

FINANCIAL REVIEW

Saraceni's Westgem put in liquidation

Published: 18 Oct 2012 16:02:00 | Natalie Gerritsen

Embattled Perth property developer Luke Saraceni's Westgem Investments has been put into liquidation following a fiery creditors' meeting.

Yesterday's meeting came after Mr Saraceni launched a damages claim against financier Bankwest potentially worth up to \$400 million.

A writ filed this week in the West Australian Supreme Court alleges Bankwest inappropriately put receivers KordaMentha in control of the \$500 million Raine Square office tower in 2011 in order to bolster its returns on the project.

KordaMentha used the meeting to force a vote on the removal of administrator Bryan Hughes, who it said was acting in Mr Saraceni's interests at the expense of other creditors. KordaMentha failed to receive a majority of votes, despite controlling most of the debt owed to creditors.

Westgem – owned by Mr Saraceni and partner Hossean Pourzand – is believed to owe more than \$700 million. Mr Hughes said Mr Saraceni's unverified debt claim was \$332 million. Creditors voted to place Westgem into liquidation under Mr Hughes's stewardship. But Bankwest may again seek to have him removed.

Lawyer for KordaMentha David Porter said Mr Hughes had failed to thoroughly investigate if Westgem had traded while insolvent.

“Your analysis is insufficient and at worst is fatally flawed. It fails to address the insolvency elephant in Westgem's living room,” he said.

Mr Hughes said he had not received the funding from creditors to investigate beyond what he was legally compelled to. He accused KordaMentha of improperly assigning debts to creditors to bolster its voting power, something he said “smells really bad”.

He denied favouring Mr Saraceni and said the bank was trying to have him removed in an attempt to derail the damages proceedings.

The writ filed in the WA Supreme Court claimed Bankwest improperly appointed the receivers to Raine Square to boost its return on the troubled development following the bank's acquisition by Commonwealth Bank in 2008. Damages in the case, supported by litigation funder IMF, could be \$200 million to \$400 million.

A Bankwest spokesman said the bank's conduct over Raine Square had been reasonable and appropriate. "... Until we have had time to assess the claim in greater detail, we are unable to provide any detailed comment on it. The bank is considering its options concerning Mr Hughes's appointment as liquidator of Westgem, and we note that the majority of creditors that voted to appoint Mr Hughes were parties related to Mr Saraceni," he said.

The Australian Financial Review