

**And Chill Pty Ltd (AC)
And Chill Property Management Pty Ltd (ACPM)
(Administrators Appointed to both)
(collectively known as "the Companies")**

Second Meeting of Creditors
Friday, 2 August 2019



McGrathNicol



and chill.



Agenda

- **Introduction**
 - Meeting formalities and overview of voting process
 - Overview of the Voluntary Administration
 - Purpose of meeting
- **Voluntary Administration**
 - Administrators' actions to date
 - Investigations
 - Expected return to creditors
 - Administrators' recommendation
- **Questions**
- **Resolutions**

Meeting formalities

- Open meeting
- Administrator Chairperson: IPR 75-50
- Introductions
 - Barry Kogan and Kathy Sozou (Administrators)
 - Rajiv Goyal (Director, McGrathNicol)
- Attendance register
- Quorum: IPR 75-105
- Time and place convenient: IPR 75-30
- Administrators' report: IPR 75-225
- Proofs of debt and proxies
- Updated DIRRI
- Voting



Voting

- Voting will be done “on the voices” (i.e. by show of hands) and/or by a poll (if requested)
- Each creditor can only vote in the entity they are a creditor of, you will have received coloured slips at sign-in

Voting

On the voices

By poll

How to
vote



Hold up voting slip

On your voting slip, tick "In favour of" or "Against", add your name and (for proxy holders) the creditor you represent

Hand voting slip to Administrators' staff

Voting
via
proxy



Each creditor/proxy holder in the room gets one vote, regardless of how many proxies held

General proxies: fill in a voting slip for each general proxy you hold

Special proxies: we already have your creditor's vote (provided in advance or at sign-in)

How the
resolution
is passed



When more creditors/proxy holders vote for it than vote against it

When more creditors (either in the room or via proxy) vote for it than vote against it
AND

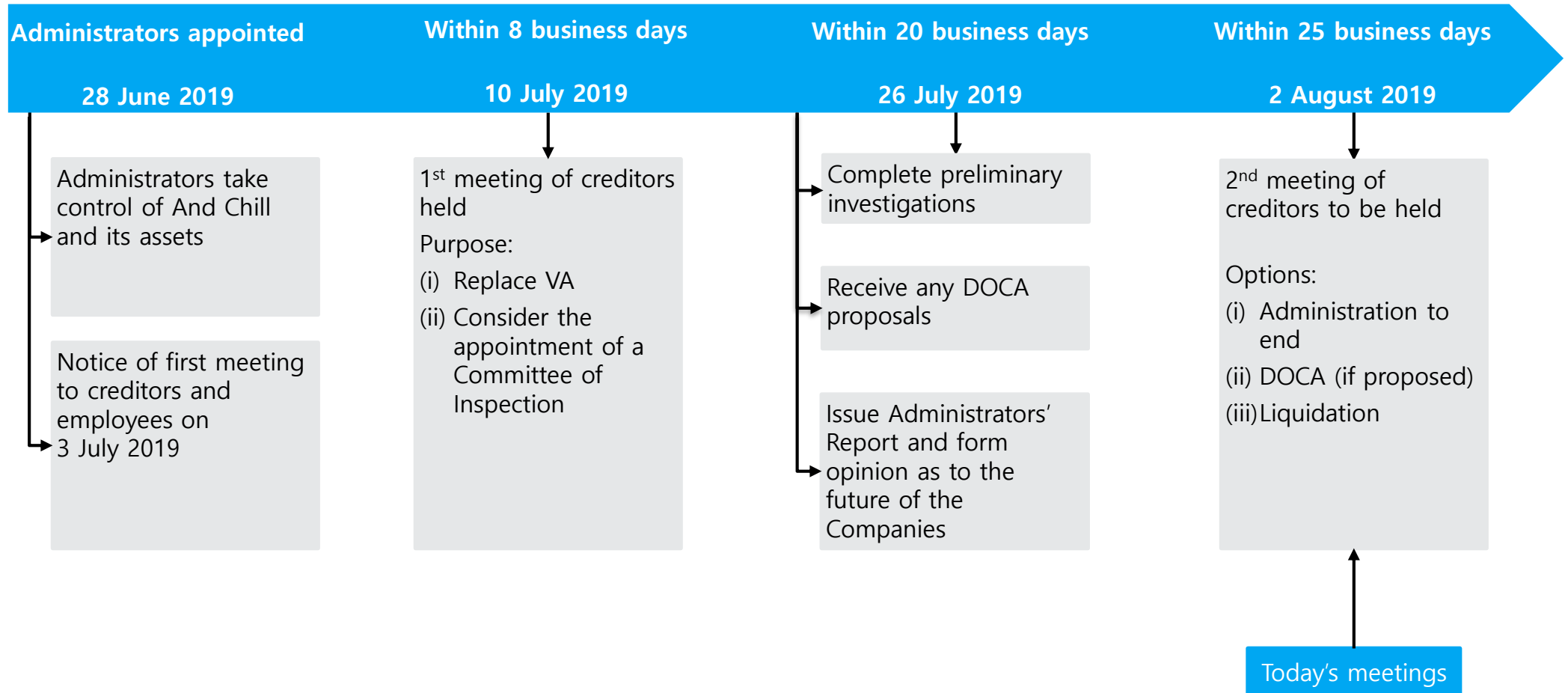
When those who vote for it are owed a greater amount of money than those who vote against it
OR, IF EITHER OF THE ABOVE (BUT NOT BOTH),
When the Chairman exercises a casting vote in accordance with IPR 75-115

Resolution – meetings to be held concurrently

“That the meetings of creditors of _____ be held concurrently.”

- And Chill Pty Ltd (Administrator Appointed)
- And Chill Property Management Pty Ltd (Administrator Appointed)

Overview of the Voluntary Administration



Purpose of meetings

Creditors to resolve one of the following:

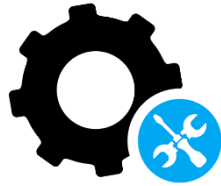
- 1** The Companies enter into a Deed of Company Arrangement (DOCA)
- 2** The Companies enter liquidation
- 3** AC be returned to the Director

Creditors may also resolve that the meeting be adjourned for a period of up to 45 business days

Administrators' actions to date



Statutory obligations



Discontinued operations and sale of IP (unsuccessful)



Creditors Notified



Liaising with regulators



Preliminary Investigations

Reasons for failure

- 1** Operating losses
- 2** Poor financial controls
- 3** Unable to raise further funding
- 4** Alleged misappropriation of funds

Investigations

- 1** Inadequate books and records and therefore no reliance placed on financials
- 2** Reviewed bank statements, accounting data and made other enquiries
- 3** Identified a number of unexplained transactions to related parties and potential director breaches
- 4** Investigations preliminary only and limited as only appointed to 2 of the 5 companies in the Group

Key concerns



Inadequate record keeping



Inadequate control and operational management



Breaching real estate license requirements



Significant funds transfers without a clear basis



Alleged falsification of accounts



Failure to assist Administrators



Possible insolvent trading

Investigations

Claims available in a liquidation

Unreasonable director related transactions



Transfer to AHC: \$1.5m

Insolvent trading



Insolvent trading: \$3.6m

Voidable transactions



Unfair Preferences: \$350k

Discharge of Directors' duties



Potential Director breaches

Issues with proceeding with the investigations

Significant litigation risk and delay

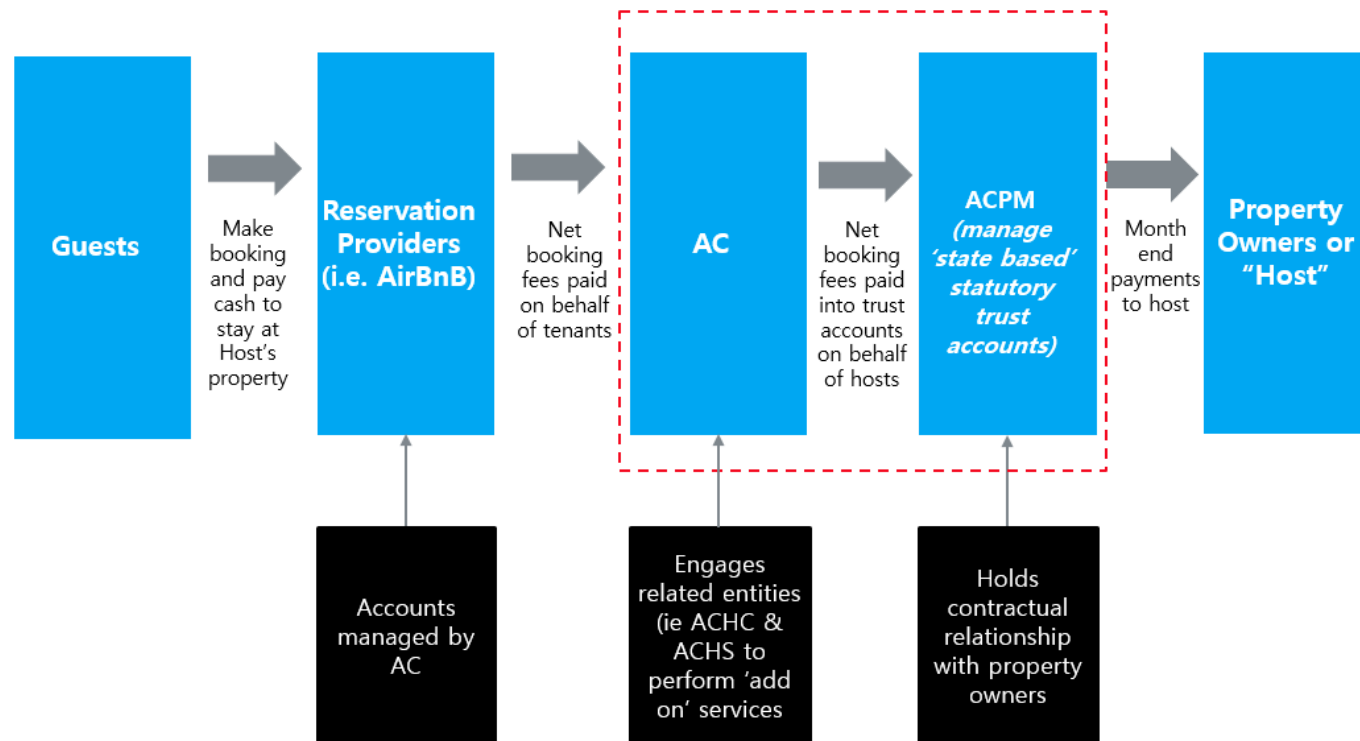


Funding required



Statutory trust bank accounts

- Each state has its own legislation governing how licensed real estate agents must operate including the management of trust money
- ACPM had statutory trust bank accounts set up for each respective state
- AC had multiple operating accounts for its day to day operations
- Monies received on behalf of the property owners should have been deposited directly into statutory trust bank accounts however were used for general operating expenses and potentially used for personal benefit (further investigation required)



Property Services Compensation Fund

Background

- State based compensation fund available
- Managed by the Office of Fair Trading in each state

Allegations

- Monies have been misappropriated

Actions to date

- 2 July 2019, Office of Fair Trading Qld appointed Receivers (PwC)
- 29 July 2019, Office of Fair Trading NSW appointed us as the "Account Examiners"

How to make a claim

- Complete the claim form and lodge with the relevant Office of Fair Trading.
- Further details on our website



Fair Entitlements Guarantee (FEG) scheme

- In the event of liquidation, FEG assistance becomes available
- Eligible employees may claim:
 - unpaid wages, up to 13 weeks;
 - unpaid annual leave and long service leave;
 - payment in lieu of notice, up to five weeks; and
 - redundancy pay, up to four weeks per full year of service
- Unpaid superannuation contributions cannot be claimed
- Eligibility requirements include Australian permanent residency
- Further information can be found at www.jobs.gov.au

Creditor Claims

Creditor breakdown

Creditor Type (\$'000s)	AC	ACPM	Total
Secured creditor - PFG	1,750	-	1,750
Employees	131	-	131
<i>Unsecured Creditors</i>			
- Property Owners	48	892	940
- Tenants	2	-	2
- Suppliers and Contractors	72	30	102
- Statutory Creditors	191	302	493
- Cleaners	142	-	142
- Other Lenders	66	-	66
Total Unsecured Creditors	521	1,225	1,745
Total Creditors	2,402	1,225	3,626

- The Companies have no tangible realisable assets
- Any return to creditors is dependent on successful liquidator recoveries

Expected return to creditors

Liquidation – Low Case

Liquidation – High Case

Employees >>

Nil (Subject to FEG)

Unknown (Subject to FEG)

Property owners >>

Nil (Subject to compensation fund)

Unknown (Subject to compensation fund)

Unsecured creditors >>

Nil

Unknown

Secured creditors >>

Nil

Unknown

Recommendation



Liquidation is the only option available to the creditors of the Companies

Questions





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Enter into Liquidation

“That _____, enter into Liquidation with Barry Kogan and Kathy Sozou being appointed as the Joint and Several Liquidators.”

- And Chill Pty Ltd
- And Chill Property Management Pty Ltd

Remuneration – 28 June 2019 to 19 July 2019

That the remuneration of the Voluntary Administrators of _____ (Administrators Appointed), for the period 28 June 2019 to 19 July 2019 is approved for payment in the sum of \$_____, plus GST (reflecting a reduction in professional time costs based on time spent calculated at the hourly rates as detailed in the circular dated 3 July 2019), and the Voluntary Administrators may pay the remuneration immediately from funds on hand, funds held as an indemnity, as funds become available or as otherwise determined by the Voluntary Administrators.”

Summary of resolutions

And Chill Pty Ltd	\$111,554.63
And Chill Property Management Pty Ltd	\$63,065.93

Remuneration – 20 July 2019 to 2 August 2019

“That the remuneration of the Voluntary Administrators of _____ (Administrators Appointed), for the period 20 July 2019 to 2 August 2019, is approved for payment in the sum of \$_____, plus GST, and the Voluntary Administrators may pay the remuneration immediately from funds on hand, funds held as an indemnity, as funds become available or as otherwise determined by the Voluntary Administrators.”

Summary of resolutions

And Chill Pty Ltd	\$15,000.00
And Chill Property Management Pty Ltd	\$15,000.00

Remuneration – period of Liquidation

“That the future remuneration of the Liquidators of _____ (In Liquidation) for the period of the liquidation, calculated at the hourly rates as detailed in the circular to creditors dated 3 July 2019, is approved up to a capped amount of \$_____ plus GST, and the Liquidators may pay the remuneration as incurred, from funds on hand, as funds become available or as otherwise determined by the Liquidators.”

Summary of resolutions

And Chill Pty Ltd	\$60,000.00
And Chill Property Management Pty Ltd	\$90,000.00

Committee of Inspection (if applicable)

- Role of a Committee of Inspection:
 - consult with the Liquidators about matters relating to the liquidation;
 - receive and consider reports by the Liquidators;
 - approve the Liquidators' remuneration; and
 - in limited circumstances approve the use of some of the Liquidators' powers.
- A Committee of Inspection cannot instruct the Liquidators, but acts as a sounding board
- I now ask for nominations

Resolutions – Committee of Inspection – AC

- Resolution – Committee of Inspection

“That a Committee of Inspection of And Chill Pty Ltd (Administrators Appointed) be formed and that:

.....

.....

.....

be appointed to the Committee of Inspection of And Chill Pty Ltd (Administrators Appointed) ”.

Resolutions – Committee of Inspection – ACPM

- Resolution – Committee of Inspection

“That a Committee of Inspection of And Chill Property Management Pty Ltd (Administrators Appointed) be formed and that:

.....

.....

.....

be appointed to the Committee of Inspection of And Chill Property Management Pty Ltd (Administrators Appointed) ”.

Resolutions – Committee of Inspection

“That despite the operation of IPS 80-55, members of the _____ (all Administrators Appointed) committee may directly or indirectly derive a profit or advantage from the external administration of the company if the profit or advantage is derived in the ordinary course of trading the business.”

- And Chill Pty Ltd
- And Chill Property Management Pty Ltd

Resolution - Liquidators' ability to compromise debts (if applicable)

"That so far as necessary for the beneficial winding up of _____ (all Administrators Appointed), the Liquidators are hereby authorised pursuant to subsections 506(1A), 477(2A) and 477(2B) of the Corporations Act 2001 to compromise any debts greater than the prescribed amount (currently \$100,000)."

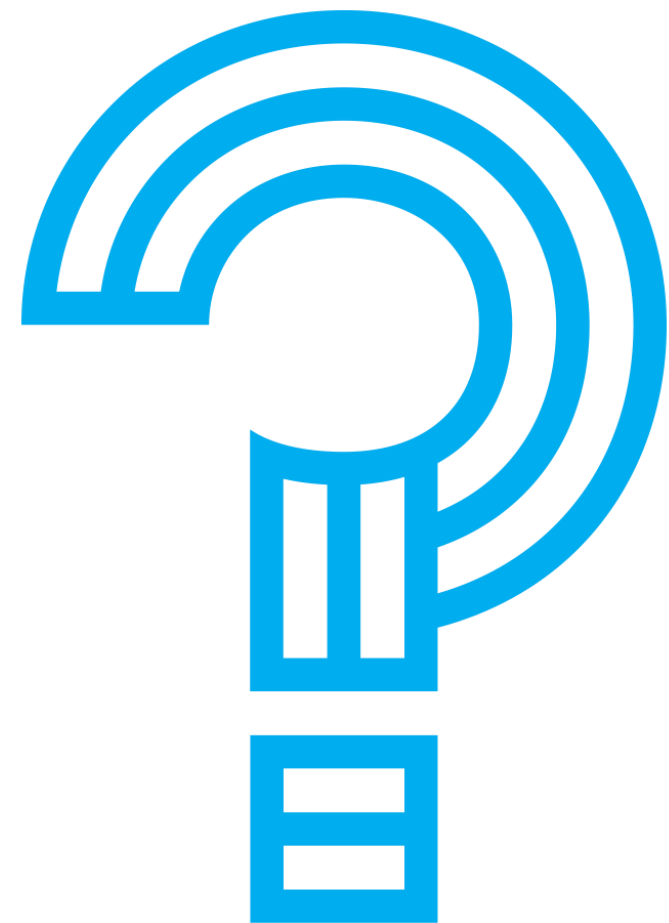
- And Chill Pty Ltd
- And Chill Property Management Pty Ltd

Resolution – Liquidators' ability to enter into agreements (if applicable)

“That so far as necessary for the beneficial winding up of _____ (all Administrators Appointed), the Liquidators are hereby authorised to enter any agreements on behalf of _____ (all Administrators Appointed) involving a term or obligations extending for more than three months.”

- And Chill Pty Ltd
- And Chill Property Management Pty Ltd

Questions





Adjournment resolution (if applicable)

Resolution – adjournment of meeting

“That the Second Meeting of Creditors of _____ (Administrators Appointed) be adjourned for a period of up to [...] days.”

- And Chill Pty Ltd
- And Chill Property Management Pty Ltd

