



McGrathNicol

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Partnership

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**PrimeSpace Property Investment Limited (Administrators Appointed)
ACN 107 345 317 ("PPIL" or "the Company")**

**Circular to Creditors
21 May 2015**

I refer to my appointment with Tony McGrath as Joint and Several Administrator of PPIL on 23 April 2015.

The purpose of this circular is to provide creditors with information about the business, property, affairs and financial circumstances of the Company in preparation for the second statutory meeting of creditors.

The meeting is to be held at the office of Chartered Accountants Australia and New Zealand, Level 10, 60 Marcus Clarke Street, Canberra, ACT at 12:00 PM (AEST) on **Thursday, 28 May 2015**.

The following documents are attached:

- Administrators' Report to Creditors pursuant to Section 439A of the Act;
- Notice convening the meetings of creditors (Form 529);
- Proof of debt form (Form 505) along with an information sheet to assist you in completing the proof of debt; and
- Proxy form (Form 523) along with the information sheet to assist you in completing the proxy form.

At the meeting, creditors will be entitled to vote on whether:

1. the Company should execute a Deed of Company Arrangement;
2. the administration should end;
3. the Company be wound up; or
4. the meeting be adjourned.

Creditors who intend to vote at the meeting must lodge a formal proof of debt with the Administrators prior to the meeting. If you have already lodged a proof of debt, you are not required to do so again.

Creditors who are unable to attend the meeting and wish to be represented should ensure that either a proxy form, power of attorney, or evidence of appointment of a company representative pursuant to Section 250D of the Act is validly completed and provided to the Administrators prior to the meeting.

0001 Circular to creditors

In association
with



Liability limited by a scheme
approved under Professional
Standards Legislation

Advisory
Forensic
Transactions
Restructuring
Insolvency



Additionally, creditors who are unable to attend in person may participate via teleconference, subject to providing relevant proof of debt and proxy documents in advance. Please contact us on or before 27 May 2015 should you wish to participate via teleconference.

Documents may be lodged with me prior to the meeting or may be brought to the meeting.

If a faxed copy of a proxy or power of attorney is provided prior to the meeting, the original of the instrument must be received by me either prior to or at the meeting.

Creditors who wish to discuss any aspects of the above should please contact Summer Nguyen on (02) 9338 2608.

Dated Thursday, 21 May 2015

Shaun Fraser

Joint and Several Administrator

Enclosure(s):

Administrators' Report to Creditors

Notice of Meeting

Proof of Debt

Instructions for completion of Proof of Debt

Proxy Form

Instructions for completion of Proxy Form

Information for attendance at meeting



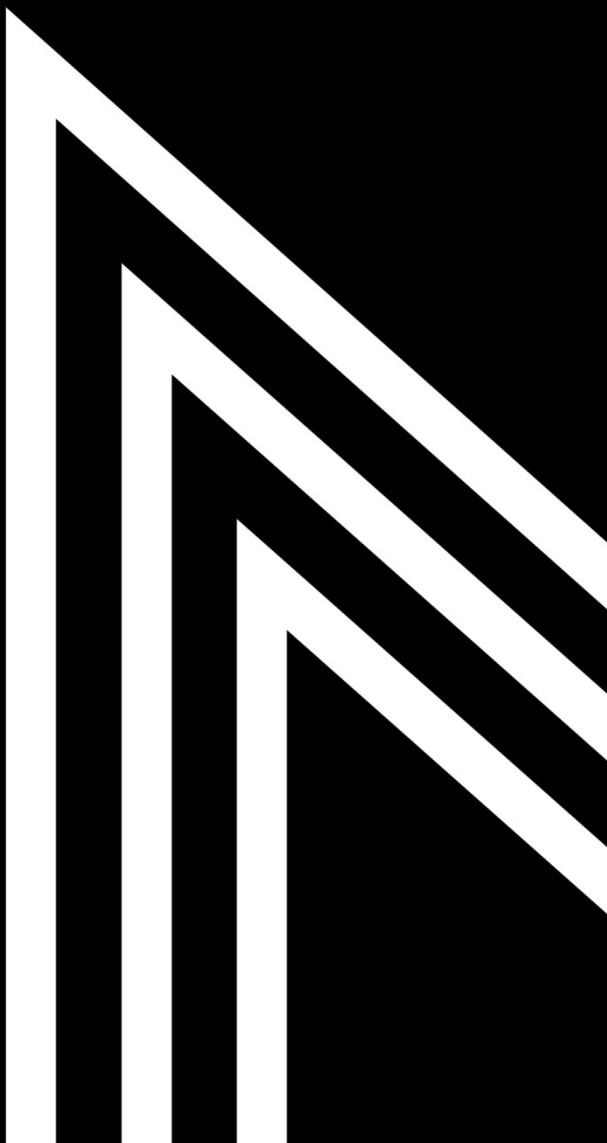
PrimeSpace Property Investment Limited (Administrators Appointed)

Report to creditors pursuant to Section 439A of the Corporations Act 2001

21 May 2015



McGrathNicol



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Glossary

the Act	Corporations Act 2001
Administrators	Shaun Fraser and Tony McGrath
AET	Australian Executor Trustees Limited
BSL	Balanced Securities Limited
CFG	Canberra Finance Group Limited
CHT	Canberra House Trust
Directors	The current directors of PPIL are Anthony McDonald, Cassandra McDonald and Ian McDonald
DOCA	Deed of Company Arrangement
ERV	Estimated Realisable Value
IQIT	IQ Investment Trust
IQJV	The IQ Smart Apartments Joint Venture, entered into by PSNT, MNB and WSC
IQJV Partners	MNB and WSC
K	Thousand
Lokaz	Lokaz Pty Ltd
m	Million
MNB	Marque Northbourne Ltd as trustee for the Marque Northbourne Trust
MV	Meyer Vandenberg Lawyers
MVDT	Mona Vale Development Trust
Optima	Optima Funding Pty Ltd
PPIL	PrimeSpace Property Investment Limited (Administrators Appointed)
Prime Access Group	PAPF and related funds and trusts
POPF	Prime Office Property Fund
PRPF	Prime Retail Property Fund
PS Office	PS Office Pty Ltd
PS Retail	PS Retail Pty Ltd (Receivers and Managers Appointed)
PSNT	PrimeSpace Northbourne Trust

PSPT3	PrimeSpace Property Trust No.3
RE	Responsible entity
WSC	Worth Street Commercial Pty Ltd

1 Executive summary

1.1 Introduction

On 23 April 2015, the Directors appointed Shaun Fraser and Tony McGrath to act as Joint and Several Voluntary Administrators of PrimeSpace Property Investment Limited ("PPIL") pursuant to section 436A of the Corporations Act 2001 ("the Act").

This is the Administrators report to creditors pursuant to section 439A of the Act.

You have been provided with a copy of this Report in your capacity as a person who claims to be a creditor of PPIL.

1.2 Purpose of this Report

The purpose of this report is to provide creditors with details about PPIL's business, property, affairs and financial circumstances in preparation for the upcoming second creditors meeting.

The report also informs creditors on the findings of our investigations to date and set out the Administrators' opinion about each of the options available to creditors at the second creditors' meetings, together with our opinion on the course of action that the Administrators recommend is in the best interests of creditors.

1.3 Results of investigations

The Administrators have undertaken preliminary investigations into the affairs of PPIL with a view to identifying possible recoveries that may be available for creditors in a liquidation.

These investigations have concluded that PPIL may have been insolvent for a period prior to the Administrators' appointment. Further investigations and analysis will be required in order to firm up a view regarding PPIL's financial position and to establish the timing of insolvency.

The Administrators have identified potential recovery claims that may be available to a liquidator which could increase the funds available to cover the costs of a winding up and return to creditors. We are also aware of a potential claim against a legal advisor of PPIL.

Further investigation of these claims will need to be undertaken by a liquidator including an assessment of the commerciality of incurring costs to recover, including pursuing Court action should that become necessary.

1.4 Recommendation

Having regard to the matters set out in this report, the Administrators recommend that out of the available options which include:

- PPIL enter into liquidation;
- Control of PPIL be returned to the directors;
- PPIL enter into a Deed of Company Arrangement.

It is in the best interests of creditors to vote to place PPIL into liquidation.

1.5 Second meeting

The Second Meeting for PPIL has been convened to be held at the office of Chartered Accountants Australia and New Zealand, Level 10, 60 Marcus Clarke Street, Canberra, ACT at 12:00 PM (AEST) on **Thursday, 28 May 2015**.

2 Introduction

2.1 Appointment

On 23 April 2015, the Directors appointed Shaun Fraser and Tony McGrath as Joint and Several Administrators of PPIL pursuant to section 436A of the Corporations Act 2001 ("the Act"). At the date of our appointment, PPIL acted as responsible entity and trustee of various funds and trusts.

2.2 Object of administration

In an administration, administrators are empowered by the Act to assume control of an insolvent company, superseding the powers of the directors and officers, to manage the Company's affairs and deal with its assets in the interests of its creditors and members.

The intention of Voluntary Administration is to maximise the prospects of a company, or as much as possible of its business, continuing in existence or, if that is not possible, to achieve a better return to creditors and members than would be achieved by its immediate liquidation. During an administration, there is a moratorium over most pre-administration creditor claims.

Administrators are required to investigate the company's affairs and report to creditors on the Administrators' opinion as to which outcome of the administration process is in the best interest of creditors, so as to inform creditors prior to voting at the second meeting.

2.3 First Meeting

Section 436E of the Act requires the Administrators to conduct the First Meeting of Creditors within eight business days of being appointed.

The First Meeting of Creditors of PPIL was held on Tuesday, 5 May 2015 and there were no nominations to appoint an alternative administrator. Creditors resolved to appoint a Committee of Creditors, however no committee meetings have been held.

2.4 Second Meeting

The Second Meeting of Creditors for PPIL has been convened to be held at the office of Chartered Accountants Australia and New Zealand, Level 10, 60 Marcus Clarke Street, Canberra, ACT at 3:00pm (AEST) on **Thursday, 28 May 2015**.

The formal notice of the Second Meeting of creditors of PPIL is included with this Report.

3 Administrators' prior involvement

In accordance with section 436DA of the Act and the ARITA Code of Professional Practice, a Declaration of Independence, Relevant Relationships and Indemnities ("DIRRI") dated 28 April 2015 for PPIL was included with the Administrators' first report to creditors. There is no change to the information provided in the DIRRI.

3.1 Ongoing assessment

We, Shaun Fraser and Tony McGrath of McGrathNicol, undertook a proper assessment of the risks to our independence prior to accepting the appointment as Administrators of PPIL 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 acting as Administrators.

Our opinion as to our independence has not changed in the period since our DIRRI was tabled at the first meeting of creditors.

We remain of the view that our prior professional relationships as outlined in the DIRRI do not create or give rise to any potential conflict of interest.

4 Overview and statutory information

4.1 Overview – PrimeSpace Property Investments Limited (in its personal capacity)

PPIL was incorporated in 2003. The core business of PPIL has been to act as responsible entity ("RE") or trustee of various funds and trusts. PPIL holds a retail Australian Financial Services Licence (licence number 279694). The current directors of PPIL are Anthony McDonald, Cassandra McDonald and Ian McDonald. Please refer to section 4.6 for further information.

PPIL is currently the trustee of:

- Prime Access Property Fund;
- Prime Space Northbourne Trust;
- Canberra House Trust; and
- PrimeSpace Property Trust No. 3.

As noted above, PPIL was also the trustee of the IQ Investment Trust ("IQIT") at the date of our appointment. Unit Holders in the IQIT have sought to replace PPIL as trustee as of 1 May 2015.

Outlined in the following sections are details of the funds and trusts with which PPIL is involved. We note that where PPIL acts as trustee or RE, it has a right of indemnity over the assets of each trust in relation to the liabilities incurred by each trust.

Trust assets are not generally otherwise available to PPIL in its own capacity and PPIL has a general obligation to act in the best interest of trust beneficiaries/unit holders.

PPIL has acted as project manager in respect of developments managed by the funds and trusts, including the IQ Smart Apartments development.

Set out below is a summary of PPIL's net asset position as at 22 April 2015 as advised by the directors and set out in available company records. We note that this summary excludes the assets and liabilities of which the funds and trusts for which it acts.

PPIL - ERV		
\$'000	Directors' net realisable value	Comments
Total assets	168	Includes \$166K of recoverable sundry debtors
Total liabilities	(578)	Includes \$563K of unsecured creditors
Net assets / (liabilities)	(410)	

Source: Directors' RATA

4.2 Group structure

PIL is the RE for the Prime Access Property Fund ("PAPF") with an AFSL (No. 279694). It also acts as the trustee of a number of other related and unrelated property development trusts.

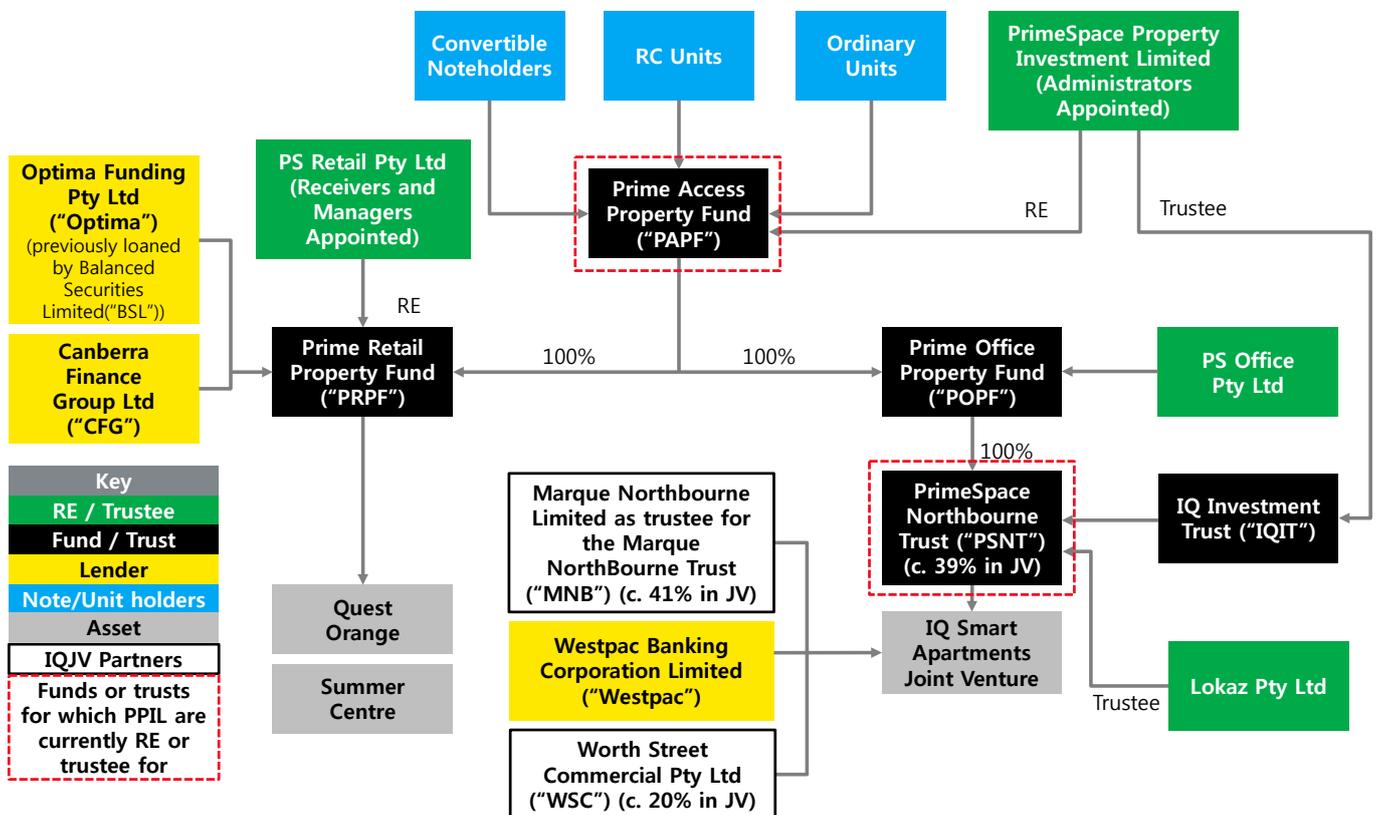
The core business of PAPF is financing property investment and development activities. The PAPF holds a 100% interest in each of the PRPF and the POPF. The POPF is the 100% owner of the PSNT.

The Administrators' appointment to PIL is in its personal capacity and in its capacity as RE or trustee of various funds and trusts.

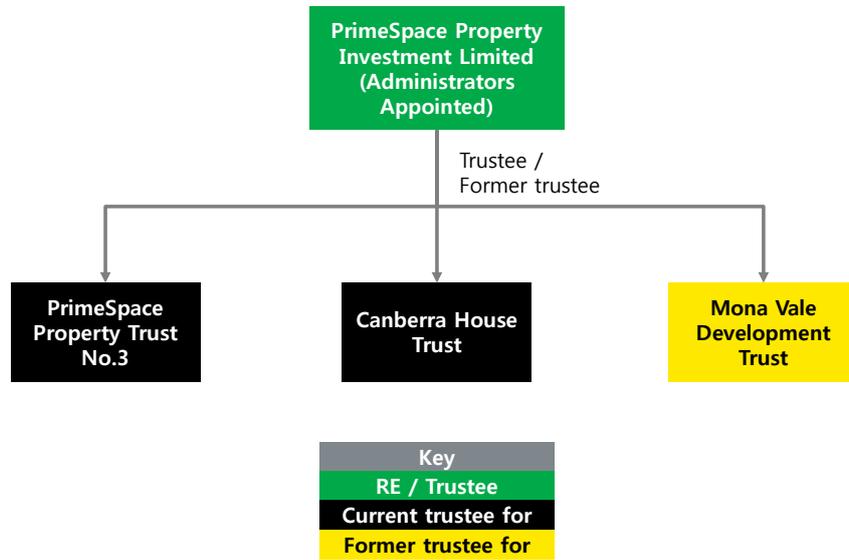
The structure of the Prime Access Group as at the date of our appointment is illustrated in the diagram below.

The following events have occurred since the date of our appointment:

- a special resolution of IQIT unit holders was passed on 1 May 2015 requiring PPIL to retire as trustee of IQIT, to be replaced by IQIT Nominees Pty Ltd. We are liaising with the new trustee in relation to this matter.
- Lokaz had replaced PPIL as trustee of PSNT on 16 April 2015, shortly prior to our appointment. On 8 May 2015, Lokaz was replaced as trustee for the PSNT by PPIL.



In addition to the above, PPIL acts or has formerly acted as trustee for the following trusts which sit outside the Prime Access Group:



4.3 Overview – Funds and Trusts

Set out below is detail of the funds and trusts relevant to our appointment, including the respective financing arrangements and asset position of each fund or trust.

4.3.1 Prime Access Property Fund (“PAPF”)

PAPF was established in 2007. The core business of PAPF is property investment.

The directors of PPIL have advised that prior to our appointment, steps had been taken to commence winding down PAPF pursuant to section 601NC of the Act. We note further in relation to this advice that:

- A search of the ASIC register shortly after our appointment indicated “strike off action in progress” for PAPF. We have written to ASIC requesting that strike off action be suspended.
- Mr McDonald has advised that PPIL as trustee wrote to unit holders in PAPF in late 2013 pursuant to section 601NC of the *Corporations Act 2001* to advise unit holders that the scheme was unable to meet its objectives and that it would be wound up. Mr McDonald has advised that no response to his correspondence was received. Accordingly, all but 100 ordinary units in the PAPF have been cancelled (refer below for further information). We understand that one effect of the winding up is that PPIL is no longer required to hold a retail AFSL.
- We are continuing our investigations in relation to this matter.

4.3.1.1 Assets

PAPF is the sole beneficiary of PRPF and POPF (discussed further throughout this report).

4.3.1.2 Financing arrangements

PAPF had three classes of units / notes on issue:

- Ordinary units (30m units at \$1): funds raised provided initial capital for the purchase of various PAPF assets. We are advised that between 2007 and 2011, PAPF paid an 8% per annum distribution to ordinary unit holders quarterly. As noted above, we are advised that the majority of ordinary units were cancelled in late 2014. Mr McDonald advises that he is the holder of the remaining 100 un-cancelled units.
- RC units (6m units at \$1): funds raised provided development equity for the Summer Centre Orange development (details of the Summer Centre Orange development are set out at section 4.3.2.1). We are advised that between 2007 and 2011 PAPF paid an 8% per annum distribution to RC unit holders quarterly. As noted above, we are advised that all RC units were cancelled in late 2014; and
- Convertible notes (total face value c.\$8 million with 30 June 2014 maturity date and 25% coupon rate): funds raised were used to fund the IQ Smart Apartments development. There are 22 note holders.

PAPF also has also guaranteed loans relating to the Summer Centre Orange development (detailed in section 4.3.2.2).

We have been advised by the Directors that PAPF has provided a guarantee in respect of an amount of \$750K personally guaranteed by Anthony McDonald and Cassandra McDonald to CFG (discussed in section 4.3.2.2). Mr McDonald has also advised that PAPF has provided an undocumented loan of \$1.7m to PSNT.

4.3.1.3 Financials

Our preliminary estimation of the return to unsecured creditors of PAPF is set out below:

PAPF - ERV

\$'000	High	Low	Comments
Total assets	8,047	3,135	Reflects the surplus from the IQ Smart Apartments JV to be distributed via POPF to PAPF.
Total liabilities	(27,142)	(25,545)	Includes payable to third parties, including convertible note holders and an estimate of the shortfall to financiers of the Summer Centre Orange development.
Net assets / (liabilities)	(19,094)	(22,410)	

Source: Administrators' analysis

Note: The above estimates are preliminary and assume values for asset realisations and creditor claims which are subject to further verification.

4.3.2 Prime Retail Property Fund ("PRPF")

PRPF was established in 2007. The primary purpose of the PRPF was to fund and manage the development of Summer Centre Orange.

PS Retail is the current RE of PRPF. The directors of PS Retail are Anthony McDonald, Cassandra McDonald and Ian McDonald.

John Potts and Anthony Cant of Romanis Cant were appointed Receivers and Managers of PS Retail on 30 October 2014 by a secured creditor, BSL. We note that the debt has been assigned by BSL to Optima.

4.3.2.1 Assets

PRPF is a 100% owner of Summer Centre Orange, a regional shopping centre and apartment development located in Orange, NSW. The shopping centre component was completed and is now partially leased, with tenants including Dan Murphy's and Super IGA. The construction of the Quest apartments did not commence.

We have requested information from the Receivers and Managers regarding the status and strategy for the development with a view to whether any surplus is likely to become available to PAPF.

4.3.2.2 Financing arrangements

Funding for the Summer Centre Orange development was initially provided by the Commonwealth Bank of Australia ("CBA"). The loan from CBA was cross guaranteed by PRPF and POPF.

The director has advised that various issues including:

- delays in construction;
- higher than forecast costs;
- delays in leasing the development; and
- higher than anticipated lease incentives,

ultimately resulted in financing difficulties and the refinance of the CBA loan. The CBA loan was refinanced in 2012 by BSL and CFG. Details of the BSL and CFG facilities are set out below:

- *BSL facility:* \$15m loan at 14.95% per annum (20.95% per annum default rate), repayable on 21 February 2014. The loan was extended with an increase in the facility in May 2014. The BSL loan was transferred to Optima, with an outstanding balance of c.\$17m in July 2014. Security in respect of the Optima loan includes:
 - Guarantee provided by PAPF; and
 - First registered mortgage over the Summer Centre Orange property and a general security interest over PS Retail.
- *CFG facility:* three advances (\$1.2m, \$300K and 450K) totalling \$1.95m at a 25% per annum, repayable in December 2014.
 - We are advised that PAPF is a guarantor;

- Anthony McDonald and Cassandra McDonald, directors of PS Retail and PPIL, have given personal guarantees totalling \$750K;
- As part of a refinancing arrangement in May 2014 (when the third advance of \$450K was made) and pursuant to a purported rectification of the agreement between the relevant parties, four options for the purchase of units in the IQ Smart Apartments (each for \$1) were granted as security for the loan. In addition guarantees may have been given to CFG by POPF and PSNT.

4.3.2.3 Financials

Based on discussions with the Director, the net asset position of PRPF is set out below:

PRPF - ERV		
\$'000	Estimate	Comments
Total assets	19,000	As at 31 December 2013, the Company's books and records valued the Summer Centre Orange property as c.\$19m.
Total liabilities	(25,000)	Includes facilities owed to Optima (c.\$20m) and CFG (c.\$3.5m), and unsecured creditors.
Net assets / (liabilities)	(6,000)	

Source: Administrators' analysis

Note: The above estimates are based on PPIL's books and records. We have requested, but have not yet received, a proper accounting on the estimate of the financial position of PRPF from the Receivers of Summer Centre Orange. Accordingly, these estimates are subject to further verification.

4.3.3 Prime Office Property Fund ("POPF")

POPF's only asset is 22 million units in PSNT.

PS Office is the current RE of POPF. The directors of PS Office are Anthony McDonald, Cassandra McDonald and Ian McDonald.

4.3.3.1 Assets

The sole asset of POPF is its 100% interest in PSNT.

4.3.3.2 Financials

POPF has no liabilities. Accordingly, its net asset position would reflect the proceeds from PSNT.

POPF - ERV			
\$'000	High	Low	Comments
Total assets	7,924	3,267	POPF's sole asset is its 100% interest in PSNT.
Total liabilities	Unknown	Unknown	Value of liabilities, if any, are unknown.
Net assets	7,924	3,267	

Source: Administrators' analysis

Note: The above estimates are preliminary and assume values for asset realisations and creditor claims which are subject to further verification.

4.3.4 PrimeSpace Northbourne Trust ("PSNT")

PSNT was established in 2007. The primary purpose of PSNT was to fund and manage the development of the IQ Smart Apartments.

PPIL was the trustee of PSNT from its inception until 16 April 2015, when it was replaced by Lokaz. Mr McDonald advises that the replacement of PPIL as trustee was as a result of concerns regarding the solvency of PPIL. The change in trustee had a material impact on the IQJV and could have caused substantial delays. Following discussions with Mr McDonald in the period shortly after our appointment, PPIL was reinstated as trustee of PSNT on 8 May 2015.

4.3.4.1 Assets

The key asset of PSNT is its interest in the IQ Smart Apartments Joint Venture ("IQJV"). The IQJV is completing a 230 unit residential and commercial unit development located on Northbourne Avenue, Canberra. At the commencement of the development, PSNT had a 100% interest in the development.

On 22 May 2013, PPIL entered into a joint venture agreement with Marque Northbourne Limited as trustee for the Marque Northbourne Trust ("MNB") and Worth Street Commercial Pty Ltd ("WSC"). The interests of the parties following the execution of the JV Agreement are as follows:

- *PSNT*: 38.74%
- *MNB*: 40.89%
- *WSC*: 20.37%

Construction achieved practical completion in April 2015 and titles for units are expected to be issued shortly. Upon titles issuing, settlement of pre-sales contracts will commence.

Further details regarding the estimated return from the development are set out in section 10.

4.3.4.2 Financing arrangements

The IQ Smart Apartments development and in particular, PSNT's interest in the IQJV, is funded through debt provided by Westpac, the IQIT and equity advanced by the joint venture partners as follows:

- *Westpac construction facility*: totalling c.\$53.8m. Supported by a first registered mortgage over the IQ Smart Apartments property and a general security interest over PPIL.
- *IQIT*: Convertible notes of c.\$4m at 25% per annum.
- *Equity*: equity of c.\$10.3m was been advanced by PSNT (funded by PAPF). An additional unpaid equity amount of \$800K was funded for PSNT by MNB and WSC.

Funds raised from the PAPF Convertible note holders and IQIT unit holders funds have also been utilised in the development.

4.3.4.3 Financials

PSNT's net asset position is dependent on the IQ Smart Apartments and estimated as follows:

PSNT - ERV			
\$'000	High	Low	Comments
Total assets	14,714	13,670	PSNT's sole asset is its 38.74% interest in the IQ Smart Apartments JV.
Total liabilities	(6,790)	(10,403)	Includes the IQIT units, CFG and general unsecured creditors of PSNT.
Net assets	7,924	3,267	

Source: Administrators' analysis

Note: The above estimates are preliminary and assume values for asset realisations which are subject to further verification.

4.3.5 IQ Investment Trust ("IQIT")

IQIT was established in 2012. The primary purpose of the IQIT was to raise the additional equity required for PSNT to develop the IQ Smart Apartments development. Funds raised from IQIT unit holders were invested by PSNT to fund its equity contribution in the IQJV.

We have received correspondence from the representatives of the IQIT unit holders advising that the unit holders have formed a view that PPIL should not continue as trustee of IQIT. Following a special resolution passed by IQIT unit holders on 1 May 2015, PPIL was requested to retire as trustee by IQIT Nominees. We are in discussions with the representative regarding our position and right of indemnity.

4.3.5.1 Assets

The sole asset of IQIT are the convertible notes issued by PSNT.

4.3.5.2 Financing arrangements

IQIT's preference units have a face value of c.\$4.1m and are held by 10 unit holders.

4.3.5.3 Financials

IQIT has no known liabilities. Accordingly, its net asset position would reflect the principle plus interest owing on the preferential units.

IQIT - ERV

\$'000	High	Low	Comments
Total assets	6,690	6,952	IQIT's sole asset is receivables from PSNT relating to the IQIT units.
Total liabilities	Unknown	Unknown	Value of liabilities, if any, are unknown.
Net assets	6,690	6,952	

Source: Administrators' analysis

Note: The above estimates are preliminary and assume values for asset realisations which are subject to further verification.

4.4 Overview – Other Trusts (unrelated to the Prime Access Group)

PPIL acts or has formerly acted as trustee of the below trusts which sit outside the Prime Access Group.

We are still gathering information on these trusts, and note that they appear to be solvent.

4.4.1 PrimeSpace Property Trust No.3 (“PSPT3”)

PSPT3 was established in 2007. Its primary purpose was to purchase and redevelop The Hub Shopping Centre, located in Burpengary, South East Queensland. It is unrelated to the Prime Access Group.

PPIL is the current trustee of PSPT3.

The Hub is a redeveloped shopping centre with 20 tenancies and 260 car spaces. We understand that 2 commercial units with an estimated value of circa \$600K-\$700K are yet to be realised in the development. PSPT3 currently has cash at bank of c.\$80K.

PSPT3’s 4m ordinary units at \$1 are held by 27 unit holders. We are continuing our investigations in relation to this trust and are liaising with the solicitors for PSPT3.

Based on discussions with the Directors, the net asset position of PSPT3 is set out below:

PSPT3 - ERV			
\$'000	High	Low	Comments
Total assets	680	900	Includes cash at bank and estimated value of the 2 commercial units at The Hub.
Total liabilities	Unknown	Unknown	Value of liabilities are unknown but expected to be materially less than assets.
Net assets	Unknown	Unknown	

Source: Discussions with Anthony McDonald

4.4.2 Canberra House Trust (“CHT”)

CHT is currently dormant. The primary purpose of CHT was to purchase and redevelop the Canberra House. It is unrelated to the Prime Access Group.

PPIL is the current trustee of CHT.

The key asset of the CHT, Canberra House, was realised in 2013. We are advised that all assets of the trust have been realised, liabilities paid and surplus distributed to unit holders. We understand that the fund may now be wound up subject to finalisation of residual matters.

4.4.3 Mona Vale Development Trust (“MVDT”)

MVDT is currently dormant. The primary purpose of MVDT was the development of an apartment complex at Mona Vale on Sydney’s Northern Beaches. It is unrelated to the Prime Access Group.

PPIL was the former trustee of MVDT but was replaced as trustee by Ivory Apartments Pty Ltd prior to our appointment.

The key asset of MVDT was the Ivory Apartments, a 20 luxury apartment development located in Sydney’s Northern Beaches. We have been advised by the Directors that the final apartment was sold in September 2014 and that all unit holders were paid by October 2014. We understand that the trust may now be wound up subject to finalisation of residual matters.

4.5 Timeline of key events

A timeline of key events in the history of the Prime Access Group are set out in the table below:

Year	Description
2003	PPIL founded. Acquisition of the Ivory Apartments property and establishment of MVDT.
2006	Acquisition of Summer Centre Orange property.
2007	PAPF, PRPF and POPF established. Acquisition of The Hub and establishment of PSPT3. Acquisition of The Marque Hotel (to be developed into the IQ Smart Apartments).
2012	Summer Centre Orange CBA facility refinanced by BSL and CFG. IQIT established.
May 2013	Establishment of IQJV.
Jun 2013	Sale of Canberra House.
Sep 2013	PPIL Directors commence dialog with PAPF convertible note holders regarding liquidity issues.
Nov 2013	Hayes Advisory ("Hayes") appointed to assist with liquidity issues and attend board meeting to test insolvency.
2014	Finalise sales of the Ivory Apartments and pay out of MVDT unit holders.
Feb 2014	Hayes report on PAPF's liquidity is presented to note holders. BSL facility extended for three months.
May 2014	BSL and CFG agree to extend facilities and advance further funding in respect of the Summer Centre Orange development.
Jun 2014	Board provides PAPF convertible note holders with a report from Hayes outlining the current financial position of PPIL / PAPF.
Nov 2014	Board determines to wind up PAPF. Independent board members resign. PPIL receives statutory demands from convertible note holders.
Dec 2014	PPIL lodges an application to set aside statutory demands with the Federal Court of Australia.
Late 2014	All but 100 RC units and all ordinary units, purportedly cancelled pursuant to section 601NC of the Act.
Apr 2015	Federal Court refuses to set aside statutory demands and the Court's decision is confirmed on appeal. IQ Smart Apartments development reaches practical completion.
Apr 2015	Appointment of Shaun Fraser and Tony McGrath as Joint and Several Administrators of PPIL on 23 April 2015.

4.6 Statutory details, shareholders and officers

A search of the records maintained by the ASIC database as at the date of the Administrators' appointment reveals the following statutory details for PPIL:

PPIL - Company details			
ACN	Place of business	Registered office	Registration date
107 345 317	85 Monaro Street, Queanbeyan NSW 2620	85 Monaro Street, Queanbeyan NSW 2620	11/12/2003

Source: SAI Global Company Search

Office holders of PPIL leading up to the Administrators' appointment are summarised below:

PPIL - Current and former office holders (prior 2 year period)			
Name	Position	Appointment date	Cessation date
Anthony McDonald	Director	11/12/2003	n/a
Ian McDonald	Director	12/11/2014	n/a
Cassandra McDonald	Director	12/11/2014	n/a
Cassandra McDonald	Secretary	24/06/2010	n/a
Brian McGarry	Director	6/07/2007	18/11/2014
Ian Knox	Director	1/11/2010	18/11/2014
Paul Kane	Director	21/12/2010	18/11/2014

Source: SAI Global Company Search

Outlined below are PPIL's shareholders at the date of the Administrators' appointment:

PPIL - Shareholder details			
Class	Number of shares held	Amount paid (\$)	Paid up (%)
Ordinary	51,909	51,909	100%
Preference	237,307	237,307	100%

Source: SAI Global Company Search

4.7 Security interests

Our search of the PPSR database identified a number of security interests over the Prime Access Group's assets as at the date of the Administrators' appointment. Below is a schedule of the security interests:

PPIL - Security interests	
Grantor	Type
Fuji Xerox Finance Limited	Other Goods
Fuji Xerox Australia Pty Limited	Other Goods
Westpac Banking Corporation	All PAAP, Except

Source: SAI Global PPSR Search

Note: All PAAP means all present and after-acquired property

5 Administrators' actions to date

We set out below a summary of the matters attended to by the Administrators since our appointment:

- issued notices of appointment;
- met with PPIL's Directors to understand the background and financial position of PPIL and the Funds and Trusts;
- attended to statutory duties including informing ASIC, the Australian Taxation Office and other relevant authorities of their appointment and advertising their appointment;
- convened the first meeting of creditors held on 5 May 2015;
- attended and chaired the first meeting of creditors held on 5 May 2015 (and lodged minutes of that meeting);
- issued written requests for the Directors to complete a Report as to Affairs, Directors' questionnaire and deliver any books and records to the Administrators;
- conducted a preliminary review of the books and records made available, to ascertain PPIL's, the Funds' and the Trusts' financial position, the key issues affecting each and transactions potentially recoverable by a liquidator;
- undertook personal property securities register and property searches and disclaimed a leased asset;
- liaised with stakeholders, including:
 - secured creditors;
 - various note holders and note holder representatives;
 - representatives of various creditors;
 - the IQ Joint Venture partners; and
 - other stakeholders;
- answered unsecured creditors' enquiries in relation to the Administration;
- liaised closely with various creditors and the former trustee of PSNT, Lokaz, regarding the reinstatement of PPIL as trustee of the PSNT;
- assessed the status of the IQ Smart Apartments development and liaising closely with the IQ Joint Venture Partners and their representatives regarding the development;
- liaising with Australian Executor Trustees Limited ("AETL"), custodian of PSNT;
- issuing instructions to AETL to enable the execution and lodgement of the unit plan for the IQ Smart Apartments;
- conducting preliminary investigations in relation to the business, affairs and financial circumstances of PPIL, the Funds and the Trusts;
- reviewed contractual arrangements in relation to funding note holdings and various funds or trusts;
- instructed lawyers in relation to various legal matters;
- prepared a detailed report to creditors pursuant to section 439A of the Act; and
- attended to other general and statutory requirements.

6 Books and records

The Administrators are required to provide an opinion as to whether PPIL’s books and records were maintained in accordance with Section 286 of the Act.

The Act requires that a company must keep written financial records that:

- correctly record and explain its transactions and financial position and performance; and
- would enable true and fair financial statements to be prepared and audited.

Failure to maintain books and records in accordance with Section 286 of the Act provides a presumption of insolvency. This presumption can be relied upon by a Liquidator in an application for compensation for insolvent trading and other actions for recoveries pursuant to the Act from Directors and related parties.

The administrative functions of PPIL, including the day to day accounting function and the maintenance of books and records, were performed internally by staff with specific responsibility for maintaining records.

The Administrators have secured copies of the key books and records of the PPIL from its Directors and management, including copies of financial, banking, creditor and asset information.

The Administrators consider that a company operating PPIL’s business should, as a minimum, maintain the following books and records in order to comply with Section 286 of the Act:

Compliant books and records	Administrators’ comments
Accounting files and associated working papers	Electronic accounting files were maintained. Hard copy files are stored on site at Queanbeyan.
Copies of bank statements and deposit books for the last 7 years	Bank statements for approximately the last 6 months have been obtained.
Management accounts	Appropriate management accounts were prepared and kept at the offices of PPIL.
Reconciliation of bank accounts	Reconciled monthly with appropriate supporting documents attached.
Supporting documentation for payments	PPIL maintained appropriate supporting documents.
Payroll records and contracts of employment	We are advised PPIL had one employee at the date of the appointment of the voluntary administrator, Mr Anthony McDonald. There is no contract of employment in place for Mr McDonald.
Board meeting minutes	PPIL appears to have maintained minutes of board meetings.
Financial statements	Consolidated financial statements were prepared at group level on an annual basis for the year end audit. We are advised that the audit for the year ended 30 June 2014 was close to completion at appointment but had not yet been signed off.
Taxation returns	We understand that the FY14 taxation return had not been lodged at the date of the Administrators’ appointment.
Debtor and creditor listings	Listings have been obtained and were kept in an orderly manner.
Contracts / agreements / unit holder and trust documentation	This documentation was maintained on file at Queanbeyan and was also available on the PPIL server and has been provided to us.

6.1 Administrators' opinion

Our initial view is that PPIL appears to have generally maintained the types of records one would expect of a company of this size and nature. With the exception of certain items set out above including in relation to recent financial and taxation returns and payroll records, the Administrators have formed a preliminary conclusion that PPIL maintained its records in accordance with the requirements of Section 286 of the Act.

At this time, the Administrators do not believe they can rely on the presumption of insolvency based on a failure to maintain books and records in accordance with Section 286 of the Act.

7 Historical financial position

This section of the Report sets out consolidated historical financial position for the PAPP and related funds and trusts.

The Administrators are reporting the historical financial position on the consolidated fund basis as majority of the assets and liabilities were incurred by PPIL in its capacity as RE or trustee of the Funds and Trusts.

Consolidated historical financial information for the years ended 30 June 2012 and 30 June 2013 has been sourced from PAPP's audited accounts, and for the half year ended 31 December 2013 has been sourced from unaudited management accounts.

The consolidated accounts are for PAPP in its entirety including PPIL.

A summary of the consolidated balance sheet is set out below.

Please note the Administrators have not conducted an audit of the Prime Access Group financial records and accordingly, the Administrators are unable to comment on the accuracy or completeness of the information provided.

7.1 Financial position

A summary of the historical financial position is as follows:

Historical consolidated statement of financial position			
\$'000	Unaudited Half-year ended 31 Dec 2013	Audited Year ended 30 Jun 2013	Audited Year ended 30 Jun 2012
Current assets			
Cash and cash equivalents	146	7,068	1,401
Trade and other receivables	(18)	376	589
Other assets	1,044	837	661
Total current assets	1,172	8,281	2,652
Non-current assets			
Investment property	19,000	30,609	78,719
Financial assets	10,862	8,862	-
Total non-current assets	29,862	39,471	78,719
Total assets	31,034	47,751	81,371
Current liabilities			
Trade and other payables	(1,166)	(2,442)	(2,387)
Financial liabilities	(30,654)	(23,455)	(40,967)
Total current liabilities	(31,819)	(25,897)	(43,354)
Non-current liabilities			
Financial liabilities	-	(1,677)	(10,028)
Total non-current liabilities	-	(1,677)	(10,028)
Total liabilities	(31,819)	(27,574)	(53,383)
Net assets	(785)	20,178	27,988

Source: Half-year 30 December 2013 unaudited management accounts, 2013 and 2012 PAPP consolidated financial statements

We make the following observations in relation to the financial position:

- The net assets position deteriorated in 1HY14 as a result of:
 - decrease in value of investment properties totalling c. \$11m, predominately due to the write-down of the Summer Centre Orange by \$15m;
 - cost increases on projects in particular relating to the Summer Centre Orange;
 - the accrued financing costs and distributions to unit holders; and

- increased project costs and delays resulting in an increase in financial liabilities to fund the higher project cost.

8 Financial position based on Report as to Affairs

The Report as to Affairs for PPIL (submitted by the Directors jointly) was received by the Administrators on 19 May 2015.

The RATA sets out the Directors' assessment of PPIL's assets and liabilities as at 22 April 2015, together with the estimated realisable values of the assets.

The Directors have noted the following in the RATA:

- assets do not include the assets or liabilities of the registered schemes on trusts that PPIL acts for; and
- unsecured creditors do not include contingent liabilities associated with exposure to the funds and trusts.

Accordingly, the information provided in the RATA relates to PPIL in its personal capacity only, and not as RE or trustee of the Funds and Trusts.

The Administrators' comments regarding the assets and liabilities disclosed in the Directors' RATA are set out in the following sections.

The RATA is summarised in the table below:

Directors' RATA			
\$	Notes	Book value	Directors' net realisable value
Assets			
Cash at bank	8.1.2	582	582
Sundry debtors	8.1.3	876,428	165,601
Plant and equipment	8.1.4	8,023	2,000
Total assets		885,033	168,183
Liabilities			
Employee entitlements	8.2.1	15,630	15,630
Unsecured creditors	8.2.2	562,652	562,652
Total liabilities		578,282	578,282
Total net assets		306,751	(410,099)

Source: Directors' RATA

8.1 Assets

8.1.1 Overall comments

The RATA discloses the Directors' estimated realisable value of \$0.1m for PPIL assets and a net liability position of \$0.4m before administration costs. The Administrators expect realisations are likely to be lower than director estimates in the RATA.

8.1.2 Cash at bank

At the appointment date, the Directors advised that the balances of the bank accounts and cash on hand totalled approximately \$500. We have since secured these funds.

Separately, we have written to all major Australian banks to identify and secure any additional funds held by PPIL.

8.1.3 Sundry debtors

At the Appointment Date, the Directors advised that PPIL had sundry debtors totalling approximately \$0.8 million as set out in the table below:

Sundry debtors		
\$	Book value	Directors' net realisable value
IQJV management fee	692,625	-
Right to indemnity from trust assets	93,484	93,484
Loan - PAPF	18,202	-
Other loans	72,117	72,117
Total sundry debtors	876,428	165,601

Source: Directors' RATA

With respect to the sundry debtors the Administrators comment as follows:

- the Directors disclosed \$0.7m in project management fees. We consider recovery of this entitlement will be unlikely as the management agreement was terminated by the IQJV Partners following the appointment of the Administrators;
- the Directors disclosed \$0.09m in a right of indemnity from the assets of the funds and trusts;
- the Directors disclosed \$0.02m in an unrecoverable loan from PAPF as the fund has no assets other than receivables to be received from PSNT; and
- the Directors disclosed \$0.07m in other loans which predominantly relate to prepayments. The Administrators are investigating the nature of the prepayments.

We note separately, that Mr McDonald has advised that PPIL as RE for the PAPF lent \$1.7m to PPIL as trustee for the PSNT in an undocumented transaction, to fund PSNT's equity investment in the IQJV.

8.1.4 Plant and equipment

The Directors disclosed plant and equipment in the RATA totalling \$8,000. This relates to office furniture and equipment.

8.2 Liabilities

Set out below is the Administrators' commentary on PPIL's liabilities.

8.2.1 Employee entitlements

The RATA disclosed employee entitlements of \$0.02m at the Appointment Date. The liability relates to Anthony McDonald's unpaid annual leave.

8.2.2 Unsecured creditors

The RATA disclosed unsecured creditor liabilities totalling approximately \$0.5m at the appointment date. The breakdown of creditors accounts is set out below:

Unsecured creditors

\$	Book value
Accrued expenses	211,593
Deferred tax liability	46,226
Insurance premium funding	5,657
Loan account - Anthony McDonald	16,499
Loan account - Royal Hotel	6,917
PAYG withholding liabilities	70,712
Provision for tax	73,466
Trade creditors	152,919
Total unsecured creditors	583,990

Source: Directors' RATA

The Administrators note the following:

- trade creditors include invoices for Directors' fees; and
- there are loan accounts to a director and related party totalling \$23,000.

The Administrators have received proof of debt forms from various creditors, some of whom have claimed in excess of the RATA amounts summarised above.

9 Explanation for difficulties

9.1 Directors' reasons for failure

Mr McDonald has advised us of the following in relation to the failure of PPIL:

- Delays and difficulties experienced in completing and leasing the Summer Centre Orange development ultimately led to the appointment of receivers and managers to PS Retail Pty Ltd (Receivers and Managers Appointed). As a result, PAPP did not receive funds anticipated to be received from that development.
- Delays and difficulties experienced in completing the IQ Smart Apartments development, including site contamination and rock issues led to delays in completion of that development.
- In September 2013, the directors became aware that PPIL in its capacity as trustee of PAPP may be unable to meet payments due at 30 June 2014 to PAPP note holders.
- From September 2013 the directors commenced communications with PAPP note holders with a view to reaching terms with note holders in respect of payments due at 30 June 2014.
- The convertible notes expired on 30 June 2014, PPIL was not able to reach agreement with the note holders on an extension of time for repayment.
- Note holders commenced pressing for payment in November 2014 which led to Federal Court proceedings in relation to the issue of statutory demands on PPIL in its personal capacity. In the proceedings, the Court concluded (in April 2014), that PAPP note holders were entitled to claim against PPIL in its personal capacity in respect of moneys due from PAPP.
- As a result of the above, the directors formed a view that PPIL was insolvent and on 23 April 2015 appointed Administrators to PPIL.

9.2 Administrators' view

The Administrators accept the Directors' explanation as set out above, which is generally consistent with explanations provided by third parties. In addition, we note that financing arrangements entered into by PPIL, PAPP and the funds in which PAPP had an interest, were at very high rates of interest. With project delays, this has added to the quantum of claims against the company.

The Administrators note that we have been provided with detailed correspondence between the directors and various creditors that illustrate attempts by the relevant parties to resolve the situation in the period September 2013 onwards.

9.3 Outstanding winding up applications

A number of note holders were involved in the statutory demand proceedings outlined above and a winding up application made by Vienne Pty Ltd remains active. That application was filed on 23 April 2014 at 12.58pm.

The appointment of the Administrators occurred at 10.30am on 23 April 2015. Vienne Pty Ltd's representatives have advised that they were unaware of the appointment of the Administrators at the time that the winding up application was filed.

9.4 Related entities

A creditor of a company may apply to the court to set aside or modify a resolution authorising the execution of a DOCA if the resolution was carried as a consequence of a related entity casting a vote. Similarly, a defeated resolution for the company to be wound up may be declared to have been carried, if it was defeated because of the vote cast by a related entity.

Accordingly, we note below to the best of our knowledge claims that have been made by related entities of PPIL (overleaf):

Related entities

Related entity name	Description of relationship	How and when the debt was incurred	Value of claim (\$)	Process undertaken to verify the claims and findings
Anthony McDonald	Director of PPIL	Salary and superannuation unpaid as CEO of PPIL incurred during 2013 and 2014.	27,758	Verification continuing.
Cassandra McDonald	Director of PPIL	Financial reporting services and directors fees incurred during 2014 and 2015.	99,000	Verification continuing.
Ian McDonald	Director of PPIL	Directors fees incurred during March 2015.	4,500	Verification continuing.
Grey Colt Pty Ltd	Anthony McDonald, Cassandra McDonald and Ian McDonald are also directors of Grey Colt. Grey Colt and PPIL also shared office premises.	Various amounts paid by Grey Colt on behalf of PPIL, including rent.	6,917	Verification continuing.

Source: Proofs of debt

10 Key assets

10.1 IQ Smart Apartments

The IQ Smart Apartments development will be the key source of funds for:

- creditors of PPIL in its capacity as trustee of PSNT, subject to payment of all creditors of PSNT;
- creditors of PPIL in its capacity as RE of PAPP.

As a consequence of the structure of the group and relevant general law, creditors of PSNT have a right to payment out of the assets of PSNT in priority to creditors of PAPP.

We provide an outline of the anticipated timetable for settlement of sales from the IQ Smart Apartments and cashflow for creditors. Our calculation of the estimated return valuation for creditors is set out at section 10.3.

Event	Commentary
Apr 2015	Practical completion of IQ Smart Apartments development.
Period to May 2015	Pre-sales of units underway. As at reporting date, 192 sales were in progress, including 177 exchanged contracts and 15 contracts and awaiting exchange.
May 2015	Unit plan executed by IQJV Partners, lodged and titles issued for apartments. Partitioning of units between the IQJV Partners.
Jun 2015	Settlements take place. Net settlement funds to be received into the Westpac facility account. Westpac to continue to receive net settlement funds until paid out in full.
Jun 2015 – Sep 2015	Subject to payment of Westpac facility in full, settlement funds to be received by joint venture parties. Surplus settlement funds, including return of equity to joint venture partners to be received by IQJV Partners. Estimated funds of circa \$16m to \$17m available to creditors of PSNT.
Sep 2015	Distribution to creditors of PSNT to be declared and paid subject to resolution of amounts outstanding to creditors and determining appropriateness of retaining hold back (if any) to fund claims.
Nov 2015	Distribution to creditors of PAPP to be declared and paid subject to the above and to resolution of amounts outstanding to creditors.

10.2 Contingent assets

We outline below certain other assets that may be available in the administration:

- *Claims against third party advisors:* we understand that there may be a basis for a claim against one of PPIL's legal advisors, in respect of documentation it prepared for PPIL. We are continuing our investigations into this matter and subject to an analysis of the costs and benefits, may recommend this claim be pursued.
- *Voidable transactions:* through our initial investigations we have identified certain transactions that have the hallmarks of potential voidable transactions, which may be recoverable by a liquidator. This matter is addressed in further detail at section 12.
- *Claims against the directors:* we are assessing potential claims and avenues of recovery against directors for breach of directors' duties or in respect of debts incurred whilst PPIL was insolvent. This matter is addressed in further detail at section 12.

We have not made allowances for these potential recoveries from contingent claims in our estimated return, included at section 10.3.

10.3 Estimated return in the administration

The Administrators' estimated return to creditors of PIPL and PAPF in the administration is provided below. We draw creditors' attention to the following:

- We have attempted to ensure that the figures used in the estimate and the assumptions upon which the estimate is based, are reasonable. We note, however, that we have not audited the figures utilised in the analysis and that as they are estimated values rather than actual values, the final position may change materially.
- For the purposes of the analysis, we have made assumptions regarding matters including, but not limited to:
 - the net realisations from the sale of the IQ Smart Apartments that will be available to PSNT;
 - the quantum of debts of various creditors, including the calculation of interest;
 - the validity of the claims of various creditors;
 - the funds against which creditors will be entitled to claim;
 - the shortfall to Optima from the sale of the Summer Centre Orange development.
 - realisations from claims against third parties for professional advice or from voidable transactions or director related claims.
- We note that the above and all other assumptions made for the purposes of this analysis are not final views of the Administrators. Each assumption is subject to further consideration, verification or change.

We also draw creditors' attention to the notes to our estimate below.

Estimated return to creditors in a liquidation

\$'000	Notes	High	Low
Funds available for distribution from PSNT	1	15,000	14,000
Administrators' / Liquidators' remuneration and expenses		(286)	(330)
Funds available for distribution from PSNT to creditors of PSNT		14,714	13,670
Distribution from PSNT			
IQIT units	2	(6,690)	(6,952)
CFG	2, 3	-	(3,350)
Estimated other creditors of PSNT	2	(100)	(100)
Total disbursements from PSNT		(6,790)	(10,403)
Funds available for distribution to PAPF		7,924	3,267
Add: Potential Liquidator recoveries	4	250	-
Total funds available for distribution from PAPF		8,174	3,267
Administrators' / Liquidators' remuneration and expenses		(130)	(136)
Funds available for distribution from PAPF to creditors of PAPF and PPIL		8,044	3,132
Distribution from PAPF			
Priority payments			
Preferential creditors		(4)	(4)
Total priority payments		(4)	(4)
Funds available to unsecured creditors of PAPF and PPIL		8,047	3,135
Unsecured creditors of PAPF and PPIL			
PAPF convertible notes	5	17,539	19,293
Directors' fees	5	252	252
CFG	3, 5	3,350	-
Optima	5, 6	5,000	5,000
General unsecured creditors of PAPF and PPIL	5	1,000	1,000
Total unsecured creditors of PAPF and PPIL		27,142	25,545
Estimated return to unsecured creditors of PAPF and PPIL		29.65%	12.27%
Residual funds available to PAPF unit holders		Nil	Nil

Source: JV information, A McDonald, Administrators' analysis

Notes:

- 1 PSNT estimated return to IQ Smart Apartments JV.
- 2 Priority of IQIT units, CFG (in the low case) and general unsecured creditors of PSNT would rank equally.
- 3 We are investigating the CFG transaction. We also note that Anthony McDonald and Cassandra McDonald provided personal guarantees totalling \$750K in relation to this loan.
- 4 If PPIL is wound up, the Liquidators would consider pursuing potential voidable transactions (where it is commercial to do so).
- 5 Priority of PAPF convertible notes, directors' fees, CFG (in the high case), Optima and general unsecured creditors of PAPF and PPIL would rank equally.
- 6 The Administrators have estimated the shortfall to Optima from the Summer Centre Orange development will be c.\$5m. This is subject to verification by Optima's Receivers.

11 Deed of Company Arrangement proposal

11.1 Terms of DOCA proposal received

A Deed of Company Arrangement ("DOCA") is a binding arrangement between a company and its creditors governing how the company's affairs will be dealt with and is one of the three possible options for the future of PPIL (the other two options being liquidation and return of control of the PPIL to the directors).

A DOCA aims to maximise the chances of the company, or as much as possible of its business, continuing, or to provide a better return for creditors than an immediate winding up. A DOCA binds all unsecured creditors, even if they voted against the proposal.

We outline below the terms of a DOCA proposal received from Mr McDonald's legal representatives on Wednesday, 20 May 2015 and revised on Thursday, 21 May 2015:

- Mr McDonald's nominee would contribute \$10,000 to the company as a DOCA fund, to fund part of the legal costs and the Administrators' remuneration and expenses associated with pursuing MV in respect of its advice to PPIL concerning the terms of the PPIL trust deed.
- Any excess from the above payment after pursuing the above claim to a settlement or final judgment, to be applied to meet the Administrators' expenses and if those expenses are fully paid, to then meet claims of creditors participating in the DOCA in the order of priority which would apply as if a liquidation of PPIL had occurred.
- The payments above to be paid on the DOCA being executed in accordance with the Corporations Act 2001.
- The director to forego any employee and director entitlements.
- The director would make his time available at no cost and provide a statement and affidavit to assist PPIL in pursuing any case against MV.
- The DOCA will be wholly effectuated and terminate on that basis once all company assets have been realised, been converted into cash and distributed in accordance with the order of priority which would apply as if a liquidation of the company had occurred.
- The Administrators would be the deed administrators, who would conduct the above claim through PPIL and conduct all company asset realisations. The directors would have no ongoing management of the company during the DOCA period.
- Any possible claims against PPIL's directors by PPIL will be released on the DOCA commencement.
- The DOCA commences once it is executed in accordance with the Act.
- Schedule 8A of the Corporations Regulations apply to the extent it is not inconsistent with the above.
- After the DOCA has been wholly effectuated the directors will thereafter take back control of the company.

11.2 Consideration of DOCA proposal

The Administrators are required to provide creditors with a statement of their opinion about each of the courses of action in respect of which creditors are entitled to vote at the meeting on 28 May 2015. We do not consider that the proposal put to us by Mr McDonald provides any material benefit to creditors:

- Voidable transaction recoveries available to a liquidator would not be available in a DOCA.
- The financial improvement to creditors from the DOCA proposal based on our current estimates of assets and claims is immaterial, as shown the analysis in section 11.3.
- The DOCA requires the release of claims against directors. While we have not formed a view at this stage as to whether any claims exist, surrendering rights the company may have may impact the funds ultimately available to creditors.
- A liquidator has extensive powers of review and Part 5.7B of the Corporations Act sets out various transactions which may be voidable as against a liquidator. Based on the information we have, we think there are a number of potential transactions which should be reviewed as potentially voidable transactions. If those transactions were voidable, there could be a material upside for unsecured creditors.

- The claim against MV would be available in both a liquidation and DOCA scenario. There are alternative funding options available to a liquidator to pursue this claim.
- As a consequence of the factors outlined above and our estimated outcome calculation outlined below, in the Administrators' opinion, it is not in the best interests of creditors to vote to enter into a DOCA as proposed.

11.3 Estimated return in a DOCA scenario

Outlined below is the Administrators' estimated return assuming the implementation of the above DOCA proposal. We have noted in this section the key matters we have taken into account in determining the variance between the estimated outcomes in a DOCA versus liquidation scenario.

In our analysis, we have:

- used the anticipated variances between the relevant line items to calculate the funds available for distribution in a DOCA scenario; and
- estimated that fees associated with a DOCA will be circa \$75k less than fees associated with a liquidation because:
 - a Deed Administrator would not conduct insolvent trading or voidable transaction investigations or claims; but
 - the above cost savings would be offset to an extent by costs associated with preparation, negotiation and execution of a DOCA.

Estimated return to creditors in a DOCA			
\$'000	Notes	High	Low
Funds available to unsecured creditors of PAPF and PPIL (in a liquidation)	1	8,047	3,135
Add: Directors' contributions	2	10	10
Add: Decrease in preferential creditors (employee wages)	3	4	4
Add: Decrease as against Liquidators' remuneration	4	75	75
Less: Potential recoveries from voidable transactions	5	(250)	-
Funds available to unsecured creditors of PAPF and PPIL (in a DOCA)		7,886	3,224
Unsecured creditors of PAPF and PPIL (in a DOCA)	3	27,117	25,521
Estimated return to unsecured creditors of PAPF and PPIL		29.68%	12.28%
Residual funds available to PAPF unit holders		Nil	Nil

Source: JV information, A McDonald, Administrators' analysis

Notes:

- 1 Estimated funds available to unsecured creditors of PAPF and PPIL per the liquidation ERV.
- 2 Mr McDonald's nominee will contribute \$10K into the administration.
- 3 Mr McDonald will forgo any employee entitlements. This results in an reduction of employee entitlements of \$28K.
- 4 The Deed Administrators' fees are estimated to be lower than the Liquidators' as outlined in this section.
- 5 There will be no potential recoveries from voidable transactions if PPIL entered into a DOCA.

Estimated return to creditors in a DOCA vs liquidation		
\$'000	High	Low
DOCA	29.68%	12.28%
Liquidation	29.65%	12.27%
Difference	0.03%	0.01%

12 Offences, insolvent trading and voidable transactions

12.1 Offences

ARITA has issued an "Offences, Recoverable transactions and Insolvent trading" information sheet providing general information for creditors about insolvent trading and voidable transactions.

This information sheet is available from the ARITA website (www.arita.com.au). If you are unable to access this website, please contact Summer Nguyen of my staff on (02) 9338 2608 to obtain a copy.

12.2 Insolvent trading

Other than in cases of fraud, the Directors of a company may only be sued for insolvent trading if the company is in liquidation. Where a Voluntary Administrator has been appointed, assessment of the issue of insolvent trading can be important to creditors if they are being asked to choose between a DOCA or a liquidation. In that instance, creditors have to assess the advantages to them of a DOCA (which does not include proceeds from insolvent trading actions) compared to the likely return to them in a liquidation (which could include the proceeds of any successful insolvent trading action). A liquidation also preserves the possibility of individual creditors taking action in their own right.

Before a Court will order that a person pay compensation in respect of insolvent trading, a Liquidator must establish that:

- the person was a Director of the company at the time the company incurred the debts that are the subject of the claim;
- the company was insolvent at that time or became insolvent by incurring the debt;
- at that time, there were reasonable grounds for suspecting that the company was insolvent or would become insolvent by incurring the debt; and
- the debt the subject of the claim was wholly or partly unsecured and the creditors to whom debts are owed have suffered loss and damage.

To determine whether a company has traded at a time when it is insolvent, it is necessary to determine the timing of insolvency. We have not yet formed a definitive view regarding the timing of the insolvency of PPIL but provide below background information which indicates that PPIL's solvency was being monitored closely by directors for some time leading to the appointment of the Administrators:

- Correspondence between the Director to creditors from September 2013 and advice to us from the Director evidences identification by the Director and creditors of liquidity issues at that time;
- Various attempts by PPIL to obtain finance in relation to various projects from 2012 onwards evidence liquidity issues;
- Hayes Advisory was appointed by PPIL in November 2013 to test the solvency at that time;
- The convertible notes issued by PAPP had an expiry date of 30 June 2014. There is no evidence that the due date for payment of this debt extended beyond 30 June 2014; and
- Service of statutory demands by convertible note holders in November 2014 indicates outstanding funds owing at that time. We note the view presented by the Director (which was ultimately unsuccessful in the Federal Court) that PPIL was not liable in its personal capacity for debts to creditors of PPIL.

The above factors indicate that from a cash flow (and balance sheet) perspective that PPIL may be unable to meet its ongoing liabilities from its available cash resources from June 2014.

12.2.1 Directors' defences

Section 588H of the Act sets out statutory defences available to the Director in respect of a claim for insolvent trading. These include:

- At the time of incurring debts, the Director had reasonable grounds to expect that the company was solvent.
- The Director relied on information provided by a competent and reliable person which concluded that the company was solvent at the time debts were incurred.

- The Director was ill at the time the debts were incurred and could not take part in the management of the company.
- Reasonable steps were taken to prevent the incurring of debt.

12.2.2 Administrators' conclusions regarding solvency

As stated above, solvency is a question of fact to be ascertained from a consideration of a company's financial position as a whole.

PPIL may have been insolvent from 30 June 2014. Accordingly, the Administrators consider there may be a basis for a liquidator to consider a claim against the directors for insolvent trading. The potential quantum and timing of the claim is currently unknown.

As noted above there are a number of defences available to Directors under the Act in relation to insolvent trading claims.

12.3 Voidable transactions

Corporations Regulation 5.3A.02 requires an Administrator to specify whether there are any transactions that appear to the Administrator to be voidable transactions in respect of which money, property or other benefits may be recoverable by a Liquidator under Part 5.7B of the Act (these are known as 'voidable transactions'). As with the insolvent trading analysis above, this issue is relevant to creditors if they are being asked to choose between a DOCA or a liquidation, because voidable transactions are only recoverable if a liquidation occurs.

Voidable transactions include:

- *unfair preference claims*: transactions between PPIL and a creditor, resulting in the creditor receiving from PPIL, in relation to an unsecured debt owed to the creditor, a greater amount than it would have received in relation to the debt in a winding up of the company;
- *uncommercial transactions*: being transactions which a reasonable person in the place of PPIL would not have entered into, taking into account the benefits and the detriment to PPIL, the respective benefits to the other parties involved and any other related matters;
- *unfair loans*: being a loan agreement where the interest or charges are considered to be extortionate. Unfair loans made to the company any time prior to the appointment of the Administrator may potentially be overturned by a subsequently appointed Liquidator, whether or not the company was insolvent at the time that the loan was entered into; and
- *unreasonable director related transactions*: being transactions which a reasonable person in the place of PPIL would not have entered into, taking into account the benefits and the detriment to PPIL, the respective benefits to the other parties involved and any other related matters and where the director or an associate of the director benefits from the transaction.

To the extent that information has been available, the Administrators have conducted the following preliminary investigations in relation to voidable transactions:

- reviewed documentation provided to us by third parties;
- reviewed the books and records to determine whether there have been any unfair loans made to or from the PPIL;
- reviewed bank account statements and reconciliations for the period approximately 6 months prior to the appointment of the Administrators to determine whether any creditor has been preferred over the general body of creditors as a result of any transaction.

The Administrators' initial investigations have identified the following potentially voidable transactions:

Potential voidable transactions	
Supplier	Estimated amount (\$'000)
Australian Taxation Office	60
Trade creditors of PPIL and other payments requiring further explanation	Exceeds 500
Granting of security to third parties	TBC

We note that our investigations in relation to the above are continuing and that the above transactions may not ultimately be transactions voidable as against the liquidator.

There are a range of defences that may be available to the parties involved in the above transactions that would need to be considered and investigated prior to commencing recovery action.

If PPIL is wound up, further investigations and a cost benefit analysis of pursuing recovery action will need to be undertaken in relation to the matters referred to above. Additionally, if proceedings are commenced, there is a risk that the claim will not be established or that a defence will be sustained. Further, even if a judgement is obtained, there is a risk that it may not be satisfied or that the amount recovered will not be sufficient to meet the costs of investigating and prosecuting the claim.

12.4 Related party transactions and claims

Our review of the PPIL's books and records identified a number of related party transactions as set out in the table below:

Amounts owing to PPIL by related parties	
Company name	Balance (\$)
Arkana Pty Ltd (holding vehicle of the Ivory Apartments property)	36
PAPF	18,203
PSNT	1,207
PSPT3	227
Total	19,673

Source: Unaudited management accounts

The related party balances listed above need to be investigated further with the Directors to determine the validity of the outstanding balances.

12.5 Breach of Directors' duties

Sections 180 to 184 of the Act sets out the duties, obligations and responsibilities imposed on Directors which are designed to promote good governance and ensure that Directors act in the interests of the company. These duties include:

- Duty of care and diligence;
- Duty of good faith;
- Duty not to make improper use of position; and
- Duty not to make improper use of information.

The Administrators will give further consideration to the Directors' discharge of their duties if PPIL is wound up.

13 Alternative courses of action

The Administrators are required to provide creditors with a statement of their opinion about each of the courses of action in respect of which creditors are entitled to vote at the meeting on 28 May 2015.

The matters requiring the Administrators opinion are:

- whether it would be in the creditors' interests for the Company to execute a DOCA;
- whether it would be in the creditors' interests for the administration to end with control of the Company reverting to its Directors; or
- whether it would be in the creditors' interests for the Company to be wound up.

In addition, creditors are entitled to adjourn the meetings for up to 45 business days.

13.1 Deed of Company Arrangement

A DOCA is a binding arrangement between a company and its creditors governing how the company's affairs will be dealt with. It aims to maximise the chances of the company, or as much as possible of its business, continuing, or to provide a better return for creditors than an immediate winding up. A DOCA binds all unsecured creditors, even if they voted against the proposal.

At the time that this report was prepared, the director had proposed a DOCA which included the terms set out in section 11.3.

As a consequence of the factors outlined in sections 11.2 and 11.3, in the Administrators' opinion, it is not in the best interests of creditors to vote to enter into a DOCA as proposed.

13.2 Administration to end

Creditors may consider ending the administration and returning the control of PPIL to its directors. The Administrators do not believe this to be a viable option given PPIL is insolvent.

In the Administrators' opinion, it is not in the best interests of creditors to vote for the administration to end.

13.3 The company to be wound up

An administrator would usually recommend that creditors vote for an insolvent company to be wound up in the absence of an acceptable DOCA proposal.

The liquidation of PPIL would involve:

- the completion of a more detailed investigation into the affairs of PPIL and the conduct of its Directors;
- further enquiries with regard to potential insolvent trading and voidable transaction actions including taking legal action if necessary;
- reporting to ASIC and creditors in relation to offences committed by the Directors (if any); and
- adjudication of creditor claims and payment of dividends (if sufficient funds are recovered).

The costs of administering the liquidation would depend to a large extent on the:

- property realisation costs;
- dispute related costs;
- nature of further investigations in relation to voidable transactions and other recovery actions; and
- whether funding was made available to conduct such investigations.

Given that PPIL is insolvent and that the DOCA that has been proposed contains no material benefit to creditors in comparison to a liquidation outcome (and may in fact result in a reduced outcome for creditors), the Administrators recommend that PPIL be wound up.

14 Creditors information on remuneration

Sections 15 and 16 of this Report deal with remuneration incurred to date, remuneration required to deal with the remainder of the administration and an initial remuneration estimate (for the period 29 May 2015 to 30 June 2015) for the liquidation of PPIL (subject to the outcome of the meeting of creditors convened for 28 May 2015).

ARITA has issued an "Approving remuneration in external administrations" information sheet providing general information for creditors on the approval of an administrator's fees in a liquidation, a voluntary administration or a deed of company arrangement.

This information sheet is available from the ARITA website (www.arita.com.au). If you are unable to access this website, please contact Summer Nguyen on (02) 9338 2608 to obtain a copy.

15 Administrators' remuneration

An Administrator's remuneration can only be fixed by resolution of a committee of creditors, the company's creditors or by application to the Court.

In accordance with Section 449E of the Act and the ARITA *Code of Professional Practice*, a Schedule of Remuneration Methods and Hourly Rates was provided to creditors with the Administrators' first circulars to creditors and tabled at the first creditors meeting held on 5 May 2015.

In this section, the Administrators outline the work undertaken by the Administrators and their staff for the period from 23 April 2015 to 15 May 2015. The Administrators intend to seek creditor approval of their remuneration totalling \$260,615.00 (excluding GST) incurred and expected to be incurred over the period from 23 April 2015 to 28 May 2015, at the upcoming meeting of creditors.

The Administrators' remuneration has been calculated in accordance with the Schedule of Remuneration Methods and Hourly Rates previously provided at the commencement of the administration.

15.1 Remuneration incurred from 23 April 2015 to 15 May 2015 (actual)

The following resolution will be proposed at the meetings of creditors convened for 28 May 2015:

"That the remuneration of the Administrators, their partners and staff, for the period from 23 April 2015 to 15 May 2015, calculated on hours spent at the rates detailed in the Schedule of Remuneration Methods and Hourly Rates provided to creditors, in the amount of \$137,321.20 (exclusive of GST), is hereby approved for payment."

15.1.1 Description of work completed

Task area	General description	Includes
Assets 78.0 hours \$38,564.40 (ex GST)	Cash	<ul style="list-style-type: none">Assessed the pre-appointment cash position.Wrote to major Australian banks to identify bank accounts held by PPIL.
	Assets	<ul style="list-style-type: none">Conducted land title searches for real properties.Reviewed information relating to the group structure and asset ownership.Reviewed historical company information to identify potential assets.Discussions with directors and stakeholders in relation to assets.
	Leased property	<ul style="list-style-type: none">Identified leased plant and equipment and conducted an assessment of ongoing requirements.Identified leased plant and equipment surplus to PPIL's requirements.Issued notices not to exercise property rights over surplus leased property.

Task area	General description	Includes
	IQ Smart Apartments	<ul style="list-style-type: none"> ▪ Attended to issues regarding the appointment of Lokaz as trustee of the PSNT, including meeting and liaising with representatives of the IQJV Partners and Westpac ▪ Negotiated and documented the resignation of Lokaz and reappointment of PPIL as the trustee of PSNT. ▪ Liaising with the IQJV partners in relation to the completion and sale of the IQ Smart Apartments, including liaising with AET and MV. ▪ Liaising with Westpac, AET and MV in relation to PPIL's reappointment as trustee for the PSNT. ▪ Liaising with AET, MV, and the Administrators' legal advisors in relation to project documentation including issuing instructions to AET and MV on arrangements agreed between the Joint Venture Partners.
Creditors 102.9 hours \$43,700.40 (ex GST)	Secured creditors	<ul style="list-style-type: none"> ▪ Undertook detailed discussions with Westpac and Westpac's legal advisors regarding the Westpac facilities, the conduct of the Administration and Lokaz's appointment as trustee of PSNT. ▪ Various correspondences with Westpac.
	Creditor enquiries	<ul style="list-style-type: none"> ▪ Liaised with creditors in relation to their claims and the administration generally. ▪ Received and followed up creditor enquiries generally. ▪ Reviewed and prepared correspondence to creditors and their representatives via facsimile, email and post.
	Creditor reports	<ul style="list-style-type: none"> ▪ Prepared creditor reports and notifications (including our initial circular to creditors and notice of first meeting of creditors, and DIRRI. ▪ Commenced the preparation of the s439A report and notifications.
	Dealing with proofs of debt	<ul style="list-style-type: none"> ▪ Reviewed proofs of debt received by the Administrators.

Task area	General description	Includes
	Meeting of creditors	<ul style="list-style-type: none"> Convened the first meeting of creditors held on 5 May 2015. Prepared for and attended the first meeting of creditors including preparing the meeting circular, notices, proxies, and advertisements and co-ordinating meeting logistics. Prepared meeting file including: Chairman's notes, agenda, certificate of postage, attendance register and list of creditors. Responded to creditors' queries and questions immediately following the meeting of creditors. Prepared the minutes to the meeting of creditors.
Disputes and Claims 65.8 hours \$33,022.00 (ex GST)	Background	<ul style="list-style-type: none"> Met and liaised with the Directors and their advisors. Liaised with the representatives of the IQJV Partners. Liaised with Mark Love, representative of a number of the convertible note holders. Reviewed reports completed by the Directors' advisors pre-appointment. Reviewed the documentation received from various key parties.
	Strategy	<ul style="list-style-type: none"> Discussed internally the status of the administration. Held internal strategy meetings to identify work priorities and information needs. Meetings with the Administrators' legal advisors to discuss next steps.
Statutory and administration 60.7 hours \$22,034.40 (ex GST)	Dealing with Directors and their advisors	<ul style="list-style-type: none"> Liaised with the Director regarding the RATA. Liaised with the Directors and their advisors regarding the administration. Liaised with the director and his advisor regarding DOCA proposal.
	Books and records	<ul style="list-style-type: none"> Attended PPIL offices to obtain forensic images of the Company's server and laptops, including compilation and documentation of the server and laptop's information. Reviewed and prepared an inventory of the Company's books and records.
	Insurance	<ul style="list-style-type: none"> Attended to putting in place insurance coverage. Liaised with the insurance broker regarding the pre-appointment insurance policy.

Task area	General description	Includes
	Statutory notices	<ul style="list-style-type: none"> ▪ Prepared and lodged statutory lodgements with ASIC. ▪ Prepared and sent notices to other statutory authorities (e.g. the ATO and State Revenue offices) and financial institutions of our appointment.
	Banking	<ul style="list-style-type: none"> ▪ Set up a post-appointment bank account.

15.1.2 Calculation of remuneration incurred

Remuneration for period 23 April 2015 to 15 May 2015 (Actual)												
Employee	Position	Rate \$/hr (ex GST)	Total		Assets		Creditors		Background and strategy		Statutory and administration	
			hrs	\$ (ex GST)	hrs	\$ (ex GST)	hrs	\$ (ex GST)	hrs	\$ (ex GST)	hrs	\$ (ex GST)
Shaun Fraser	Partner	600	68.1	40,860.00	30.0	18,000.00	14.2	8,520.00	20.7	12,420.00	3.2	1,920.00
Tony McGrath	Partner	600	24.5	14,700.00	6.0	3,600.00	10.0	6,000.00	8.5	5,100.00	-	-
Christopher Johnson	Senior Manager	464	78.8	36,563.20	24.9	11,553.60	24.6	11,414.40	24.2	11,228.80	5.1	2,366.40
Michael Gray	Manager	369	10.0	3,690.00	-	-	-	-	4.0	1,476.00	6.0	2,214.00
Sam Bishop	Manager	369	14.8	5,461.20	-	-	2.0	738.00	-	-	12.8	4,723.20
Summer Nguyen	Assistant Manager	333	100.5	33,466.50	15.6	5,194.80	47.4	15,784.20	8.4	2,797.20	29.1	9,690.30
Kate Versey	Assistant Manager	333	3.7	1,232.10	-	-	1.2	399.60	-	-	2.5	832.50
Rosemary Winser	Practice Services Director	522	0.9	469.80	-	-	0.9	469.80	-	-	-	-
Various	Client Admin/Treasury	144	6.1	878.40	1.5	216.00	2.6	374.40	-	-	2.0	288.00
Total (excluding GST)			307.4	137,321.20	78.0	38,564.40	102.9	43,700.40	65.8	33,022.00	60.7	22,034.40
GST				13,732.12		3,856.44		4,370.04		3,302.20		2,203.44
Total Inc GST				151,053.32		42,420.84		48,070.44		36,324.20		24,237.84

15.2 Remuneration incurred from 16 May 2015 to 28 May 2015 (estimate)

At the meetings of creditors, the Administrators will propose that creditors approve Administrators remuneration based on an estimate of time for the period from 16 May 2015 to 28 May 2015, up to a specific limit.

This approval is required to pay remuneration incurred to prepare this Report, carry out investigations, attend to IQ Smart Apartment matters, prepare for and attend the second meetings of creditors to be held on 28 May 2015.

In the event that costs incurred are less than this amount, only the incurred amounts will be paid. If costs incurred exceed the approved amount, further approvals for remuneration may be sought.

The following resolution will be proposed at the meetings of creditors convened for 28 May 2015:

“That the future remuneration of the Administrators, their partners and staff, for the period from 16 May 2015 to 28 May 2015, calculated on hours spent at the rates detailed in the Schedule of Remuneration Methods and Hourly Rates provided to creditors, in the amount of \$123,293.80 (exclusive of GST), is hereby approved for payment.”

15.2.1 Description of major tasks to be completed and explanation of estimated fees

Task area	General description	Includes
Assets 50.5 hours \$23,852.00 (ex GST)	IQ Smart Apartments	<ul style="list-style-type: none"> ▪ Ongoing correspondence with the IQJV Partners, AET, and MV regarding the completion of and realisation of the IQ Smart Apartments. ▪ Attending to executing documents as required.
Creditors 167.0 hours \$64,372.00 (ex GST)	Creditor enquiries	<ul style="list-style-type: none"> ▪ Liaising with creditors in relation to their claims and the administration generally. ▪ Receiving and following up creditor enquiries generally. ▪ Reviewing and preparing correspondence to creditors and their representatives via facsimile, email and post.
	Dealing with proofs of debt	<ul style="list-style-type: none"> ▪ Reviewed proofs of debt received by the Administrators.
	Creditor reports	<ul style="list-style-type: none"> ▪ Preparing and distributing the s439A report and notifications.
	Meeting of creditors	<ul style="list-style-type: none"> ▪ Convening the second meeting of creditors to be held on 28 May 2015. ▪ Forwarding notice of second meeting to all known creditors. ▪ Preparing for and attending the second meeting of creditors including preparing the meeting circular, notices, proxies, and advertisements. ▪ Preparing meeting file including; Chairman’s notes, agenda, certificate of postage, attendance register, list of creditors, and advertisement of meeting. ▪ Lodging minutes of meeting of creditors with ASIC.

Task area	General description	Includes
Investigations 17.5 hours \$6,050.00 (ex GST)	Conducting investigation	<ul style="list-style-type: none"> ▪ Preparing creditors report pursuant to Section 439A of the Act. ▪ Various discussions with the Directors with respect to the financial position and history of PPIL. ▪ Reviewing potential liquidator recoveries including unfair preferences, insolvent trading and uncommercial transactions. ▪ Reconstructing historical financial information of PPIL. ▪ Conducting further comprehensive investigations to enable the completion of the Section 439A report to creditors.
Strategy, statutory and administration 74.2 hours \$29,019.80 (ex GST)	Planning / review	<ul style="list-style-type: none"> ▪ Consider various information in relation to claims and disputes, set actions plans, agree priorities and deadlines. ▪ Review project information, set strategy action plans, agree priorities, brief lawyers, meetings to instruct staff, meetings with stakeholders to source information.
	Dealing with Directors and their advisers	<ul style="list-style-type: none"> ▪ Ongoing correspondence with the Directors with respect to the Administration, including responding to queries. ▪ Continuing to address queries with respect to preparation of the RATA.
	Other	<ul style="list-style-type: none"> ▪ Reviewing group structure, sourcing and reviewing background information on various transactions. Identifying issues relating to the administration, asset realisation and assessing impact on creditors. ▪ Preparing and lodging statutory lodgements with ASIC. ▪ Attending to wind down. ▪ Attending to payments.

15.2.2 Calculation of estimated remuneration

Remuneration for period 16 May 2015 to 28 May 2015 (Estimate)												
Employee	Position	Rate \$/hr (ex GST)	Total		Assets		Creditors		Investigations		Strategy, statutory and administration	
			hrs	\$ (ex GST)	hrs	\$ (ex GST)	hrs	\$ (ex GST)	hrs	\$ (ex GST)	hrs	\$ (ex GST)
Shaun Fraser	Partner	600	44.5	26,700.00	14.5	8,700.00	15.0	9,000.00	-	-	15.0	9,000.00
Tony McGrath	Partner	600	10.0	6,000.00	4.0	2,400.00	5.0	3,000.00	-	-	1.0	600.00
Christopher Johnson	Senior Manager	464	90.5	41,992.00	16.0	7,424.00	47.0	21,808.00	7.5	3,480.00	20.0	9,280.00
Michael Gray	Manager	369	4.0	1,476.00	-	-	-	-	-	-	4.0	1,476.00
Sam Bishop	Manager	369	4.0	1,476.00	-	-	4.0	1,476.00	-	-	-	-
Summer Nguyen	Assistant Manager	333	101.0	33,633.00	16.0	5,328.00	70.0	23,310.00	-	-	15.0	4,995.00
Owen Wadley	Senior Accountant	257	36.0	9,252.00	-	-	18.0	4,626.00	10.0	2,570.00	8.0	2,056.00
Various	Client Admin/Treasury	144	19.2	2,764.80	-	-	8.0	1,152.00	-	-	11.2	1,612.80
Total (excluding GST)			309.2	123,293.80	50.5	23,852.00	167.0	64,372.00	17.5	6,050.00	74.2	29,019.80
GST				12,329.38		2,385.20		6,437.20		605.00		2,901.98
Total Inc GST				135,623.18		26,237.20		70,809.20		6,655.00		31,921.78

16 Estimated Liquidators' remuneration

There are a number of matters that will need to be attended to by a Liquidator, including:

- executing documents regarding the IQ Smart Apartments as trustee for PSNT, as required;
- advancing investigations into potential recoveries available to a Liquidator and pursuing claims (where it is commercially appropriate to do so);
- dealing with statutory matters including investigations and reporting to Australian Securities and Investments Commission;
- pursuing the potential MV claim;
- communicating with a Committee of Inspection, should one be formed; and
- distributing funds to creditors once received.

It is difficult to estimate with any certainty the actual cost likely to be incurred by the Liquidators. The Liquidators' fees are required to be approved by the Committee of Inspection, the general body of creditors or the Court. Liquidators generally charge on a basis of hourly rates for the time incurred in carrying out their duties.

At the meeting of creditors we propose seeking approval in advance of fees to a capped amount of \$154,992.00.

That estimate reflects the work likely to be undertaken over the next 4-6 weeks which we anticipate will focus on:

- working with the IQJV partners to resolve JV issues and complete apartment sales;
- investigations and negotiations with CFG in relation to guarantees provided by PSNT and options over apartments in the development;
- investigating claims and voidable transactions; and
- statutory matters and reporting.

The Liquidators will only draw remuneration incurred. In the event that the Liquidators' actual remuneration exceeds the amount approved, the Liquidators will seek further approval from the general body of creditors or a Committee of Inspection, if one is appointed.

The following resolution will be proposed at the forthcoming meeting:

“That the remuneration of the Liquidators, for the liquidation period 29 May 2015 to 30 June 2015, shall be a sum equal to the time costs 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, in the amount of \$154,992 (exclusive of GST), is hereby approved for payment.”

16.1 Description of major tasks to be completed and explanation of estimated fees

Task area	General description	Includes
Assets 150.0 hours \$67,325.00 (ex GST)	IQ Smart Apartments	<ul style="list-style-type: none"> ▪ Ongoing correspondence with the IQJV Partners, AET, and MV regarding the realisation of the IQ Smart Apartments. ▪ Attending to executing documents as required.
Creditors 78.0 hours \$28,830.00 (ex GST)	Dealing with creditors and their claims	<ul style="list-style-type: none"> ▪ Liaising with creditors in relation to their claims and the administration generally. ▪ Receiving and following up creditor enquiries generally. ▪ Reviewing and preparing correspondence to creditors and their representatives via facsimile, email and post.

Task area	General description	Includes
Investigations and litigation 100.0 hours \$37,760.00 (ex GST)	Conducting investigation	<ul style="list-style-type: none"> Continuing investigations in relation to (potential) voidable transactions including seeking legal advice and liaising with (potential) defendants and their advisers. Preparing and lodging report pursuant to Section 533 of the Act with ASIC.
	Litigation / recoveries (where relevant)	<ul style="list-style-type: none"> Preparing briefs to solicitors. Liaising with solicitors regarding recovery actions. Attending to negotiations. Attending to settlement matters.
Statutory and administration 57.0 hours \$21,077.00 (ex GST)	Planning / review	<ul style="list-style-type: none"> Attending internal discussions and planning in relation to the liquidation.
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> Undertaking first month, then 6 monthly administration reviews. Filing of documents. Conducting file reviews. Updating checklists.
	ASIC Form 524 and other forms	<ul style="list-style-type: none"> Preparing and lodging ASIC forms including 505, 524, 911 and other ASIC forms. Corresponding with ASIC regarding statutory forms.
	Dealing with Directors and their advisers	<ul style="list-style-type: none"> Liaising with the Directors in relation to the liquidation including requests for assistance/confirmation of background issues etc.
	ATO & other statutory reporting	<ul style="list-style-type: none"> Notifying of appointment. Preparing Business Activity Statements.

16.2 Calculation of estimated remuneration for the period 29 May 2015 to 30 June 2015

Liquidators' remuneration (Estimate)												
Employee	Position	Rate \$/hr (ex GST)	Total		Assets		Creditors		Investigations and disputes		Statutory and administration	
			hrs	\$ (ex GST)	hrs	\$ (ex GST)	hrs	\$ (ex GST)	hrs	\$ (ex GST)	hrs	\$ (ex GST)
Shaun Fraser	Partner	600	65.0	39,000.00	35.0	21,000.00	8.0	4,800.00	14.0	8,400.00	8.0	4,800.00
Tony McGrath	Partner	600	3.0	1,800.00	-	-	-	-	2.0	1,200.00	1.0	600.00
Christopher Johnson	Senior Manager	464	125.0	58,000.00	70.0	32,480.00	20.0	9,280.00	20.0	9,280.00	15.0	6,960.00
Summer Nguyen	Assistant Manager	333	102.0	33,966.00	30.0	9,990.00	25.0	8,325.00	32.0	10,656.00	15.0	4,995.00
Owen Wadley	Senior Accountant	257	82.0	21,074.00	15.0	3,855.00	25.0	6,425.00	32.0	8,224.00	10.0	2,570.00
Various	Client Admin/Treasury	144	8.0	1,152.00	-	-	-	-	-	-	8.0	1,152.00
Total (excluding GST)			385.0	154,992.00	150.0	67,325.00	78.0	28,830.00	100.0	37,760.00	57.0	21,077.00
GST				15,499.20		6,732.50		2,883.00		3,776.00		2,107.70
Total Inc GST				170,491.20		74,057.50		31,713.00		41,536.00		23,184.70

17 Receipts and payments

To date the Administrators have not received any receipts nor processed any payments.

18 Committee of Inspection

In the event that creditors resolve that PPIL be wound up, the Act provides that a Committee of Inspection (“COI”) may be formed.

A COI may be useful to provide the Liquidators with a sounding board as to likely creditor views, and in approving any matters which require authorisation by the committee, creditors or the Court.

19 Creditor meeting details

The second statutory meetings of creditors have been convened to be held at Chartered Accountants Australia and New Zealand, Level 10, 60 Marcus Clarke Street, Canberra, ACT at 12:00 PM (AEST) on **Thursday, 28 May 2015**.

Creditors who have already lodged a proof of debt do not need to complete a new proof of debt form.

Under the Act, the proxy forms lodged by creditors for the first meetings cannot be used for the second meetings. Accordingly, creditors who are unable to attend the second meetings of creditors and wish to be represented should ensure that a proxy form, power of attorney or evidence of appointment of a company representative is completed. Documents may be lodged with this office prior to the meeting or may be brought to the meeting.

A formal notice of meeting, proof of debt form and proxy form are enclosed with the circular to creditors.

If you have any further queries in relation to this report or the administration, please do not hesitate to contact Summer Nguyen of my staff on (02) 9338 2608 or by email (snguyen@mcgrathnicol.com).

Dated Thursday, 21 May 2015



Shaun Fraser
Joint and Several Administrator

APPENDIX A: Notice of Second Meeting of Creditors

**NOTICE OF SECOND MEETING OF
CREDITORS OF COMPANY UNDER ADMINISTRATION**

**PrimeSpace Property Investment Limited (Administrators Appointed)
ACN 107 345 317 ("the Company")**

Notice is given that the second meeting of the creditors of the Company will be held at Chartered Accountants Australia and New Zealand, Level 10, 60 Marcus Clarke Street, Canberra, ACT at 12:00 PM (AEST) on **Thursday, 28 May 2015**

Agenda

1. To consider the Administrators' report pursuant to Section 439A of the Act, in relation to the Company and any other matters raised relating to the Company's future and then to resolve either that:
 - a. the Company execute a Deed of Company Arrangement; or
 - b. the administration should end; or
 - c. the Company be wound up; or
 - d. the meeting be adjourned.
2. To consider and if thought fit approve the Administrators' remuneration.
3. If the Company is wound up:
 - a. to determine the remuneration of the Liquidators;
 - b. to consider the appointment of a Committee of Inspection;
 - c. to consider authorising the Liquidators to compromise debts of the Company under Section 477(2A) of the Corporations Act; and
 - d. to consider authorising the Liquidators to enter into agreements that may take longer than three months to complete under Section 477(2B) of the Corporations Act.
4. To discuss any other relevant business which may arise.

Dated this Thursday, 21 May 2015



Shaun Fraser
Joint and Several Administrator

FORM 535

Subregulation 5.6.49(2)

Corporations Act (2001)

**FORMAL PROOF OF DEBT OR CLAIM
(GENERAL FORM)**

To the Administrators of PrimeSpace Property Investment Limited (Administrators Appointed)

1. This is to state that the company was on 23 April 2015 (*date of court order in winding up by the Court, or date of resolution to wind up, if a voluntary winding up*), and still is, justly and truly indebted to:

_____ *(full name and address of the creditor and, if applicable, the creditor's partners. If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor)* for \$_____ and _____ cents.

Date	Consideration (state how the Debt arose)	Amount \$ c	Remarks (include details of voucher substantiating payment)

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any satisfaction or security for the sum or any part of it except for the following: (*insert particulars of all securities held. If the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, show them in a schedule in the following form*).

Date	Drawer	Acceptor	Amount \$c	Due Date

- *3. I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.
- *3. I am the creditor's agent authorised in writing to make this statement in writing. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

.....

Signature
Occupation:
Address

Dated

Proof of Debt Reference:

*Do not complete if this proof is made by the creditor personally.

**Guarantees/Indemnities**

- Executed guarantee/indemnity;
- Notice of Demand served on the guarantor; and
- Calculation of the amount outstanding under the guarantee.

Judgment Debt

- Copy of the judgment; and
- Documents/details to support the underlying debt as per other categories.

Deficiencies on Secured Debt

- Security Documents (eg. mortgage);
- Independent valuation of the secured portion of the debt (if not yet realised) or the basis of the creditor's estimated value of the security;
- Calculation of the deficiency on the security; and
- Details of income earned and expenses incurred by the secured creditor in respect of the secured asset since the date of appointment.

Loans (Bank and Personal)

- Executed loan agreement; and
- Loan statements showing payments made, interest accruing and the amount outstanding as at the date of appointment.

Tax Debts

- Documentation that shows the assessment of debts, whether it is an actual debt or an estimate, and separate amounts for the primary debt and any penalties.

Employee Debts

- Basis of calculation of the debt;
- Type of Claim (eg. wages, holiday pay, etc);
- Correspondence relating to the debt being claimed; and
- Contract of Employment (if any).

Leases

- Copy of the lease; and
- Statement showing amounts outstanding under the lease, differentiating between amounts outstanding at the date of the appointment and any future monies.

FORM 532
Corporations Act 2001
Regulation 5.6.29

PrimeSpace Property Investment Limited (Administrators Appointed)
ACN 107 345 317

APPOINTMENT OF PROXY

I/We (1) _____ of

_____ a creditor/member of **PrimeSpace Property Investment Limited (Administrators Appointed)** appoint

(2) _____ or in his/her absence

(3) _____ as my/our general/special proxy to vote at the meeting of creditors to be held on Thursday, 28 May 2015 at 12:00 PM or at any adjournment of that meeting.

DATED this _____ day of _____ 2015

(4) Signature _____

CERTIFICATE OF WITNESS - only complete if the person given the proxy is blind or incapable of writing.

I, _____ of _____
certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him before he attached his signature or mark to the instrument.

DATED this _____ day of _____ 2015

Signature of witness _____

Description _____

Place of residence _____

Notes:

- (1) If a firm strike out "I" and set out the full name of the firm.
- (2) Insert the name of the person appointed.
- (3) If a special proxy, "add the words 'to vote for' or the words 'to vote against' and specify the particular resolution".
- (4) If the creditor is a sole trader, sign in accordance with the following example: "A.B., proprietor".
If the creditor is a partnership, sign in accordance with the following example: "A.B., a partner of the said firm."
If the creditor is a company, then the form of proxy must be under its Common Seal or under the hand of some officer duly authorised in that capacity, and the fact that the officer is so authorised must be stated in accordance with the following example: "for the company, A.B." (duly authorised under the Seal of the Company).

Proxy forms should have been completed and returned by no later than 5:00 PM on 27 May 2015 to be eligible to vote at the meeting.

RETURN TO: **PrimeSpace Property Investment Limited (Administrators Appointed)**
of care of McGrathNicol
Address: GPO Box 9986, Sydney NSW 2001
Phone: +61 2 9338 2608
Fax: +61 2 9338 2699
Email: snguyen@mcgrathnicol.com



Proxy

Notes for your Guidance

- Insert full name and address of creditor, contributory or member on the top line.
 - On the second line, insert the name of the person you appoint as your proxy. You may insert "the Chairperson of the meeting" if you wish.
 - On the next line insert the organisation the proxy holder represents or works for (not required if the Chairperson is your proxy).
 - You may appoint an alternate proxy on the fourth line who may act if your first appointed proxy cannot attend the meeting. You may insert "the Chairperson of the meeting" if you wish.
 - If the proxy is a general proxy the form requires no addition.
 - If the proxy is a special proxy the form must include instructions regarding the use of the proxy (i.e. details of the resolution and whether the proxy holder is to cast a vote in favour or against the resolution or abstain from voting).
 - Date and sign the Proxy form using one of the following various forms of execution:
 - Sole Trader - Sign the proxy yourself.
 - Partnership - e.g. sign – "Smith & Associates
Per John Smith - Partner"
 - Company - (i) By a director or secretary, e.g. "J Smith – Director".
(ii) By a person duly authorised to sign on behalf of the company, e.g.
"Smith & Sons Pty Ltd. ACN: _____
Per: J Smith
A person duly authorised to sign on the company's behalf".
- OR
- "Smith & Sons Pty Ltd. ACN: _____
By its duly constituted attorney J Smith".
- NB: If signing on behalf of a company the following example is not sufficient:
- "Smith & Sons Pty Ltd. ACN: _____
Per: J Smith"
- "Certificate of Witness" is only to be used where the Proxy is being completed on behalf of a person who is blind or incapable of writing. In all other cases a witness to the signature of the person appointing the Proxy is not required and you may ignore the section headed "Certificate of Witness".



PrimeSpace Property Investment Limited (Administrators Appointed)
ACN 107 345 317

General Information for Attending and Voting at Meetings of Creditors

Time and Place of Meeting

Pursuant to Corporations Regulations 2001 (**Regulation**) 5.6.14 a meeting of creditors must be convened at a time and place most convenient for the majority of creditors entitled to receive notice of the meeting.

Quorum

- Pursuant to Regulation 5.6.16 a meeting must not act for any purpose except:
 - the election of a chairperson; and
 - the proving of debts; and
 - the adjournment of the meeting:unless a quorum is present.
- A quorum is deemed to be present if at least 2 (two) creditors are present at the meeting in person, by proxy, by power of attorney or participating by telephone.
- A meeting is sufficiently constituted if only one person is present in person if the person represents personally or by proxy or otherwise a number of persons sufficient to constitute a quorum.

Chairperson

Pursuant to Regulation 5.6.17 the Administrator is appointed Chairperson of the meeting. Alternatively, the Administrator may, pursuant to Regulations 5.6.17 and 5.6.34, appoint someone else to act as chairperson of the meeting and authorise that person to use any proxies held by the Administrator on the Administrator's behalf.

For the second meeting of creditors in a Voluntary Administration, the Administrator must chair the meeting pursuant to Section 439B of the Corporations Act 2001.

Voting

- Pursuant to Regulation 5.6.23 creditors will not be eligible to vote at the meeting unless they have lodged particulars of their debt or claim prior to or at the meeting.
- Accordingly, creditors who intend to vote at the meeting should ensure that they lodge a formal proof of debt with the company prior to or at the meeting.
- Pursuant to Regulation 5.6.19 all resolutions put to the meeting will be decided on the voices unless a poll is demanded, before or on the declaration of the result of the voices.

A poll may be demanded by:

- the chairperson; or
- at least 2 (two) persons present in person, by proxy, by power of attorney or participating by telephone and entitled to vote at the meeting; or



- a person present in person, by proxy, by power of attorney or participating by telephone and representing not less than 10% of the total voting rights of all persons entitled to vote at the meeting.
- Pursuant to Regulation 5.6.21, should a poll be demanded:
 - a resolution will be carried if a majority in number and a majority in value vote in favour of the resolution; and
 - a resolution will be lost if a majority in number and a majority in value vote against the proposed resolution.

In the event of a deadlock, the chairperson may exercise a casting vote. In such situations, the minutes of the meeting must specify the chairperson's reasons for exercising, or not exercising, their casting vote.

Proxies

- Pursuant to Regulation 5.6.28 creditors who are entitled to attend and vote at the meeting may appoint a natural person over the age of 18 years as their proxy to attend and vote at the meeting on their behalf.
- Accordingly, creditors who are unable to attend the meeting but who wish to be represented should ensure that a validly executed proxy form is lodged with the Administrator prior to the meeting.
- Pursuant to Regulations 5.6.28 and 5.6.36A creditors may lodge a facsimile copy of a proxy form with the Administrator prior to the meeting; however, the original of the instrument must be received by the Administrator within 72 hours of receipt of the faxed copy.
- Pursuant to Regulations 5.6.28, 5.6.29 and 5.6.31 creditors may lodge a proxy form with the company prior to the meeting by electronic means, however electronic lodgement will only be possible where the convenor has specified an electronic address or other electronic means on the proxy form. Proxy forms lodged via electronic means must be validly executed by signing and scanning the form.
- Pursuant to Regulation 5.6.32 a person may, should they so desire, appoint the Administrator by name or by reference to his or her office to act as his, her or its general or special proxy.

Corporate Creditors

Corporate creditors who wish to attend the meeting should note that they may only be represented by an individual if that person is validly granted a proxy or power of attorney by that corporation.

Alternatively, Section 250D of the Corporations Act 2001 provides that a corporation may, by resolution of its board, provide a standing authority for a specified person to represent the corporation at specified meeting of creditors. A copy of any such resolution should be provided to the Administrator prior to attending the meeting.

Committee of Inspection/Committee of Creditors

Pursuant to Section 436G of the Corporations Act 2001, a person may only serve as a member of a Committee of Creditors if the person is:

- a creditor of the company personally; or
- the attorney of a creditor under a general power of attorney; or
- authorised in writing by a creditor.

Corporate creditors who are members of a Committee of Inspection may be represented by:

- an officer or employee of the member; or
- an individual authorised in writing by the member to represent the member on the committee.