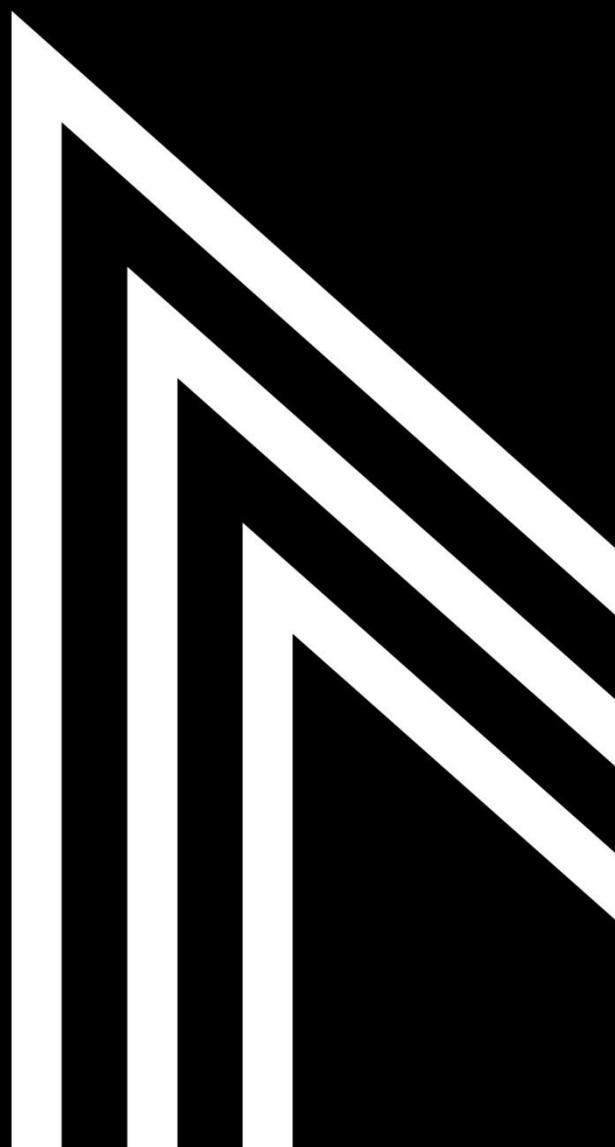

Ferntown Pty Ltd (In Liquidation)

Report to creditors

22 May 2018



McGrathNicol



Contents

1.	Executive Summary.....	3
2.	Liquidators' DIRRI.....	3
3.	Liquidation Update.....	3
3.1.	Asset Recovery Update	4
3.1.1.	Cash at Bank.....	4
3.1.2.	Rental Income.....	4
3.1.3.	Properties.....	4
3.2.	Creditors.....	4
3.2.1.	Secured creditor claims.....	4
3.2.2.	Priority and Unsecured creditor claims.....	4
4.	Liquidators' investigations	4
5.	Disbursements.....	4
6.	Liquidators' remuneration.....	5
6.1.	Declaration	5
6.2.	Approval received.....	5
7.	Summary of receipts and payments.....	6
8.	Estimated completion of the liquidation	6
9.	Queries.....	6
	Appendix A	7

Glossary of Terms

Definition	Term
ACN	Australian Company Number
Act	Corporations Act 2001
ANZ	Australia and New Zealand Banking Group Limited
ASIC	Australian Securities and Investments Commission
ARITA	Australian Restructuring, Insolvency & Turnaround Association (formerly the Insolvency Practitioners Association)
ARITA Code	ARITA Code of Professional Practice
ATO	Australian Taxation Office
BAS	Business Activity Statement
Company	Ferntown Pty Ltd (In Liquidation)
Director	Keith Meyers
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities
Ferntown	Ferntown Pty Ltd (In Liquidation)
GST	Goods and Service Tax
Liquidators	Rob Kirman and Keith Crawford of McGrathNicol as joint and several Liquidators of Ferntown
PPSR	Personal Properties Security Register
POD	Proof of Debt
Properties	Commercial properties located at Unit 1 and Unit 2, 40 Kulin Way, Mandurah, Western Australia 6102
WA	Western Australia

1. Executive Summary

I refer to the appointment of Keith Crawford and I as joint and several Liquidators of Ferntown on 7 March 2017, and to our previous report to creditors dated 17 March 2017 (**First Report**).

This report has been prepared to provide creditors with an update on the progress of the liquidation of Ferntown since the First Report.

In addition, this report has been prepared pursuant to Section 508(1)(b) of the Corporations Act 2001 (Cth) (**Act**). This section of the Act states that if a creditors' voluntary winding up continues for more than one year, a Liquidator must convene an annual meeting of creditors or prepare a report to creditors and lodge the report with ASIC. Despite the repeal of s508 by Schedule 2 of the Insolvency Law Reform Act 2016, in accordance with s1603 of the Act, s508 of the old Act continues to apply on and after the commencement day (being 1 September 2017). Accordingly, this will be the first and final annual report prepared by the Liquidators.

This report on the progress of the liquidation has been lodged with ASIC and as such an annual meeting of creditors will not be convened.

This report covers the liquidation period from 7 March 2017 to 6 March 2018 (unless specifically stated) and sets out:

- an update on the liquidation generally;
- an update of the Liquidators' investigations to date; and
- the steps taken by the Liquidators to identify and realise the assets of Ferntown.

2. Liquidators' DIRRI

In accordance with section 436DA of the Act and the ARITA Code, a DIRRI was enclosed with the Liquidators' first communication to creditors dated 17 March 2017 and has been included at Appendix A of this report.

The DIRRI was also tabled at the first meeting of creditors on 24 March 2017.

At the date of this report, there is no change to the information provided in the DIRRI and I remain of the view that there are no potential conflicts of interest.

3. Liquidation Update

Ferntown was incorporated on 26 May 2008 and has one director, being Keith Meyers. The company owned two properties, both subject to ANZ mortgages, which were both previously leased by a related entity that ceased trading prior to the Liquidators' appointment. As at the date of the Liquidators' appointment, one of the properties was tenanted by a non-related party who subsequently terminated their lease and vacated the property.

The Liquidators are not aware of any other assets owned by Ferntown.

I provide the following summary of the main activities relating to Ferntown since my last report dated 17 March 2018:

- liaising with the Director in relation to the properties and books and records;
- liaising with the existing property managers of the properties;
- collating and reviewing documents relating to the lease of the properties;
- engaging independent valuers to value the properties;
- requesting and reviewing marketing submissions from real estate agents and appointing a real estate agent;
- liaising with the real estate agents to prepare appropriate marketing and information materials for potential buyers;
- reviewing, considering and countering offers received for the properties;
- liaising with the real estate agents and settlement agents to finalise the sale of the properties;
- attending to statutory duties as liquidator, involving the preparation and lodgement of:
 - quarterly BAS's with the ATO; and
 - six monthly receipts and payments (Form 524) lodgements with ASIC.
- providing updates to the secured creditor; and

- preparing this report to the creditors of Ferntown.

3.1. Asset Recovery Update

3.1.1. Cash at Bank

There was no cash held at bank at the date of the Liquidators' appointment.

3.1.2. Rental Income

The Liquidators received \$4,400 (inclusive of GST) from tenants during their period of occupancy during the liquidation period until they vacated the property.

3.1.3. Properties

Ferntown owned both Unit 1 and Unit 2, 40 Kulin Way, Mandurah, WA, being industrial warehouses with showrooms.

The Liquidators obtained an independent valuation of the properties and appointed two separate selling agents to market and sell the properties after seeking submissions from multiple agents.

Both properties were subsequently sold for \$990,000 (inclusive of GST) and the net sale proceeds, after deducting realisation costs, was distributed to ANZ.

The two properties have been sold and the Liquidators were successful in obtaining a combined sale price of 6% below combined valuations for market value and 11% above the combined forced sale valuations.

3.2. Creditors

3.2.1. Secured creditor claims

ANZ held security interests via a general security agreement over all present and acquired property of Ferntown and first ranking mortgages on both properties. ANZ were owed circa \$1.0 million at the date of the Liquidators' appointment.

The net proceeds from the realisation of the two properties have been remitted to ANZ. The funds realised are insufficient to repay ANZ's secured debt in full and therefore there will be no return to unsecured creditors.

3.2.2. Priority and Unsecured creditor claims

One unsecured creditor POD has been submitted by Ferntown's external accountants for \$8,818. The Liquidators are also aware of a potential claim by the ATO for circa \$18,767, however, the ATO has not yet submitted a POD. The Liquidators are not aware of any other priority or unsecured creditors of Ferntown.

4. Liquidators' investigations

The Liquidators are in the process of finalising their investigations into potential liquidator recovery actions but do not consider that there are any claims which would result in a material recovery to enable a return to unsecured creditors.

The Liquidators' report pursuant to section 533 of the Act in relation to the investigation of Ferntown's affairs has been progressed but not yet been lodged with ASIC. The Liquidators' anticipate the report will be finalised by 30 June 2018.

5. Disbursements

Disbursements include costs incurred on behalf of the Company in the course of conducting the liquidation.

Disbursements may be paid directly from the liquidation bank account, in which case they are included, by expense type, in the report of Receipts and Payments at Section 7.

Other disbursements are paid for by the Liquidators and are recovered from the liquidation bank account.

The Liquidators have paid disbursements totalling \$321.28 (excluding GST) for Ferntown relating to lodgement fees and searches as set out below:

Ferntown Pty Ltd (In Liquidation) - Disbursements from 7 March 2017 to 6 March 2018	
Description	\$ (GST inclusive)
ASIC lodgement fees	293
Searches	31
Total disbursements	324

6. Liquidators' remuneration

In accordance with section 449E of the Act and the ARITA Code, a Schedule of Remuneration Methods and Hourly Rates was provided to creditors with our initial communication and tabled at the first meeting of creditors on 24 March 2017.

A Liquidator's remuneration can only be fixed by resolution of a Committee of Inspection, the Company's creditors or by an application to the Court. We set out in the following sections details of the necessary and proper work performed for the appropriate conduct of the liquidation of Ferntown.

6.1. Declaration

We, Rob Kirman and Keith Crawford of McGrathNicol, have undertaken a proper assessment of this remuneration claim for our appointment as joint and several Liquidators of Ferntown in accordance with the law and applicable professional standards. We are satisfied that the remuneration claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of the liquidation.

6.2. Approval received

At the first meeting of creditors on 24 March 2017 approval of the following fees was sought and received:

Period	Amount (ex GST)
Liquidators' remuneration 7 March 2017 – 16 March 2017	\$5,311
Liquidators' remuneration 17 March 2017 – 24 March 2017	\$6,935
Liquidators' remuneration 24 March 2017 - Completion	\$32,665
Total fees approved	\$44,911
Total fees paid	\$44,911
Liquidators' disbursements	\$324
Total fees and disbursements approved and paid	\$45,235

The Liquidators agreed capped fees of \$40,000 (excluding GST) with ANZ for the Liquidators' work in securing, preserving and realising their assets and that has been deducted from the amounts distributed to ANZ pursuant to their security.

The Liquidators do not intend to seek further fee approval from creditors at this time.

7. Summary of receipts and payments

The receipts and payments for Ferntown for the period 7 March 2017 to 6 March 2018 is set out in the table below.

Receipts and payments for the period from 7 March 2017 to 6 March 2018

Receipts

Rental income	4,400
Sale proceeds - Unit 1/40 Kulin Way	506,000
Sale proceeds - Unit 2/40 Kulin Way	484,000
Total receipts	994,400

Payments

Advertising	(3,400)
Agents' fees	(26,526)
Distributions to secured creditor	(777,142)
GST	(84,251)
Insurance	(6,068)
Legal fees	(8,655)
Liquidators' fees and disbursements	(49,726)
Property maintenance	(620)
Rates, taxes, utilities	(15,606)
Valuation	(2,035)
Total payments	(974,030)

Cash at bank as at 6 March 2018

20,370

8. Estimated completion of the liquidation

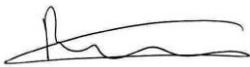
The Liquidators are in the process of finalising the liquidation and estimate the liquidation should be finalised by 31 October 2018.

9. Queries

Creditors who require any other details should please contact Cecelia Lark Hare of this office on (08) 6363 7608 or by email on clhare@mcgrathnicol.com.

Yours faithfully

Ferntown Pty Ltd (In Liquidation)



Rob Kirman

Liquidator

Appendix A



Declaration of Independence, Relevant Relationships and Indemnities

Ferntown Pty Ltd (In Liquidation) ACN 131 285 599

The Corporations Act 2001 and professional standards require the Practitioner(s) appointed to an insolvent entity to make a declaration as to:

- A. their independence generally;
- B. relationships, including
 - a) the circumstances of the appointment;
 - b) any relationships with the company and others within the previous 24 months;
 - c) any prior professional services for the company within the previous 24 months;
 - d) that there are no other relationships to declare; and
- C. any indemnities given or up-front payments made to the Practitioner.

This declaration is made in respect of ourselves, our partners and the firm McGrathNicol, which for the purpose of this declaration includes the McGrathNicol Partnership, the McGrathNicol Advisory Partnership, and McGrathNicol Services Pty Limited.

A. Independence

We, Robert Kirman and Keith Crawford, of the firm McGrathNicol have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as liquidators of **Ferntown Pty Ltd (In Liquidation) ACN 131 285 599 ("Ferntown")** in accordance with the law and applicable professional standards. 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.

B. Declaration of Relationships

(i) *Circumstances of appointment*

On 11 November 2016, Rob Kirman was approached by a lawyer from Murfett Legal on behalf of Ferntown to consider consenting to act as Liquidator of Ferntown.

Murfett Legal provides legal advice from time to time to assist with McGrathNicol's corporate recovery and advisory projects and Murfett Legal periodically refers engagements to McGrathNicol. We believe this relationship does not result in a conflict of interest or duty because:

- McGrathNicol has not undertaken an engagement for Murfett Legal relating to Ferntown.
- Each professional engagement referred by Murfett Legal in relation to a particular entity is conducted on an entirely separate basis which has no bearing on this appointment.
- The level of professional referrals between McGrathNicol and Murfett Legal are relatively insubstantial, taking place on approximately once in the last 12 months.
- These engagements are only commenced after full regard is given to potential conflicts of interest in relation to all interested stakeholders.

We have had no prior relationship or dealings with, nor have we provided any other information or advice to Ferntown, or its Director, Keith Meyers, prior to our appointment.

Tristan Cromarty (McGrathNicol) met with Keith Meyers and his legal advisor from Murfett Legal on 7 March 2017 for the purpose of:

- gaining a high level understanding of the corporate structure and financial position of Ferntown;
- an overview of the creditor voluntary liquidation process and the general procedures required to initiate the proposed liquidation; and
- clarifying the position in respect to meetings and notice requirements as set out in the constitution of Ferntown.

McGrathNicol did not receive any remuneration for our attendance at the meeting set out above.

Once these matters had been resolved, Robert Kirman and Keith Crawford consented to act as liquidators of Ferntown.

On 7 March 2017, the director and members of Ferntown determined that Robert Kirman and Keith Crawford be appointed joint and several Liquidators of Ferntown.

In our opinion, the meetings and communications with the director and members do not affect our independence for the following reasons:

- It is recognised by the Courts and Australian Restructuring, Insolvency and Turnaround Association's ("ARITA") Code of Professional Practice ("CoPP") that pre-appointment advice on the insolvency process and available options is necessary and does not amount to an impediment to accepting an appointment; and
- The nature of the discussions held covered preparatory matters only and the advice provided was such that it would not be subject to review and challenge during the course of the administration. Nor would the advice influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the administration in an objective and impartial manner.

We have provided no other information or advice to Ferntown and the director prior to our appointment beyond that outlined in this DIRRI.

(ii) Relevant Relationships (excluding professional services to the Insolvent)

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

Name	Nature of relationship	Reasons
Australian and New Zealand Banking Group Limited ("ANZ")	ANZ holds charges over the whole or substantially the whole of the property of Ferntown. McGrathNicol undertakes corporate recovery and advisory work from time to time on instructions from ANZ.	We believe this relationship does not result in a conflict of interest because: <ul style="list-style-type: none"> ▪ Each professional engagement undertaken for ANZ in relation to a particular entity or group of entities is conducted on an entirely separate basis which has no bearing on this appointment. ▪ These engagements are only commenced after full regard is given to potential conflicts of interest in relation to all interested stakeholders.

Name	Nature of relationship	Reasons
		McGrathNicol has not undertaken an engagement for ANZ in respect of Ferntown. Given these factors, our independence in acting as liquidator of the company has not been affected.

(iii) *Prior professional services to the Insolvent*

Neither we nor our firm, have provided any professional services to Ferntown, in the previous 24 months.

(iv) *No other relevant relationships to disclose*

There are no other known relevant relationships, including personal, business and professional relationships, from the previous 24 months with Ferntown, an associate of Ferntown, a former insolvency practitioner appointed to Ferntown or any person or entity that has security over the whole or substantially the whole of Ferntown's property that should be disclosed.

C. Indemnities and Up-front Payments

We have not been indemnified in relation to this administration, other than any indemnities that we may be entitled to under statute and we have not received any up-front payments in respect of our remuneration or disbursements.

Dated: 17 March 2017



.....
Robert Kirman



.....
Keith Crawford

Note:

- 1 If the circumstances change or new information is identified, we are required under the Corporations Act 2001 and the ARITA CoPP to update this declaration and provide a copy to the creditors/Committee with our next communication, as well as table a copy of any replacement declaration at the next meeting of the insolvent's creditors/Committee.
- 2 Any relationships, indemnities or up-front payments disclosed in the Declaration of Independence, Relevant Relationships and Indemnities ("DIRRI") must not be such that the Practitioner is no longer independent. The purpose of components B and C of the DIRRI is to disclose relationships that, while they do not result in the Practitioner having a conflict of interest or duty, ensure that creditors are aware of those relationships and understand why the Practitioner nevertheless remains independent.

Please note that the presentation of the above information is in accordance with the standard format suggested by ARITA.