

11 February 2011

To Members and Creditors as addressed

Dear Sir / Madam

Lift Capital Partners Pty Limited, ACN 111 015 500
Lift Capital Nominees No. 1 Pty Limited, ACN 112 913 532
(In Liquidation) (Scheme Administrators Appointed) ("Lift")

Annual report to members and creditors

This report should be read in conjunction with all previous updates and reports that are available on the McGrathNicol website (<http://www.mcgrathnicol.com/administrations/liftcapital/Pages/LiftCapital.aspx>).

Pursuant to Section 508(1) of the *Corporations Act 2001* ("the Act"), if a creditors' voluntary winding up continues for more than one year, a liquidator must either convene an annual general meeting ("AGM") or prepare a report to members and creditors and lodge that report with the Australian Securities and Investments Commission ("ASIC").

In accordance with Section 508(4) of the Act, we have opted to prepare a report in lieu of convening an AGM. Our reasons for doing so are as follows:

- + to avoid the costs of convening a meeting (which would be significant given the number of creditors);
- + Lift has a Committee of Inspection ("the Committee") that actively represents the interest of creditors and is reported to and engaged by us regularly;
- + we do not require members or creditors to consider any resolutions; and
- + we estimate the winding up will be completed within eighteen months, at which point a final meeting of creditors will be convened.

Liquidators' acts and dealings and the conduct of the winding up

As members and creditors would recall, the first AGMs were held on 22 December 2009 after the Scheme Meetings, where creditors passed resolutions agreeing to the Schemes. Provided below is a summary of the major milestones achieved since those meetings were held:

- + the Federal Court made orders approving the Schemes and the Schemes became Effective;
- + Merrill Lynch made a cash contribution of \$10.3 million to the Scheme Fund;
- + Lift Clients were notified of their Established Scheme Claims and the claims of Trade and Other Creditors were adjudicated upon;
- + the Famularo Companies opposed the approval of the Schemes by the Federal Court and appealed the treatment of their proofs of debt, contending that they were creditors of Lift. The Famularo Companies unsuccessfully appealed to the Full Federal Court and also applied for, but did not obtain, leave to appeal to the High Court;

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- + the various releases and indemnities between Lift, Merrill Lynch and Lift Clients came into effect;
- + we returned the Surplus Securities to Lift Clients (including cash);
- + we declared a First Interim Scheme Dividend to Scheme Creditors;
- + we continued to collect and pursue outstanding margin loans;
- + we reported to ASIC on the affairs of Lift and the conduct of its directors; and
- + the remaining Lift staff were made redundant and Lift's office was closed down.

The Committee of Inspection

The creditors of Lift are represented by the Committee which consisted of twelve members at initial formation, and now consists of ten members following two resignations.

Since its formation, we have convened thirteen Committee meetings and sought the Committee's views and guidance on a range of matters. The Committee has also reviewed and approved our fees during the course of the Liquidations/Schemes.

Liquidators' report to ASIC

In accordance with Section 533(1) of the Act, we have provided a formal report to ASIC on the liquidation. As this report is confidential in nature, we are unable to provide specific information regarding its contents.

Tax issues for Lift Clients

We have been working with the Australian Taxation Office ("ATO") to consider the circumstances facing Lift Clients with the aim of agreeing an acceptable approach that Lift Clients can adopt to meet their income tax obligations (please see our website for further commentary).

The ATO has now published a fact sheet specifically for Lift Clients. The purpose of the fact sheet is to provide guidance to Lift Clients when completing their income tax returns. The fact sheet is available on the ATO website (search 'Lift Capital' at www.ato.gov.au).

Receipts and Payments

A summary of the receipts and payments for the period 10 April 2008 to 31 January 2011 is attached as Appendix A.

Final Scheme Dividend

On 1 September 2010 we declared a First Interim Scheme Dividend of 65 cents in the dollar to Lift Clients and 52.5 cents in the dollar to Trade and Other Creditors (\$55 million paid in total).

We expect to declare a Final Scheme Dividend to Scheme Creditors before 30 June 2011. While the precise amount and timing of any final dividend remains uncertain and subject to the costs of finalising the Estate, we estimate a further 5 to 7 cents in the dollar will be paid to Scheme Creditors; causing a total Scheme Dividend to Lift Clients of at least 70 cents in the dollar and at least 57.5 cents in the dollar to Trade and Other Creditors.

Remaining acts and dealings of the Liquidators and estimated time to completion

The major milestones to be achieved to complete the winding up are as follows:

- + finalise debtor recovery work;
- + complete all administrative and statutory matters;
- + respond to any queries from ASIC;
- + finalise the transfer of trust assets to Lift Clients (cash and securities); and
- + pay a Final Scheme Dividend (exhaust the Scheme Fund).

We expect to complete the above before June 2011.

The Scheme documentation prescribes that we allow Scheme Creditors a period of twelve months to bank their Scheme Dividend cheques. Therefore, unless all Scheme Dividend cheques are banked promptly, the Liquidations/Schemes will not be finalised until around June 2012. We strongly encourage Scheme Creditors to promptly bank their Scheme Dividend cheques upon receipt.

Should you have any queries in relation to the information contained in this report, please contact Leah Diprose of this office on (02) 9248 9927.

Yours faithfully

Lift Capital Partners Pty Limited (In Liquidation) (Scheme Administrators Appointed)

Lift Capital Nominees No. 1 Pty Limited (In Liquidation) (Scheme Administrators Appointed)



J D Hayes
Liquidator
Scheme Administrator



A G McGrath
Liquidator
Scheme Administrator

Annexure A

Lift Capital Partners Pty Limited (In Liquidation) (Scheme Administrators Appointed)

Lift Capital Nominees No. 1 Pty Limited (In Liquidation) (Scheme Administrators Appointed)

Receipts and Payments for the period 10 April 2008 to 31 January 2011

Receipts and Payments			
Receipts	Partners (\$)	Nominees (\$)	Total (\$)
Cash at bank on appointment	11,746,800	73,017	11,819,816
Interest	3,427,083	75,370	3,502,453
Loan repayments and funds received on behalf of Lift Clients	64,132,157	12,422,809	76,554,966
ML cash contribution	10,300,000	-	10,300,000
Rental income	80,000	-	80,000
Taxation receipts	901,643	-	901,643
Other receipts	37,919	200	38,119
Total Receipts	90,625,601	12,571,396	103,196,997
Payments			
Bank charges	(14,936)	(1,642)	(16,578)
BVA settlement	(770,000)	-	(770,000)
Corporate actions on behalf of Lift Clients	(769,636)	-	(769,636)
Creditor meeting costs and public relations	(205,244)	-	(205,244)
Legal and advisors fees	(7,656,731)	-	(7,656,731)
McGrathNicol fees and expenses	(6,772,942)	-	(6,772,942)
Office costs	(666,623)	-	(666,623)
Return of trust funds to Lift Clients	(10,558,571)	(5,049,754)	(15,608,325)
Scheme Dividend	(55,021,364)	-	(55,021,364)
Taxation payments	(20,064)	-	(20,064)
Wages and employee entitlements	(1,451,494)	-	(1,451,494)
Other Payments	(24,546)	-	(24,546)
Transfer to Lift Capital Partners Pty Limited (loan repayments)	-	(7,206,078)	(7,206,078)
Total Payments	(83,932,151)	(12,257,474)	(96,189,625)
Cash at Bank	6,693,450	313,922	7,007,372