



McGrathNicol

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PrimeSpace Property Investment Limited Pty Ltd ACN 107 345 317 ("the Company")

Circular to Creditors

26 July 2017

I refer to my appointment with Anthony McGrath as Joint and Several Voluntary Administrators of the Company on 23 April 2014 and subsequently as Joint and Several Liquidators on 28 May 2015.

Pursuant to Section 508 of the *Corporations Act, 2001* ("the Act") when a voluntary winding up continues beyond 12 months, as Liquidator I am required to either convene an Annual Meeting of Creditors or lodge an annual report on the progress of the liquidation with the Australian Securities & Investments Commission ("ASIC").

I have determined to prepare a report rather than convene an Annual Meeting of Creditors at this time, but may convene a meeting (or meetings) of creditors of the Company at a later date. The report can be accessed under the Company's 'Assignments' page on the McGrathNicol website. Pursuant to section 508(4)(c) of the Act, I will also on request make copies of the report available to creditors.

If you have any queries in relation to the above, please contact Paul Daryaei of my staff on (02) 9338 2648 or at pdaryaei@mcgrathnicol.com.

Yours faithfully

PrimeSpace Property Investment Limited (In Liquidation)

Shaun Fraser
Joint and Several Liquidator



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26 July 2017

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To the creditor as addressed

Dear Sir / Madam

**PrimeSpace Property Investment Ltd (In Liquidation)
ACN 107 345 317 ("PPIL") ("the Company")
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 in determining 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 six unsold apartments.
- Subject to the finalisation of sales, the Company, in its capacity as trustee for Primespace Northbourne Trust ("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
15 September 2015	968,519
26 October 2015	968,519
18 October 2016	1,925,517
24 April 2017	1,878,567
Total	10,652,677

- 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, a marketing campaign for the two commercial units held by PSPT3 was undertaken in early 2016. There was limited interest in the properties at that time.

We are planning a further marketing campaign and aim to commence a further sale process commencing during August.

2 **Court proceedings / applications**

2.1 *Prime Access property Fund ("PAPF") Convertible Note Subscription Agreement*

As creditors and noteholders are aware, the liquidators sought funding to pursue a claim against PPIL's former lawyers (per my circular dated 6 April 2017) from creditors and litigation funders. I received two non-binding, indicative offers from litigation funders. A number of creditors expressed interest in the proposed funding, however did not proceed to provide funding proposals.

The defendant has since indicated they are willing to mediate the claim with a view to agreeing a commercial settlement.

Acknowledging the timing and cost benefits in pursuing mediation in the first instance (prior to pursuing litigation), I obtained approval from the Committee of Inspection ("the Committee") on 6 June 2017 to enter into a mediation agreement with PPIL's former lawyers.

The mediation is currently scheduled for 8 August 2017. Creditors and noteholders will be updated on the outcome of the mediation upon its completion.

2.2 *Update on proceedings commenced by Canberra Finance Group ("CFG")*

Our investigations are ongoing in relation to the claim by CFG. Our view has been that the terms of the agreement with CFG, the circumstances which gave rise to the agreement and the quantum of the claim further investigation necessitated. CFG commenced litigation to compel PSNT to honour the claim in April 2016.

The liquidators have made an application to the court for directions as to whether PSNT should defend the proceedings.

The directions proceedings have been delayed by questions asked and action taken by a creditor, the IQ Investment Trust.



The directions hearing are listed to continue on 12 August 2017.

In the meantime, we are considering whether there maybe an opportunity to settle the claim of CFG.

3 **Estimated return to creditors**

Due to the significant impact that the matters set out in sections 2 and 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.

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

4 **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 completing sales of assets, winding up or transfer of trustees as appropriate;
- Progressing potential preference payment claims;
- Complying with statutory reporting requirements, including the lodgement of PSNT's outstanding pre-appointment tax returns;
- 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 Paul Daryaei of my staff on (02) 9338 2648 or pdaryaei@mcgrathnicol.com.

Yours faithfully

Primespace Property Investment Limited (In Liquidation)

A handwritten signature in blue ink, appearing to read 'Shaun Fraser'.

Shaun Fraser

Joint and Several Liquidator

Enclosures:

Appendix A – Summaries of receipts and payments – 28 May 2015 to 31 May 2017



Annexure A

Primespace Property Investment Limited (In Liquidation)

Summary of receipts and payments for the period 28 May 2015 to 31 May 2017

Receipts	Amount (\$)
Funds Recovered from Pre-appointment Account	580.61
Interest Income	8.24
Total Receipts	588.85
Payments	
Bank Charges	(0.12)
Total Payments	(0.12)
Net receipts and payments	588.73

Primespace Property Investment Limited As Trustee for Canberra House Trust (In Liquidation)

Summary of receipts and payments for the period 28 May 2015 to 31 May 2017

Receipts	Amount (\$)
Funds Recovered from Pre-appointment Account	5,616.07
Interest Income	71.68
Total Receipts	5,687.75
Payments	-
Net receipts and payments	5,687.75

Primespace Property Investment Limited as Trustee for Primespace Property Trust No.3 (In Liquidation)

Summary of receipts and payments for the period 28 May 2015 to 31 May 2017

Receipts	Amount (\$)
Funds Recovered from Pre-appointment Account	89461.28
Interest Income	879.69
GST Received	3,310.00
Total Receipts	93,650.97
Payments	
Advertising	(15,388.69)
Bank Charges	(7.84)
Council Rates	(9,583.27)
Strata Levies	(23,528.52)
Utilities	(5,055.89)
Valuation Fee	(3,300.00)
Insurance	(1,706.75)
Legal Fees	(2,921.90)
Legal Disbursements	(7.84)
Total Payments	(61,500.70)
Net receipts and payments	32,150.27



Primespace Property Investment Limited as Trustee for Primespace Northbourne Trust (In Liquidation)

Summary of receipts and payments for the period 28 May 2015 to 31 May 2017

Receipts	Amount (\$)
Interest Income	161,740.97
GST Received	75,434.00
Asset Realisation - IQ Smart Apartment	10,652,678.52
Total Receipts	10,889,853.49
Payments	
Agent Fees	(893.59)
Bank Charges	(8.64)
Insurance	(18,874.35)
Legal Fees	(1,345,255.43)
Legal Disbursements	(153,177.51)
Legal Fees - IQIT*	(56,288.72)
Legal Disbursements - IQIT*	(12,013.43)
Legal Fees - PSPT3*	(56,288.71)
Legal Disbursements - PSPT3*	(12,013.44)
Legal Fees - PAPF*	(68,797.35)
Legal Disbursements - PAPF*	(14,683.09)
Utilities	(781.06)
Total Payments	(1,739,075.32)
Net receipts and payments	9,150,778.17

*Note: These amounts have been paid from PSNT due to current fund shortfalls in PAPF, PSPT3 and IQIT. In accordance with judgement of Black, J dated 7 February 2017, these balances will be repaid to PSNT when the respective trust/fund receives funds.

Primespace Property Investment Limited (In Liquidation) - Cash balance as at 31 May 2017

Trust/Fund	Amount (\$)
PPIL	588.73
CHT	5,687.75
PAPF	-
PSPT3	32,150.27
PSNT	9,150,778.17
Cash at bank - total	9,189,204.92