



McGrathNicol

26 August 2016

McGrathNicol
Partnership

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To the creditor as addressed

Dear Sir / Madam

PrimeSpace Property Investment Ltd (In Liquidation)
ACN 107 345 317 ("PPIL")
Liquidators' Annual Report to Creditors

I refer to my appointment with Tony McGrath as voluntary administrator of PPIL on 23 April 2015 and to our subsequent appointment as Liquidators on 28 May 2015. Pursuant to section 508(1)(b)(ii) of the *Corporations Act 2001*, I am required as Liquidator to provide an annual report to creditors giving an account of:

- my acts and dealings;
- the conduct of the winding up;
- a description of the acts and dealings that remain to be carried out in order to complete the winding up; and
- an estimate of when the winding up is likely to be completed.

In summary, I have continued over the past year to attend to investigations into the affairs of the company and realising assets with a view to enabling distributions to be made to creditors.

Due to complexities in relation to the PPIL trust structure and documentation / transactions entered into by PPIL prior to my appointment, I have been required to make various applications to court for directions. The applications have been required to assist me to determine how to treat certain claims and appropriately deal with trust assets.

Set out below is an update of the substantive issues dealt with in the liquidation over the past year.

1 Asset realisations

1.1 IQ Smart Apartment Development

- The IQ Smart Apartment Joint Venture is continuing to market and realise the remaining unsold IQ Smart Apartments. There are currently circa 19 unsold apartments.
- Subject to the finalisation of sales, the Company, in its capacity as trustee of PSNT, will be entitled to its share of net proceeds from the IQ Smart Apartment development ("IQJV"). We have received the following interim distributions to date:

Date	Amount (\$)
27 August 2015	4,911,555
17 September 2015	968,519
26 October 2015	968,519

A6-160826-PRIMPRO02-Annual report-JMCJ Merged-PD

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Date	Amount (\$)
Total	6,848,593

- Based on information previously provided by the JV partners, we continue to anticipate that net proceeds from the project to be paid to PSNT will total circa \$14m.

1.2 *The Hub Development, Burpengary*

As unit holders in PrimeSpace Property Trust Number 3 ("PSPT3") are aware, we undertook a marketing campaign for the two commercial units held by PSPT3 in late 2015 / early 2016.

That marketing campaign did not result in a sale. We are continuing to liaise with the marketing agent in efforts to realise these units.

2 **Court proceedings / applications**

2.1 *Cancellation of units in the Prime Access Property Fund ("PAPF")*

As unit holders in PAPF may be aware, the director of PPIL purported to cancel units in PAPF prior to my appointment. This is an important issue with tax consequences for the PrimeSpace Northbourne Trust.

Accordingly, I made an application for directions to the Supreme Court of New South Wales. The Court found that the cancellation of units was invalid. This finding was handed down on 28 June 2016 and clears the way for distributions to be made to certain classes of creditors, subject to the outcome of the other matters outlined in this update.

2.2 *Other court applications*

I have recently communicated with creditors regarding court proceedings currently on foot in relation to other matters relevant to the liquidation.

My circular in this regard is attached.

3 **Investigations and further potential recoveries**

My investigations as liquidator into the following matters are continuing:

- Potential claims against PPIL's legal advisors (the subject of a current court application);
- Investigations into the validity of the CFG transactions (the subject of a current court application);
- Potential insolvent trading of PPIL;
- Potential claims for breaches of directors duties (the subject of a current court application); and
- Other voidable transactions, for example, unfair preference claims.

4 **Estimated return to creditors**

Due to the significant impact that the matters set out in section 3, above, may have on the distributions to various classes of creditor, I have not included an updated estimated return to creditors at this time. In this regard, I refer creditors to the estimates provided in my report as voluntary administrator pursuant to section 439A of the Corporations Act 2001 dated 21 May 2015.

I intend to update creditors in relation to this matter as the liquidation develops.

5 **Next steps in the liquidation**

A summary of the key tasks remaining to be completed in the liquidation follows:

- Dealing with the matters set out in this update;



- Reviewing outstanding debtors to determine recoverability and finalise group loan position;
- Confirming the asset and liability position of a number of funds/trusts and arrange sales of assets, winding up or transfer of trustees as appropriate;
- Complying with statutory reporting requirements;
- Reviewing and adjudicating on creditor (including noteholder) claims; and
- Paying dividends (subject to the matters set out in this update).

Having regard to the above, I currently estimate the winding up is likely to be completed in the next 12 to 18 months.

Should you have any queries in relation to this matter, please contact Chris Johnson of my staff on (02) 9248 9903.

Yours faithfully

Primespace Property Investment Limited (In Liquidation)

Shaun Fraser

Joint and Several Liquidator

Enclosure(s):

Circular to creditors dated 28 July 2016



McGrathNicol

28 July 2016

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Partnership

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To the creditor/noteholder as addressed

Dear Sir / Madam

**PrimeSpace Property Investment Ltd (In Liquidation)
ACN 107 345 317 ("PPIL")
Update to creditors and noteholders**

I refer to my appointment with Tony McGrath as voluntary administrator of PPIL on 23 April 2015 and our subsequent appointment as liquidators on 28 May 2015.

The following is a brief update to creditors and noteholders of PPIL and the various trusts of which PPIL is trustee or responsible entity ("RE"), regarding an application for directions made to Court. This application relates to the following matters:

- the proceedings commenced by Canberra Finance Group (CFG);
- the Primespace Northbourne Trust ("PSNT") Convertible Note Subscription Agreement; and
- my remuneration for the voluntary administration and liquidation.

A copy of the interlocutory process filed and orders made are attached. A copy of my affidavit in support of this application is available at www.mcgrathnicol.com.

CFG Proceedings

As previously advised, we are investigating the validity of agreements and guarantees entered into by PPIL, including a purported option over 4 IQ Smart Apartments and whether any debt to CFG should be repaid out of assets of PAPF or PSNT.

CFG applied for leave from the Court to commence proceedings which PPIL and Tony McGrath and I in our capacity as liquidators are defendants.

We have sought directions that the liquidators are justified in distributing funds held by PPIL as trustee of PSNT to meet costs and expenses investigating the claims made by CFG in these proceedings including conducting examinations and seeking production of documents, and taking any steps necessary in the CFG proceedings.

Convertible notes

As previously advised, PPIL is personally liable in its own capacity under the PSNT Convertible Note Subscription Agreement for the amounts advanced by noteholders. My initial investigations indicate that PPIL may have a claim against Meyer Vandenberg Lawyers ("MV"), however, I consider it would be prudent to first conduct examinations to obtain a better understanding regarding the instructions given to MV and the circumstances surrounding the issue of the Convertible Notes.

We have sought directions that the liquidators are justified in distributing funds held by PPIL as RE of PAPF to meet costs and expenses associated with investigating the circumstances in which PPIL issued convertible notes pursuant to the Convertible Note Subscription Agreement.

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Remuneration as Voluntary Administrator and Liquidator

I have become aware of recent case legislation regarding the appropriate mechanisms for fee approval where a Company in external administration holds assets in its capacity as trustee of a trust. As such, I have made an application for directions to ratify payment of my remuneration as Voluntary Administrator and Liquidator from trust assets for the amounts previously approved by creditors (expended by 31 August 2015) and for my further fees incurred to 30 June 2016.

Should you have any queries in relation to this matter, please contact Ms Jessie Maguire of my staff on (02) 9338 2604.

Yours faithfully

PrimeSpace Property Investment Limited (In Liquidation)

Shaun Fraser

Joint and Several Liquidator