



## To Seventh-day Adventist Church Members

29 July 2011

Dear Sir/Madam

### Re: Johnson Property Group (JPG)

The Seventh-day Adventist Church (South Pacific Division) "SDA" requested Grant Thornton Australia Ltd to prepare a limited independent report in relation to their involvement with JPG and related entities due the appointment of Voluntary Administrators, Liquidators and Deed Administrators to JPG and more recently the Part X arrangement proposed by Keith Johnson. The terms and scope of our engagement are set out in the engagement letter dated 20 June, 2011.

Because much of the limited information is commercially sensitive, we are limited in the information that should be made available publicly or made available in this report to members. We have given the Board of Seventh-day Adventist Ltd a more detailed report of our investigations.

Based on our review of the SDA's documentation, the JPG Administrator's report, various Joint Venture Agreements, a limited review of SDA's books and records, together with extensive discussions held with SDA's management, we are of the view that:

- The SDA church and or its affiliates have not invested or loaned \$70m to the Johnson Property Group.
  1. SDA has contributed to the Cooranbong Joint Venture land that it owns. The land remains in the name of Australasian Conference Association Ltd. To enable liquidators to make a partial distribution to Avondale College Foundation Investments (ACFI) depositors, SDA purchased from ACFI the loan it made to JPG for the Joint Venture and purchase of additional land. This loan is secured by a registered first mortgage on that land.
  2. The SDA and or its affiliates have an investment interest in a Sydney real estate project with a JPG related party. A loan has been provided to the joint project for subdividing blocks of land for resale. The loan and interest are being repaid from the sale of land and the loan is not in default. Registered First mortgage security is in place to secure the loan and other

Grant Thornton Australia Limited  
ABN 41 127 556 389

Level 17, 383 Kent Street  
Sydney NSW 2000  
Locked Bag Q800  
QVB Post Office  
Sydney NSW 1230

T +61 2 8297 2400  
F +61 2 9299 4445  
E [info.nsw@au.gt.com](mailto:info.nsw@au.gt.com)  
W [www.granthornton.com.au](http://www.granthornton.com.au)

contractual obligations. For commercial and confidentiality reasons specific details cannot be provided at this time.

3. SDA has lodged a secured claim in the JPG administration process totalling \$69m. This amount has been calculated based on a number of factors including the value of contractual obligations arising from the two Joint Ventures. The JPG Administrator's report does not take into consideration the ultimate financial return to secured creditors.
- The security for the joint ventures have been secured via Registered property mortgages and fixed and floating charges. We note that we have not been provided with a recent legal review of the various security documents;
  - We are unable to comment on the viability of the Joint Ventures that have been entered into with JPG due the inherent uncertainty in the nature of these projects and their final completion value; and
  - We have been advised by SDA's Management that they, together with their Board, are aware of the risks relating to the Joint Ventures as identified which include economic fluctuations. Management have provided no evidence to indicate a requirement for an impairment to be raised by the SDA against the JPG exposure.

Yours faithfully  
GRANT THORNTON AUSTRALIA LIMITED



Trevor Pogroske  
Director



Andrew Rigele  
Director