Trustee of the ECMT and EEF on 13 February 2001. This occurred as an essential part of the proposed winding up of ECMT and EEF, as a result of the impairment of the Trusts' assets and in order to attend to the recovery and realisation of those assets.

The reasons for the winding up of ECMT and EEF include:

- The apparent loss of value of various investments made by the funds; and
- The resultant illiquidity of the funds and their inability to meet redemption requests.

At present FHMS is undertaking an investigation into the affairs of the ECMT and EEF with a view to assessing the financial position thereof which, by necessity, will include an assessment of the various investments made by ECMT and EEF.

This report sets out the current position in terms of the review of the assets of each trust and the results of preliminary investigations of the following transactions that appeared as investments and/or loans in the financial accounts of the ECMT and EEF. Reports have been provided to Clayton Utz for their advice:

- Former CNA Director Loans
- Peel Valley Mushroom Project ("PVMP"), including John Holder loan
- Midway Gardens Partnership and AHC Limited ("MGP")
- Strategic Capital Investments Limited ("SCIL")

We have also progressed the investigation of the Queensland Essential Oils Limited ("QEOL") transaction and expect to have completed the investigation by Wednesday 11 April 2001. Investigations still to be completed include the following:

- (a) Queensland Essential Oils Limited ("QEOL") investigation started, expected to complete by Thursday 12 April 2001
- (b) MIO Processing Pty Limited ("MIO") investigation started, expect to complete by Tuesday 17 April 2001
- (c) International Share Investments ("NASDAQ") expect to complete by Friday 20 April 2001



(d) Nutri-Pure Pty Limited ("Nutri-Pure") expect to complete by Friday 20 April 2001

(e) TLL Workman Pty Limited ("Workman") expect to complete by Friday 20 April 2001

(f) Australian Authorised Investments Limited ("AAI") expect to complete by Friday 20 April 2001

It should be noted that a significant lack of records exists in relation to the investigations.

3. Estimated Financial Position – ECMT

Based on draft unaudited accounts at 30 June 2000, the estimated financial position of ECMT is as follows:

	Book Value 30.06.00	Current Estimated Realisable Value
Assets	\$	\$
Cash at Bank	3,113,475	2,652,683
Loan – Peel Valley Unit Trust	5,469,260	Unknown
Loan – Peel Valley Mushrooms Ltd	306,482	Unknown
Loan – Combined Mushroom Farms P/L	1,066,194	Nil
Loan – Confidens Investment Trust (secured)	12,110,126	-
Loan – Equity Enhanced Fund	1,097,226	Unknown
Loans re Midway Gardens Partnership	3,540,000	Unknown
Other loans	930,418	Unknown
Total Assets	27,633,181	Unknown
Liabilities		
Loan – Colonial State Bank (secured)	12,369,927	-
Manager Fees Payable	9,453	Unknown
Trustee Fees Payable (CNA)	20,238	Unknown
Expense Provision	24,834	Unknown
Total Liabilities	12,424,452	Unknown
Net Assets	15,208,729	Unknown
Contingent Asset – equity in Confidens Investment Trust securities	-	3,000,000
Contingent Asset – potential litigation	-	Unknown

Note: All loans are disclosed at principal amount only excluding interest and at full book value (no provisions).



Comments in relation to the estimated financial position of ECMT are as follows:

3.1 Cash at Bank

Cash at bank of \$2,652,683.44 realised from account held with Colonial State Bank. New account now opened with Australia and New Zealand Banking Group Limited.

3.2 Loan to Peel Valley Unit Trust ("PVUT")

Advances have been made by ECMT to PVUT in the sum of \$5,469,260 (30.06.00).

Two properties at McGraths Hill and Wilberforce owned by PVUT. CNA is currently the trustee of PVUT. ECMT is believed to be the sole unit-holder of PVUT however no evidence to confirm this has been located to date.

Vendor finance on acquisition of properties of \$2M each secured by real property mortgage and registered fixed and floating charge.

Repayments to mortgagees in default and both mortgagees have served Section 57(2)(B) notices.

A proposal was placed before the mortgagees for them to provide upfront funding in order for FHMS to conduct vendor sale of properties. Both mortgagees have declined the proposal and will continue proceedings to take possession of the properties for purpose of sale.

Valuations on land and improvements in February 2001 indicate values for McGraths Hills and Wilberforce of \$1,065,000 and \$1,100,000 respectively.

Once mortgagees have entered into possession, it is proposed that FHMS will replace CNA as trustee for PVUT in order to monitor actions of the mortgagees in conduct of the sale of the properties.

3.3 Loan to Peel Valley Mushrooms Limited ("PVML")

The Supreme Court of QLD appointed P G Downie and S R Carter of Downie & Associates liquidators of PVML on 13 November 2000.

CNA as trustee for ECMT and EEF holds a fixed and floating charge over the assets of the company against advances made to PVML in the sum of \$306K by ECMT and \$4M by EEF (30.06.00).

The principal asset charged is vacant land at 7 Phoenix Street, Westdale (Tamworth). The liquidator is seeking to verify the securities held by CNA.

The land has been valued for rating purposes at \$140K by Tamworth City Council.

Subject to the Liquidator's review of securities, action will be taken to effect the sale of the property as mortgagee.



3.4 Loan to Combined Mushroom Farms Pty Limited ("CMF")

ECMT has provided unsecured advances to CMF in the sum of approximately \$1.1M.

Messrs A Duncan and T Schmierer of Knights Insolvency Administration were appointed voluntary administrators of CMF on 29 December 2000 and subsequently joint liquidators on 2 February 2001.

The last report issued by the administrators suggests that there is little likelihood of a dividend being paid to unsecured creditors of the company.

3.5 Confidens Investments Trust (CIT)

CIT is a vehicle, which enables the trustee of CIT to borrow funds using the assets purchased with investors' cash contributions as security. On the basis of CNA records CIT borrows these funds from ECMT, who in turns borrows funds through a margin lending facility with Colonial State Bank (CSB).

At 30 October 2000 the books of ECMT reflected a debt due by CIT of \$12,093,863.32 and a debt due to CSB of \$9,849,927.19.

Investigations are being progressed by FHMS and Prentice Parbery Barilla (receivers appointed to CIT) as to the claim that ECMT may have to the equity in the lending arrangements (approx \$3M).

3.6 Loan to Equity Enhanced Fund

ECMT has loaned EEF approximately \$1.1M.

Recovery of this loan will depend on the satisfactory recovery of EEF investments.

3.7 Loans - Midway Gardens Partnership (MGP)

Loans in the order of \$3.5M have been advanced to related parties to assist with the acquisition of interests in the MGP and the acquisition of shares in AHC Limited.

Refer commentary on MGP at Point 3.5 hereunder.

Statements of Claim in respect of all MGP loans with one exception have been issued and proceedings are returnable in the District Court of New South Wales on 15 May 2001.

3.8 Other Loans

ECMT has advanced loans to the following:

	\$
A Skinner & Co	200,000
I Skeoch & Co	80,000
Graham Werry	150,000
P Russell-Jones	100,000
W Kable	100,000
K Blissett	150,000
M Blissett	<u>150,000</u>
Total (subject to interest)	<u>\$930,000</u>

Statements of Claim have again been issued in respect of all loans.



3.9 Liabilities

At this stage, FHMS has not sought to verify liabilities of the trust in existence at 30 June 2000. FHMS has not received notice of any claims against the trust other than the claim by Colonial State Bank which holds security against shares and investments in managed funds which appear to be owned by the investors in the Confidens Investment Trust.

4. Estimated Financial Position – EEF

Based on draft unaudited accounts at 30 June 2000, the estimated financial position of EEF is as follows:

	Book Value 30.06.00	Current Estimated Realisable Value
	\$	\$
Cash at Bank	7,988	8,213
Investment in Ipworld Limited	27,000	Unknown
Interest in Workman Convertible Note	200,000	200,000
Shares in Technology Licensing Ltd	200,000	44,000
Interest in Midway Gardens Project	1,330,000	Unknown
Shares in AHC Limited	-	172,425
Loan – Peel Valley Mushrooms Ltd	1,000,000	Unknown
Convertible Note – Peel Valley Mushrooms Ltd	3,000,000	Unknown
Investment – Queensland Essential Oils Limited	-	Unknown
Loan – MIO Processing Pty Limited	986,255	Unknown
Shares in SCIL	3,393,172	Unknown
International Investments	-	Unknown
Loan to Nutri-Pure (Aust) Pty Limited	-	Nil
Total Assets	10,144,415	Unknown
Liabilities		
Loan from ECMT re MGP	1,314,878	1,330,000
Loan from ECMT – other	1,097,225	1,097,225
Interest Payable – ECMT	376,302	376,302
Total Liabilities	2,788,405	2,803,527
Net Assets	7,356,010	Unknown
Contingent Assets – potential litigation	-	Unknown

Note: All loans are disclosed at principal amount only excluding interest and at full book value (no provisions).



Comments in respect of the estimated financial position of EEF are as follows:

4.1 Cash at Bank

Cash at bank of \$8,213.49 realised from account held with Colonial State Bank. New account now opened with Australia and New Zealand Banking Group Limited.

4.2 Ipworld Limited (IL) (formerly Australian Authorised Investments Limited)

EEF holds 135,000 shares in IL. These shares are held in the name of Enhanced Management Pty Limited ("EM") which was the trustee of EEF prior to CNA.

Last quoted at 11 cents. Listing suspended on 4 August 1999.

CNA had advised that value is negligible at approximately \$0.01 to \$0.015 cents per share.

FHMS has written to IL to obtain update on company status and likely market for shares. The directors have applied to have the company re-listed on the Australian Stock Exchange and are at present actively raising \$5M capital in order to secure the re-listing. The prospectus for the capital raising closes on 19 April 2001.

4.3 Workman Convertible Note Fund (WCNF)

EM is trustee for WCNF. EM has no directors and G Ling has requested FHMS to replace EM as trustee. Documentation to replace trustee and assign securities is currently being prepared.

Only asset of WCNF is a \$300,000 convertible note issued by Technology Licensing Limited (TLL). The note matures on 30 June 2001.

Remaining unit holders in WCNF are:	No. of Units
FHMS atf EEF	200,000
Flinders Australian Small Companies Fund	70,000
Alpina Investments Pty Limited	<u>30,000</u>
Total	<u>300,000</u>

The convertible note is supported by registered equitable mortgage over the assets of TLL.

Upon replacement as trustee, FHMS intends to inspect the secured property and relevant records.

4.4 Technology Licensing Limited

EEF holds 400,000 shares in TLL.



On 6 March 2001 the last sale price of TLL stock was \$0.11 placing a value on the EEF shares of approximately \$44,000.

TLL are presently conducting an historical search of its share registers to confirm this holding.

4.5 Interest in Midway Gardens Partnership (MGP)

55% interest in MGP valued at \$1,330,000 in draft 2000 accounts. The funds to acquire this interest were advanced by ECMT on 30 June 1999.

Only tangible asset of MGP is a 10 hectare parcel of land located on Herses Road, Eagleby, QLD between Brisbane and the Gold Coast. The land was acquired from AHC Limited by CNA as custodian of the MGP for \$800,000. No development has taken place.

The land has been valued at \$380K by QLD Department of Natural Resources on 1 October 1999. A kerbside valuation by Greenacre Real Estate in November 2000 indicated a value of approximately \$160K, noting that the property was not a viable site for a housing estate.

EEF cannot progress realisation of MGP assets without consent of other MGP partners (former CNA directors and related entities) which is considered unlikely to be forthcoming.

Subject to assessment of land value it may be necessary to appoint a receiver to wind up the MGP.

4.6 AHC Limited (AHC)

EEF holds 605,000 shares in AHC.

On 28 March 2001 the last sale price of AHC stock was \$0.285 placing a value on the EEF shares of approximately \$172,425.

AHC has offered to buy back the shares at \$0.25 per share conditional on shareholder approval.

4.7 Peel Valley Mushrooms Limited (PVML)

EEF has advanced PVML approximately \$3M under a Convertible Note repayable on 31 January 1999. Further unsecured advances were made by EEF to PVML in the order of \$1M.

EEF's interest under the convertible note were secured by way of fixed and floating charge over the assets of PVML. This equitable mortgage was granted on 30 June 1998 in favour of EM as trustee for EEF (as it was at that time).

Refer comments at Point 3.3.



4.8 Queensland Essential Oils Limited

Tax effective scheme to develop a tea tree production business.

EEF acquired a portfolio of loan contracts associated with this tax project for \$1.4M (base value of \$6.6M).

The contracts are represented as being dependent upon the success of the project for repayment. The project was unsuccessful due to an advised fall in worldwide commodity prices for tea tree oil.

Growers are now farming tomatoes. Payment is advised as only being due to EEF upon the financier receiving profits from the growers.

National Australia Bank appears to have entered into possession as mortgagee in respect of property owned by QEOL (23.09.00). QEOL can no longer offer growers land upon which to conduct farming activities.

As a consequence, QEOL has transferred its rights to money on deposit with Bellcap Pty Limited to Quality Food Productions Limited No. 2 (QFP2) (basis currently not ascertained).

We are further advised that Agfresh Limited intends to acquire the issued capital of QFP2 as part of a plan to acquire agricultural interests through a capital raising program (the results of which to date are not known).

Investigations to date have been hampered by lack of documentation. Value of the investment at this stage is indeterminable but likely to be negligible. Enquiries are continuing.

4.9 MIO Processing Pty Limited (MIO)

\$1M originally advanced by EEF to MIO.

4 convertible unsecured notes totalling \$660K were issued in 1998.

EM atf for EEF holds a registered fixed and floating charge over the assets of MIO.

November 2000 advice conveyed that MIO was negotiating with a party interested in acquiring EEF's interest.

FHMS is seeking copies of all documentation and has written to MIO to ascertain current status of company and negotiations regarding disposal of EEF's interest. No response has been forthcoming from MIO at this stage.

4.10 Strategic Capital Investments Limited (SCIL)

SCIL is an investment company related to shareholders and former directors of CNA. EEF advanced funds to SCIL to assist in a takeover bid for AHC Limited. EEF was purportedly issued with redeemable preference shares in SCIL in consideration for the funds advanced. The draft accounts for EEF at 30 June 2000 record a value of \$3.4M for the SCIL redeemable preference shares. This value has been written down to nil on the basis of the uncertain financial position of SCIL.



Takeover bid was not successful and SCIL has now sold substantially all its shares in AHC Limited in off-market transfers to partners in the MGP.

Certain issues have been raised as to the actual application of funds advanced to SCIL by EEF. Refer to Point 4.5 for further investigations in respect of SCIL.

4.11 International Investments

EEF acquired a portfolio of international investments from Freedom of Choice (a related party trust) in June 1998.

The portfolio was transferred at cost. Evidence suggests that the value of the portfolio at the time was approximately 60% of cost.

The portfolio consists of a number of speculative investments on the NASDAQ Exchange together with a private company loan.

Documentation supporting the acquisition of this portfolio is not complete and FHMS is continuing investigations as to the legal ownership of the portfolio and the likely value thereof.

4.12 Other Investments

Advances totalling \$560K were made to Nutri-Pure (Aust) Pty Limited under Deed of Loan in January and March of 1998.

An external administrator was appointed on 28 July 1997 followed by the appointment of Knights Insolvency Administration as Liquidator on 12 May 1999.

The Liquidators have indicated that the records of the company do not reflect the advances made by EEF. In any event, the Liquidator's have also advised that there is no likelihood of a dividend being paid to ordinary unsecured creditors of the company.

4.13 Liabilities

At this stage, FHMS has not sought to verify liabilities of the trust in existence at 30 June 2000. FHMS has not received notice of any claims against the trust other than the claim by ECMT in respect of documented loans recorded in the accounts for each trust.

5. Investigations Performed to Date

Following is a brief description of each of the investigations and related activities performed to date:

5.1 IT Forensics

Michael Squire, IT Forensics Manager, has attended the offices of CNA and obtained Forensic images of PC's and servers relevant to the investigations. Michael Squire and Jason Frost have reviewed these images in an effort to identify

electronic files and/or data that is relevant to the investigations. Results of the review are included in the appropriate transaction investigation report.

Additionally, original backup DAT tapes have been obtained from Michael Petersen (CNA IT Manager), which contain electronic files and data as of late 2000, which may be relevant to the investigations. These tapes are incompatible with the hardware presently available to us and it is necessary to acquire new hardware to restore them. We envisage being in a position to review these tapes shortly.

Michael Squire is presently drafting an affidavit in relation to the methods used to obtain electronic data from CNA.

5.2 CNA Insurance

Mr Gary Ling of CNA has informed us that the Professional Indemnity and Directors & Officers insurance policies were underwritten by HIH to 30 June 2000. These policies were unable to be renewed with HIH as a result of notification of potential claims. Mr Ling has provided us with preliminary information in relation to new insurance taken out with Liberty International underwriters. We have provided this information to Clayton Utz and noted that it has exclusions, which appear to relate to the contemplated proceedings. We are awaiting copies of all policies from CNA. In the meantime we have requested that Clayton Utz seek further information from the underwriter direct and we have also sought the advice of Clayton Utz regard the steps that should be undertaken in relation to the insurance.

5.3 Real Asset Recoveries

We have sought advice from Clayton Utz in relation to the recommended steps that should be undertaken to ensure that if successful in the proceedings, recovery of a judgement sum would be made. In this regard, we have performed real property searches for the Officers of CNA and other related entities in New South Wales, Queensland and Victoria. The searches reveal interests in approximately 12 charged properties (including half interests) and 1 unencumbered property. Further enquiries are necessary as these properties may be held by those individuals/entities in a trust capacity. The value of equity in these properties is unknown, but presumably the equity would be of some value. It is likely that each of the Directors would also have other assets and interests in entities of value.

5.4 Former CNA Director Loans

Recovery actions had commenced in relation to Former CNA Director Loans prior to the appointment of FHMS as Trustee of the ECMT and EEF. Minter Ellison, acting for CNA, had virtually completed statements of claims. Clayton Utz, acting for FHMS now has the carriage of the recovery actions.

5.5 PVMP, MGP and SCIL Investigations

The Australian Securities and Investments Commission ("ASIC") holds all known records in relation to the PVMP investigation. However, in relation to the MGP and SCIL investigations, while ASIC holds some MGP records, there are additional original MGP and all SCIL records held by CNA. Notwithstanding that these records have been reviewed for relevant documents and copies made we have a concern as to their future availability if they remain with CNA.



It should be noted that in our view there would appear to be further relevant records that we have not been able to review. Our efforts to obtain relevant records from CNA have been frustrated by an apparent lack of knowledge by CNA officers and staff as to the exact quantity and location of relevant records held. It may be the case that some of these documents may be made available through other sources such as PwC and Arthur Andersen. Further discussion of this issue appears below in Section 7.

6. Investigations - Preliminary Findings

The focus of our investigations has been to identify and bring together evidence on potential breaches of Trust by CNA and its former and current Directors. In addition there may be other causes of action available to enable an assessment to be made as to whether legal action can be taken to recover losses to unit holders in a short time frame.

Clayton Utz, in a letter to FHMS dated 6 March 2001, outlined potential causes of action, which may be available to recover the losses suffered by unit holders. The particular transactions in which we believe breaches may have occurred are set out in the preliminary investigation reports (together with supporting documents) which have been provided to and discussed with Clayton Utz in several meetings over the past weeks.

There is evidence to suggest that CNA and its Directors were aware of the impaired nature of the Trust assets from at least February 1999. In or about April 2000, APRA and PwC began investigating the affairs of the Trusts. Subsequent to each of these dates, the Trusts continued to receive and disburse substantial funds. We have sought advice from Clayton Utz as to whether this is a breach of Trust for which proceedings should be considered by us. It may be that the investors who now have a shortfall as a result of actions by CNA and its former and current Directors during that period should properly bring such proceedings.

There is also evidence to suggest that CNA and its Directors entered into transactions that involved the investment in assets that were long-term illiquid schemes promoted within CNA at significant over value. The commercial reasonableness of the investments and whether or not CNA as Trustee has acted prudently given the nature of the security offered to investors, being totally dependent upon the success of the venture, is questionable. Some of these transactions, if not all, would also appear to be outside the scope of the Trusts intended investment profile as disclosed to investment advisers and potential investors in the various Information Memorandums concerning the type of securities held.

Financial records obtained indicate that virtually 100% of the Trusts investment and/or loans were in default with interest payments rarely received. The existence of apparent conflicts and related party relationships appears to have frustrated the obligation of CNA to pursue the investments and/or loans or make other commercial arrangements.



7. Investigations - Proposed Plan of Action

It is our view that if Clayton Utz form a preliminary opinion that there are good prospects of success and action is taken to ensure recovery against assets, it would be appropriate to commence proceedings as soon as possible. In this way, the value of prospects of recovery is enhanced and where information is not available, the subpoena process can be utilised. Accordingly, we have requested that Clayton Utz provide their advice, in relation to the completed investigations, with a view to commencing proceedings in the short term. We expect to receive their advice and make a decision on proceedings by the end of April.

We planned to meet with Mr Peter Hedge of PwC in order to obtain records in relation to investigations that he has performed, however Mr Hedge has been unavailable. We are still seeking such a meeting with Mr Hedge once he becomes available.

We have encountered a significant level of difficulty in locating relevant documents during the investigation. A review of Arthur Anderson audit workpapers may provide valuable information in relation to many of the above transactions.

The conducting of interviews of various key individuals may provide valuable information in relation to many of the above transactions. It is envisaged that interviews will be conducted in order to provide information where deficiencies exist. To this extent we will liaise with Clayton Utz to determine any deficiencies. ASIC has informed us that they intend to conduct Section 19 Examinations of two individuals initially and have requested that we provide them with questions and also attend the Examinations. We are currently liaising with ASIC in relation to these Examinations.

We were not able to obtain copies of the Minutes of CNA Director Meetings and Trustee Minutes in a timely manner, which resulted in no consideration being given to them in performing the preliminary investigation. We have now received copies of the records and intend to review them with a view to providing an additional report of our findings.

Please note that our investigations are continuing in relation to each of the matters and further updates will be provided. Investigations have been limited due to poor financial records, which will ultimately necessitate reconstruction. Additional banking source records (over and above \$10,000) have been requested from the Trusts Bankers, Colonial State Bank and Westpac Bank. In our experience, it will be several weeks before this information is received, which will be outside our deadline to commence proceedings.

We are also presently keeping ASIC, PwC and KPMG apprised of our respective progress and findings.



Should you have any questions in relation to this matter please do not hesitate to contact the writer.

Dated this 10th day of April 2001.

**Ferrier Hodgson Management Services Pty Limited as trustee for
Enhanced Cash Management Trust
Equity Enhanced Fund**

P M Walker
Director

20 April 2001

Ref: pmw\19278\jhz0420a

Oakbreeze Pty Limited
c/- PriceWaterhouseCoopers
201 Sussex Street
SYDNEY NSW 2000

Att: Peter Williamson

Dear Sir

**Enhanced Cash Management Trust ("ECMT")
Equity Enhanced Fund ("EEF")**

Please find attached an asset and investigation report in respect of the above trusts provided to APRA last week. The report provides an update to our report of 9 March 2001 in terms of:

- identification and realisation of available impaired assets; and
- investigation progress.

As previously advised, in terms of keeping unitholders informed of my progress, I intend to report direct to the legal unitholders of ECMT and EEF only. You should disseminate this information to the small DIY funds that you represent as appropriate.

Should you have any questions in relation to the matters contained herein, please do not hesitate to contact the writer or Robyn Duggan of this office..

Yours faithfully
Ferrier Hodgson Management Services Pty Ltd


P M Walker
Director

20 April 2001

Ref: pmw\19278\jhz0420b

ACT Super Management Pty Limited
C/- KPMG
45 Clarence Street
SYDNEY NSW 2000

Att: Chris Honey / Deborah Soler

Dear Sir / Madam

Enhanced Cash Management Trust / Equity Enhanced Fund

Please find attached an asset and investigation report in respect of the above trusts provided to APRA last week. The report provides an update to our report of 9 March 2001 in terms of:

- identification and realisation of available impaired assets; and
- investigation progress.

We will keep you informed of our progress in relation to these matters.

Should you have any questions in relation to the matters contained herein, please do not hesitate to contact the writer or Robyn Duggan of this office..

Yours faithfully
Ferrier Hodgson Management Services Pty Limited


P M Walker
Director



1. ECMT

Assets	Status of Realisation	Book Value 30.06.00	Current Estimated Realisable Value
		\$	\$
Cash at Bank (Note 1)	Realised	3,113,475	2,652,683
Loan – Peel Valley Unit Trust	Mortgagees entered into possession of mushrooms farms and equipment	5,469,260	Nil
Loan – Peel Valley Mushrooms Ltd	Company in liquidation. Liquidator verifying securities held by CNAL atf ECMT/EEF over Tamworth land valued at approx. \$140K. Awaiting copy of advice to CNAL from Kemp Strang on validity of security.	306,482	Unknown
Loan – Combined Mushroom Farms P/L	Company in liquidation – no dividend expected.	1,066,194	Nil
Loan – Confidens Investment Trust (secured) (Note 2)	Debt connected to Colonial Margin Lending facility. Now repaid.	12,110,126	-
Loan – Equity Enhanced Fund	No action taken to recover loan, at this stage – recovery dependent on asset realisations in EEF.	1,097,226	Unknown
Loans re Midway Gardens Partnership	District Court proceedings under way for recovery. Excluding \$380K loan to CNAL – now in liquidation, Proof of Debt to be filed. Excluding \$1.33M loan to EEF due to asset impairment. Reviewing ability to exercise power of sale of shares acquired by MGP partners in AHC Limited.	3,540,000	Unknown
Other loans	District Court proceedings under way for recovery	930,418	Unknown
Total Assets		27,633,181	Unknown

All loans are disclosed at principal amount only excluding interest and at full book value (no provisions).

Note 1 – Max Prentice of Prentice Parbery & Barilla as receiver of the Confidens Investment Trust has made a claim to \$2.5M of these funds. A reconciliation in relation to this claim is currently being conducted.

Note 2 - Investigations are continuing as to whether ECMT or CIT are entitled to the surplus proceeds of sale of shares/investments that were the subject of the security for the margin lending facility (approx. \$3M).