



Parkview Estate Pty Ltd (Administrators Appointed) ("the Company" or "Parkview")

Second meeting of creditors
28 March 2017



McGrathNicol



Agenda

- Formalities
- Voting
- Purpose of the meeting
- Administrators' Report to creditors
- Remuneration
- Vote on the Company's future
- Liquidators' resolutions
- Questions

Formalities

- Open meeting
- Administrator Chairperson: Corporations Regulation 5.6.17 (1)
- Introductions
 - Barry Kogan (Administrator)
 - Ben Ryan (Director)
 - Louise Mann (Senior Manager)
 - Danielle Funston, K&L Gates (Administrators' solicitor)
- Quorum: Corporations Regulation 5.6.16 (2)
- Attendance register
- Time and place convenient: Corporations Regulation 5.6.14
- Proofs of debt and proxies

Formalities (cont)

- Voting on voices unless poll demanded: Corporations Regulation 5.6.19
- Poll can be demanded by:
 - Chairperson; or
 - 2 persons present and entitled to vote; or
 - Creditors representing at least 10% of claims.
- When a poll is conducted, a resolution is passed if:
 - more than half the creditors (**in number**) vote in favour of the resolution; and
 - more than half the creditors (**in value**) vote in favor of the resolution.
- If there is a deadlock, the Chairperson may use their casting vote.



Purpose of Meeting

- Convened under Section 439A of the Corporations Act to:
 - report to creditors on the Company's business, property, affairs and financial circumstances
 - set out the Administrators' opinion on the courses of action available to the Company
 - vote on the Company's future:
 - return Company to its Director; or
 - execute a Deed of Company Arrangement ("DOCA");
 - enter into liquidation; or
 - meeting be adjourned for up to 45 business days.
 - Consider and (if thought fit) approve the Administrators' and Liquidators' remuneration
 - Consider the appointment of a Committee of Inspection
 - Consider authorising the Liquidator to compromise debts of the Company (if applicable)
 - Consider authorising the Liquidator to enter into agreements that may take longer than three months to complete (if applicable).



Report to creditors - background

- Incorporated on 23 April 2012.
- The Company is a SPV incorporated to acquire and develop a real estate project located at Kellyville ("the Land"). The Company's objective was to subdivide the Land into individual residential lots and sell them to third parties.
- The Land was acquired for \$4.15 million, with a Development Approval ("DA") in place allowing for an initial subdivision.
- The subdivision would create 20 residential lots, with a remaining 3 lots that could be further subdivided.

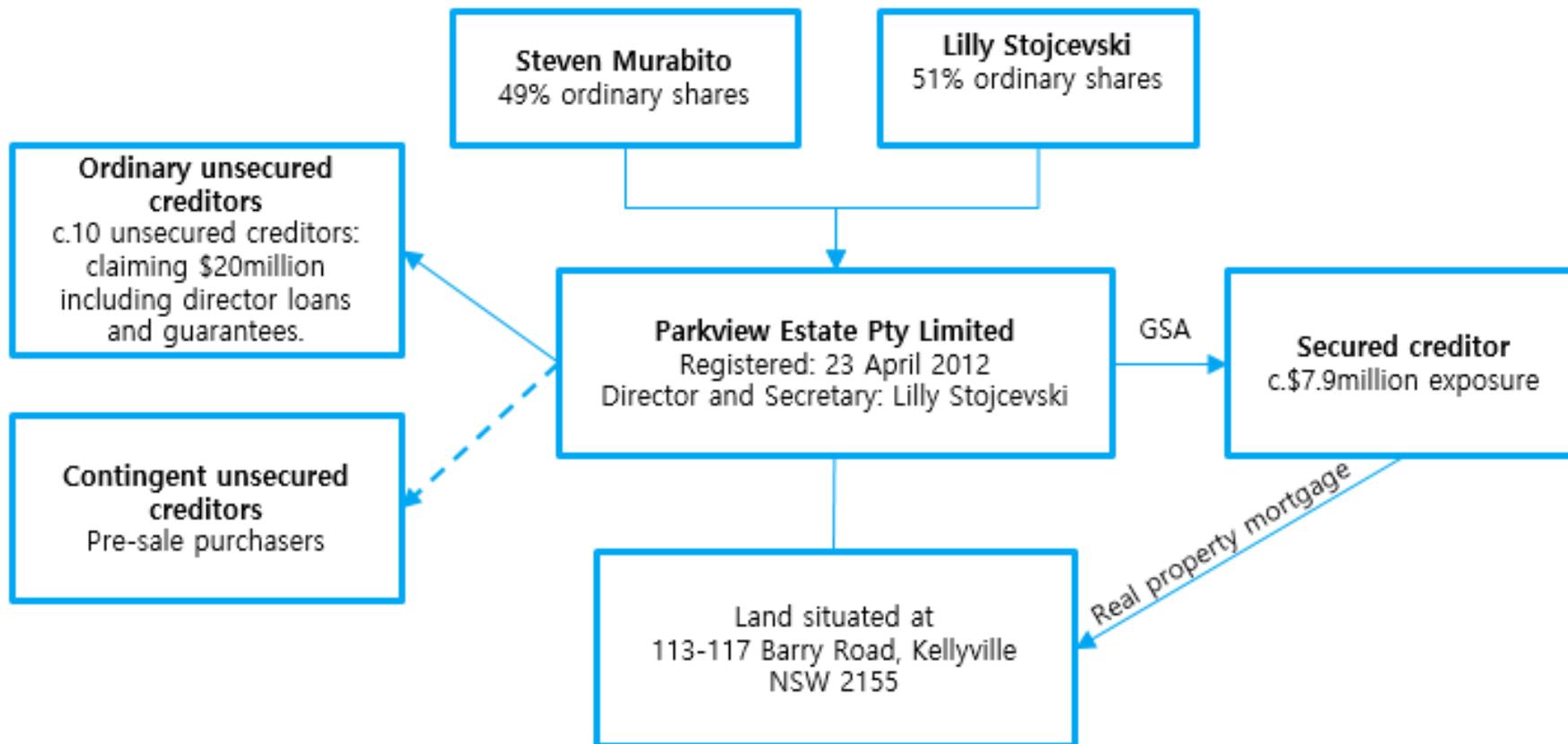


Report to creditors – background (cont)

- Causes of failure:
 - Director's view:
 - > the Company was not insolvent; and
 - > any financial difficulties were brought on by events outside her control, including disputes with third parties.
 - Administrators' view (noting it is difficult to comment on due to a lack of books and records):
 - > Delays in completing the subdivision of the Land in a timely manner resulted in the Company being unable to pay various costs.

Report to creditors – organisational structure

- A diagram outlining the Company's funding and creditor position as at the date of our appointment is as follows:



Report to creditors – financial performance and position

Statement of financial performance

	Unaudited 1 July 2015 to 30 June 2016	Unaudited 1 July 2016 to 21 February 2017 (\$)
\$		
Total Income	275,012	-
Operating Expenses	(500,845)	(154,812)
Operating profit/(loss)	(225,833)	(154,812)
Bank and loan interest expenses	(1,699,221)	-
Net Profit/(loss)	(1,925,054)	(154,812)

Source: Company accounts

Statement of financial position

	Unaudited 30 June 2016	Unaudited 21 February 2017
\$		
Current assets	448	20
Non-current assets	8,312,798	9,063,614
Total Assets	8,313,245	9,063,634
Total current liabilities	448,844	345,222
Non-current liabilities	11,406,966	13,257,650
Total Liabilities	11,855,810	13,602,872
Net assets	(3,542,565)	(4,539,238)

Source: Company accounts

- The Company was loss making across both periods, however as the Company is a property SPV, this is not unusual.
- The Land is the key asset of the Company. We have not been advised how the Land is valued but assume it includes capitalised development costs.
- We note that a "secured loan" in the amount of \$5.39m (as at 21 February 2017), in addition to the Bank's is disclosed in the accounts. We have been advised this relates to funding from related parties but have not received appropriate documentation in support.

Report as to Affairs ("RATA")

Parkview Estate Pty Ltd (Administrators Appointed) - Director's RATA

	Director's valuation (book value) (\$)	Estimated realisable value ("ERV") (\$)
Assets		
Cash on hand	20	20
Cash at bank	20	20
Land	9,735,794	16,545,685
Work in progress	11,865,355	-
Plant and equipment	790	-
Prepaid borrowing costs	7,999	-
Total assets	21,609,978	16,545,725
Liabilities		
Secured loan	(7,866,813)	(7,866,813)
Director loan (Lilly Stojcevski)	(3,498,542)	(3,498,542)
Unsecured creditors	(6,435)	Unknown
Contingent liabilities	(143,380)	Unknown
Total	(11,515,170)	Unknown
Net assets	10,094,808	Unknown

Source: Director's RATA submitted 2 March 2017

- The Director submitted a RATA on 2 March 2017. We have been notified that the Director wishes to withdraw the RATA and re-submit an amended version. This has not been received to date.
- The sale of the Company's land interests, is the only asset category that is expected to generate a return to creditors, however the value of the land has not been verified by the Administrators.



Land located at 113-117 Barry Road, Kellyville NSW

- The Company purchased 2.023 hectares of land at 113-117 Barry Road, Kellyville, NSW in 2012 for \$4.15 million.
- When the Land was acquired, there was a DA in place for a 57 lot subdivision (comprising the Land and adjoining property held by a third party).
- The Company's intention was to develop and sell down an initial 20 lot subdivision (to individual purchasers) ("Stage 1") and then to undertake further subdivision work in respect of 3 remaining "residue" parcels.

Land located at 113-117 Barry Road, Kellyville NSW (cont)

- Set out below is a table outlining the status of the Land:

Status of lots in subdivision

Development phase	Current position	Number of lots
Stage 1 (initial 20 lot subdivision)	Exchanged contracts	11
	Rescinded contracts	6
	Never sold	3
		20
Residue Lots - Parcel 1 (DA for 4 lot subdivision)	Exchanged contracts	2
	Rescinded contracts	1
	Never sold	1
		4
Residue Lots - Parcel 2 (No DA)	Exchanged contracts	-
	Rescinded contracts	-
	Never sold	All

Source: Third party enquiries

Investigations

- Given we have not yet received all records of the Company, it is difficult for us to undertake a proper assessment.
- Our preliminary investigations conclude:
 - Insolvent trading:
 - > We are unable to comment on the Company's net asset position.
 - > It is arguable that the Company was insolvent on a cash flow basis at some stage in the period leading up to our appointment.
 - Voidable transactions:
 - > We have identified certain payments made to the Director or a former Director during the period leading up to our appointment. We have been advised that this relates to a director's loan account, but full details have not been received.
 - Breach of Director's duties:
 - > At this time, we haven't formed a view. We will give further consideration to this issue if the Company is wound up.



DOCA proposal

- We have received a number of DOCA proposals from the Director and we have corresponded with the Director to provide feedback on the proposals in an effort to improve the proposals for the benefit of creditors.
- At this stage, the Director's latest DOCA proposal requires further amendment and cannot yet be implemented.
- On initial review, the DOCA proposal warrants further consideration as it may result in a greater and more timely return to creditors than in liquidation.
- At this stage the Administrators are recommending adjournment to enable further investigation.
- Should creditors wish to resolve the future of the Company at this meeting, then the Administrators recommend liquidation.



DOCA proposal (cont)

- There are both advantages and disadvantages to adjourning the meeting creditors should consider these carefully before voting.
- **Advantages of adjournment:** If the meeting is adjourned, the proposed DOCA can be further investigated and refined and therefore may provide creditors with a superior or more timely return than liquidation. If the Company is placed into liquidation and the Director/shareholders are able to secure a refinancing proposal, this becomes more difficult and time consuming to implement (as against an immediate DOCA).
- **Disadvantages of adjournment:** Whilst the Administrators will continue to advance the subdivision, the adjournment of the meeting will require a further report to creditors and the convening of an additional meeting (including relevant statutory lodgements). We expect that this will increase the costs of the administration by circa \$30,000 to \$50,000(exclusive of GST). Additionally, the stay of proceedings against the Company under Section 440D of the Act and against guarantors under Section 440J of the Act will continue to be in place (which may impact the rights of certain creditors).

Anticipated return to creditors in liquidation

Estimated return to creditors in a liquidation (for illustrative purposes only)

ERV	High (\$)	Low (\$)
Cash at bank and in hand	-	-
Land	16,545,725	12,409,294
Less		
Land registration, statutory and holding costs	(751,715)	(989,644)
Administrators' fees and disbursements (21 February 2017 to 17 March 2017)	(141,504)	(141,504)
Estimated Administrators' fees and disbursements (18 March 2017 to 28 March 2017)	(27,452)	(27,452)
Estimated Liquidators' fees and disbursements (if applicable)	(173,773)	(191,150)
Legal and other advisor costs incurred to date	(43,350)	(60,000)
Estimated future legal and other advisor costs	(125,000)	(200,000)
Amount available for secured creditor	15,282,932	10,799,544
Secured creditor claim (subject to interest and charges)	7,909,234	7,909,234
Estimated return to secured creditor	100%	100%
Amount available for unsecured creditors	7,373,698	2,890,311
Unsecured creditor claims	375,848	4,374,389
Estimated return to unsecured creditors	100%	66%
Funds available to shareholders	6,997,850	(1,484,079)

- Creditors should note that the above is for illustrative purposes only. Actual outcomes may differ significantly.
- As the Administrators cannot rely upon the valuation of the Land provided by the Director, no warranty as to the accuracy for reliability of this estimate is provided.



Resolutions – Administrators' remuneration

Resolution – remuneration incurred from 21 February 2017 to 17 March 2017

- I now put the following resolution to the meeting:

“That the remuneration of the Administrators for the period from 21 February 2017 to 17 March 2017, calculated on hours spent at the rates detailed in the Schedule of Remuneration Methods and Hourly Rates provided to creditors, in the amount of \$128,639.70 (excluding GST), is hereby approved for payment.”

Resolutions – Administrators' remuneration (cont)

Resolution – remuneration incurred from 18 March 2017 to 28 March 2017.

- I now put the following resolution to the meeting:

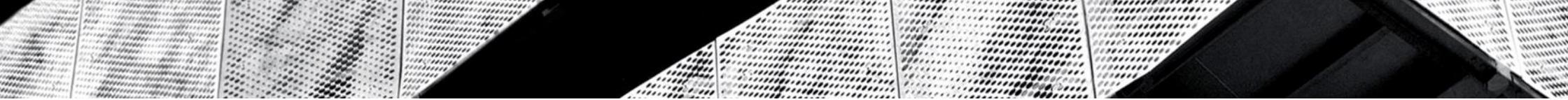
“That the Administrators’ remuneration for the period from 18 March 2017 to 28 March 2017 shall be a sum equal to the time cost spent by the Administrators, their partners and their staff, calculated at the rates detailed in the Schedule of Remuneration Methods and Hourly Rates provided to creditors, up to the capped amount of \$24,956.00 (exclusive of GST).

Creditors acknowledge that if actual costs incurred are below the amount approved, the Administrators are only authorised to draw the amount incurred. Creditors also acknowledge that if actual costs incurred exceed the amount approved, the Administrators will seek further approval from creditors.

The Administrators are approved to draw their remuneration as and when it is incurred from funds under their control”.

Vote on Parkview's future (as per supplementary report)

- **Administration to end**
 - As the Company is insolvent, control of the Company should not be returned to the Director.
- **Company to be wound up**
 - As there are no final / binding DOCAs for the Administrators' consideration and the Company is insolvent, in the event that creditors wish to immediately resolve the future of the Company, the Administrators' recommendation is that creditors vote in favour of the Company being placed into liquidation.
- **Adjourn meeting (in consideration of a DOCA proposal)**
 - Whilst the current DOCA proposal submitted requires further amendment and cannot yet be implemented, in order to leave this option open for creditors (which may lead to a higher overall return), it is the Administrators overall recommendation that creditors resolve to adjourn the meeting for a period of up to 45 business days.



Vote on Parkview's future – resolution

Adjourn meeting for up to 45 business days:

- I now put the following resolution to the meeting:

“That the meeting should be adjourned for a period of up to 45 business days”

Liquidation

- I now put the following resolution to the meeting:

“That Parkview Estate Pty Limited be wound up and Barry Frederic Kogan and Joseph David Hayes be appointed Joint and Several Liquidators”



Committee of Inspection (if required)

- Committee of Inspection can be formed by creditors, in a liquidation.
- Role:
 - consult with the Liquidators about matters relating to the liquidation;
 - receive and consider reports by the Liquidators; and
 - approve Liquidators' fees
- Committee of Inspection cannot instruct the Liquidators, but acts as a sounding board.

Resolutions – Liquidators' remuneration (if required)

Resolution – Liquidators' initial remuneration

- I now put the following resolution to the meeting:

“That the initial remuneration of the Liquidators, for the period of the liquidation, shall be a sum equal to the time cost spent by the Liquidators, their partners and their staff, calculated at the rates detailed in the Schedule of Remuneration Methods and Hourly Rates provided to creditors, up to an initial capped amount of \$157,975.00 (exclusive of GST).

Creditors acknowledge that if actual costs incurred are below the amount approved, the Liquidators are only authorised to draw the amount incurred. Creditors also acknowledge that if actual costs incurred exceed the amount approved, the Liquidators will seek further approval from creditors.

The Liquidators are approved to draw their remuneration as and when it is incurred from funds under their control”.

Committee of Inspection – Resolution (if required)

Committee of Inspection (if required)

“That:

..... representing

be appointed to the Committee of Inspection of Parkview Estate Pty Ltd (In Liquidation).”



Comprise of debt and extended contractual – Resolutions (if required)

Compromise debt resolution

“That so far as is necessary for the beneficial winding up of Parkview Estate Pty Ltd (In Liquidation) the Liquidators are hereby authorised pursuant to subsections 506(1A), and 477(2A) of the Corporations Act 2001 to compromise any debt to Parkview greater than the prescribed amount (currently \$100,000).”

Extended contractual arrangement resolution

“That so far as necessary for the beneficial winding up of Parkview Estate Pty Ltd (In Liquidation) the Liquidators are hereby authorised to enter into agreements that may take longer than three months to complete pursuant to section 477(2B) of the Corporations Act 2001.”

Q & A

