

30 March 2020

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**VOLUNTARY ADMINISTRATOR
REPORT TO CREDITORS
OF
PEC Amstel Nominees Pty Ltd
ATF PEC Amstel Centre SPV
(Administrator Appointed)
(Receiver and Manager Appointed)
A.C.N. 623 545 559
("the Company")**

Administrator: David Ross

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INDEX

1.0	EXECUTIVE SUMMARY
2.0	SCOPE OF THE REPORT
3.0	ADMINISTRATOR INDEPENDENCE
4.0	INITIAL MEETING OF CREDITORS
5.0	BACKGROUND INFORMATION
6.0	EXPLANATIONS FOR DIFFICULTIES
7.0	OFFENCES, VOIDABLE TRANSACTIONS AND INSOLVENT TRADING
8.0	PROPOSAL FOR A DEED OF COMPANY ARRANGEMENT
9.0	ESTIMATED RETURN FROM A WINDING UP AND DEED OF COMPANY ARRANGEMENT
10.0	RECEIPTS & PAYMENTS
11.0	ADMINISTRATOR'S RECOMMENDATION
12.0	OTHER MATERIAL INFORMATION
13.0	REMUNERATION AND DISBURSEMENTS
14.0	SECOND MEETING OF CREDITORS
15.0	DISCLAIMER

Attachments	Details
Annexure "A"	ARITA Information Sheet - Offences, Recoverable Transactions and Insolvent Trading
Annexure "B"	Administrator's Remuneration Report
MEETING PACK	
Notice of Meeting	The Notice of Meeting sets out the: <ul style="list-style-type: none"> - purpose of the second meeting - matters which creditors will consider and vote upon - requirements to have a valid vote at the meeting
Proxy Form	<p>Only individual creditors (sole traders and employees) can attend without a proxy. Partnerships and companies must appoint a representative via this form. You can also direct that representative how to vote on this form.</p> <p>Creditors are requested to submit proxy forms (together with a Proof of Debt Form) by 5pm on 6 April 2020.</p> <p>Due to the current situation (COVID-19) and uncertainty around delivery / access to mail, we request creditors to return the completed proof of debt form and proxy form via email only to JBhambra@hallchadwick.com.au</p>
Formal Proof of Debt Form (Form 535)	Please only submit this form if you have not already done so or if your claim has been updated.

Glossary

Administrator	David Ross
ALLPAAP	All Present and After-Acquired Property
ARITA	Australian Restructuring Insolvency & Turnaround Association
ARITA Code	ARITA Code of Professional Practice
ASIC	Australian Securities & Investments Commission
ATO	Australian Taxation Office
BAS	Business Activity Statement
Company	PEC Amstel Nominees Pty Ltd
Company Search	Company Search of ASIC Corporate database
Director	Martyn Craig Barnes
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities
DOCA	Deed of Company Arrangement
ERV	Estimated Realisable Value
FEG	Fair Entitlements Guarantee Scheme
GST	Goods and Services Tax
POD	Form 535 - Proof of Debt
PPE	Plant, Property & Equipment
PPSR	Personal Property Securities Register
Proxy Form	Proxy Form
ROCAP	Report on Company Activities and Property
SGC	Superannuation Guarantee Charge
The Act	<i>Corporations Act 2001(Cth)</i>
WIP	Work in Progress

1.0 **EXECUTIVE SUMMARY**

1.1 **Appointment of Administrator**

As you are aware, I was appointed Administrator of the Company under Part 5.3A of the Corporations Act 2001 (“the Act”) on 2 March 2020 pursuant to a resolution passed by the Director of the Company.

Creditors are advised that on 11 March 2020 I was concurrently appointed as Receiver and Manager of the Company by an order of the Supreme Court of Victoria. I was appointed Receiver and Manager in order to settle the property known as Lot 1 on proposed plan of subdivision PS802081C Volume 12178 Folio 052.

The purpose of the appointment of an Administrator is to allow for an independent insolvency practitioner to take control of and investigate the affairs of an insolvent company. During that time creditors’ claims are put on hold. At the end of that period I am required to provide creditors with information and recommendations to assist creditors to decide upon the Company’s future.

1.2 **Purpose of Report**

This is a report by the Administrator about the Company’s business, property, affairs and financial circumstances to provide creditors with sufficient information for them to make an informed decision about the future of the Company including:

- Background information about the Company;
- The results of my investigations;
- The estimated returns to creditors;
- Details of the proposed DOCA (if any); and
- The options available to creditors and my opinion on each of these options.

1.3 **Conduct of Administration**

Following my appointment, the Administrator and my staff have attended to the following:

- Issued correspondence to the Director requesting the Company’s books and records and a completed Report on Company Activities and Property (“ROCAP”);
- Issued notice to the Company’s External Accountant in order to produce books and records;
- Issued correspondence to the Australian Taxation Office (“ATO”) to obtain details and documents in relation to the Company’s taxation affairs and outstanding liabilities;
- Issued correspondence to the State Revenue Office (“SRO”) to obtain details and documents in relation to the Company’s payroll/land tax affairs and outstanding liabilities;
- Held various discussions with the Company’s Director and the group’s executives;
- Discussions with the Director of the Company regarding various projects the Company acted as the Trustee;
- Discussions with the Company’s pre-appointment solicitor in relation to the affairs of the Company;
- Conducted investigations to determine the position of unitholders in this administration;
- Engaged and liaised with the lawyers in regards to the position of unitholders in this administration;
- Reviewed the pre-appointment CBA bank accounts;
- Obtained access to the management accounts of the Company and investigated the financial position of the Company;
- Conducted a preliminary investigation into the affairs of the Company utilising the books and records held by the Company’;;
- Held a number of discussions with the Company’s pre-appointment solicitor regarding the financial affairs of the Company and the Director’s intention to put forward a DOCA proposal to creditors;
- Financial performance analysis & review of related party claims;
- Review of Amstel Project Cash Flow;
- Performed various searches on entities related to and involved in the property development in relation to land located at 1016s Cranbourne-Frankston Road, Cranbourne VIC 3977;

- Conducted investigations into potential voidable transactions and insolvent trading;
- Conducted investigations into affairs of the Company with the assistance of key personnel and communications with key stakeholders including unitholders;
- Issuing various correspondence to the director / executive team in relation to the queries regarding the affairs of the Company;
- Held a number of telephone conference with the Director / executive team and solicitors to discuss the affairs of the Company;
- Conducted a search of the Land Title Office (Victorian) records in the name of the Company and Director;
- Conducted land title search in the state of Victoria in relation to the property located at 1016s Cranbourne-Frankston Road, Cranbourne VIC 3977;
- Reviewed the Contracts of Sale of subdivided lots of 1016s Cranbourne-Frankston Road, Cranbourne VIC 3977;
- Review of the settlement statement and proper accounting of the funds from sale of lots;
- Reviewed the Information memorandum, Trust Deed, Planning Permit, endorsed plans, Investment register, Terms of Issue for all three class of Unitholders for Amstel Centre project;
- Conducted a bankruptcy search in the name of the Director;
- Conducted a search of the PPSR to determine the existence of any PPSR security interests registered over the Company;
- Reviewed correspondence from a secured creditor in relation to its security interest;
- Dealing with numerous stakeholders enquiries including investors/unitholders of the Company;
- Issued correspondence to all the major utility providers advising of the appointment and to identify accounts held in the Company's name;
- Convened and held the initial meeting of creditors;
- Liaised and/or held meetings with the Director, key employees, and group executives;
- Prepared this Report to creditors; and
- Convened the second meeting of creditors.

Due to the time constraints imposed under the Voluntary Administration regime there was insufficient time to undertake the following:

- Conduct an audit of the Company's books and records; and
- Adjudicate on the claims of creditors (including related parties) and unit holders / Investors

However, in my opinion the above matters have not prevented me from being able to provide sufficient, meaningful information in this report or from being able to form an opinion on what is in the creditors' best interests.

At the meeting of creditors to be held on **Tuesday, 7 April 2020** creditors will be asked to make a decision by passing a resolution in respect of options available to them.

I have provided my recommendations to creditors, and detailed why this option is, in my opinion, in the creditors best interest in section 11 of this report. Given the various issues which are outlined in this report I believe it is in the creditors' interest for the meeting to be adjourned for a period not exceeding forty five (45) business days to allow further time for the DOCA to be finalised.

IPR 75-140 provides that the Chairperson may adjourn the meeting convened under section 439A of the Act for no more than forty five (45) business days. On this basis I propose to adjourn the meeting in accordance with my recommendation.

1.4 Estimated Dividend to Creditors

I estimate the dividend prospects (cents in the \$) for each class of creditors as follows:

Creditor Class	Liquidation (¢) Best Case	Liquidation (¢) Worst Case
Secured creditors	N/A	N/A
Priority employees	N/A	N/A
Unsecured creditors	23 Cents	Nil

As discussed later in section 8 of this report, we have been advised by the Director that he intends to put forward a DOCA proposal, however he would require more time to prepare one.

I am recommending creditors adjourn the forthcoming major meeting as discussed later in section 11 of this report. The adjournment of the major meeting of creditors will allow additional time for the Director (or other party) to propose a DOCA and allow sufficient time to properly quantify the return to creditors, enabling creditors to make an informed decision regarding the future of the Company.

1.5 Administrator’s Recommendation

At the meeting of creditors to be held on 7 April 2020 creditors may make a decision by passing a resolution in respect of options available to them. In this report I have recommended to creditors that creditors adjourn the forthcoming major meeting and detailed why this option is, in my opinion, in creditors’ best interests.

IPR 75-140 provides that the Chairperson may adjourn the meeting convened under section 439A of the Act for no more than forty five (45) business days. On this basis I propose to adjourn the meeting in accordance with my recommendation.

1.6 Creditor Requests for Information

The Administrator welcomes any feedback from creditors and should creditors require any information or report from my office, I request that creditors contact my staff member Jaspreet Bhambra via via email: JBhambra@hallchadwick.com.au.

1.7 What Happens Next

In accordance with Section 439A of the Act, I have convened the second meeting of creditors as follows:

Second Meeting	Details
Date	7 April 2020
Meeting Time	11:00PAM (via Teleconference only)

Meeting by teleconference only due to Coronavirus Disease (“COVID-19”)

As creditors would be aware, the World Health Organization has announced that COVID-19 is a pandemic and as you would be further aware, the outbreak is spreading throughout Australia.

In order to minimise the risk to all stakeholders and in accordance with recent guidance provided by the Australian Securities and Investments Commission (“ASIC”) and the Australian Restructuring Insolvency and Turnaround Association (“ARITA”), I am convening the upcoming meeting of creditors to be **held by teleconference only**. I do not believe that this prejudices the rights of any creditor and welcome any comments from creditors in relation to same.

Teleconference facilities for the meeting are as follows:

Teleconference	Details
Telephone Number	1800 092 578
Password	Please contact Jaspreet Bhambra on (03) 9820 6200 or JBhambra@hallchadwick.com.au to obtain the password.

COVID – 19

Given Federal Government statements on social distancing, etc I consider the meeting of creditors should be conducted **by telephone conference only.**

I consider these facilities adequate for the purposes to permit all creditors who wish to attend by teleconference to do so. Further,

I refer creditors to the attached Notice of Meeting for further information on the forthcoming meeting of creditors.

Additional information is available at www.asic.gov.au and searching for “voluntary administration guide”.

2.0 SCOPE OF THE REPORT

This report is based on financial and other information located in the books and records provided by the Director and third parties. The books and records of the Company received to date have been reviewed although due to time constraints, an audit of the information supplied has not been undertaken.

I have no reason to doubt the information contained in this report. The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. I reserve the right to alter any conclusions reached on the basis of any changed or additional information which may become available to the Administrator between the date of this report and the date of the forthcoming meeting of creditors on 7 April 2020 and/or any adjourned meeting.

Neither Hall Chadwick nor any employee thereof undertakes responsibility in any way whatsoever to any person in respect of any errors in this report arising from incorrect information provided to the Administrator.

This report is not for general circulation or publication, nor is it for reproduction or any other use other than to assist creditors in evaluating their position as creditors of the Company. The Administrator does not accept any responsibility for any liability or loss sustained by any creditor or any other party as a result of reliance on this report.

3.0 ADMINISTRATOR’S INDEPENDENCE

I am not disqualified from acting as Administrator, Liquidator or Deed Administrator of the Company by virtue of the provisions of the Act or any other rules.

I refer creditors to the Administrator’s DIRRI which was attached to my previous report to creditors dated 3 March 2020 and tabled at the initial meeting of creditors. A copy of the DIRRI has also been lodged with ASIC.

There have been no further changes/disclosures to the DIRRI and, as required by the ARITA Code, I have provided a summary of the Administrator’s DIRRI in the below table.

DIRRI Items	Details
Referrer	Bancroft Lawyers
Referrer’s Role	Company’s Lawyer
Previous Referrals	I have received no referrals from the Referrer in the previous two (2) years prior to my appointment as Administrator of the Company
Group Appointment	I was appointed voluntary administrator of PEC Portfolio 1 Pty Ltd on the same day as my appointment as voluntary administrator to PEC Amstel Nominees Pty Ltd.
Upfront Payment	No up-front payments received
Indemnity	I have not been indemnified in relation to this Administration

4.0 INITIAL MEETING OF CREDITORS

Pursuant to Section 436E of the Act, the initial meeting of creditors of the Company was held at the offices of Hall Chadwick Chartered Accountants, Level 14, 440 Collins Street, Melbourne, Victoria on 13 March 2020 at 11:30AM (AEDT). At this meeting, my appointment as the Administrator of the Company was confirmed. Creditors also received an update on the preliminary financial position of the Company.

At the initial meeting, a creditors resolved not to appoint a committee of inspection.

The minutes of the initial meeting of creditors have been lodged with ASIC and a copy of these minutes will be available from ASIC or by contacting my office.

5.0 BACKGROUND INFORMATION

5.1 History of the Company

The Company Search confirms that the Company was incorporated on 21 December 2017.

The Company Search provides that the registered office of the Company is located Level 7, 2 Russell Street, Melbourne VIC 3000.

The Company is part of a group of companies collectively known as PE Capital which are interrelated in terms of their business activity and transactions.

I note that that the primary business of PE Capital is an Australian diversified property investment manager, offering significant investor visa solutions. PE Capital provides a range of alternate asset investment opportunities in managed funds, direct investments and portfolio capital management primarily focusing on property and enterprise investments.

The Company’s role within the Group is a property development business which is conducted by means of the special purpose vehicles (SPV).

The Company acted as trustee of the PEC Amstel SPV (ABN 18 840 480 249) and was the registered proprietor of the property located at 1016s Cranbourne-Frankston Road, Cranbourne VIC 3977 (PEC Amstel Project).

Please refer to the section 5.5 of this report for further details in relation to the PEC Amstel Project.

Please refer to the next section of this report for details in relation to the Director and Secretary of the Company are as follows:

5.2 Statutory Information

The Company Search indicates the following information:

Company Search	Details
Company Name	Pec Amstel Nominees Pty Ltd
A.C.N.	623 545 559
Current Director	Martyn Craig Barnes
Former Directors	No Former Directors
Issued Shares	120
Shareholder	PE Capital Ltd

Please note that the PE Capital group entered into a sale of shares and units agreement on 31 October 2019 in order to provide for a demerger between various parties within the group.

I note that there was no change to the shareholding and/or office holder structure of the Company as a result of the demerger further noting that the PEC Amstel SPV unit structure and Trustee remained unchanged post demerger.

A search conducted on the PPSR confirms that one (1) party currently holds a registered security interest over the Company.

Of these secured parties, I confirm the following secured creditors hold security over all present and after acquired property of the Company.

PPSR	Details
Secured Party	Santini Custodians Pty Ltd
Collateral Class	ALLPAAP
Exceptions	No Exceptions
Date Created	22 November 2019
Date Registered	22 November 2019

Further details of these security interests are detailed below in section 5.6.8 of this report.

5.3 Books and records

Creditors should be aware that an Administrator is required to conduct an investigation into the financial position of the Company. In doing so, a preliminary review has been conducted of the books and records of the Company in my possession.

Section 286 of the Act provides that a company must keep written financial records that:

- a) Correctly record and explain its transactions and financial position and performance; and
- b) Would enable true and fair financial statements to be prepared and audited.

The books and records received to date comprise of the following:

- Access to management accounts;
- Contract of sale for Cranbourne property;
- Amstel investment register February 2020;
- Amstel RPU Class A Terms of Issue;
- Amstel RPU Class B Terms of Issue;
- Amstel RPU Class C Terms of Issue;
- Amstel CBA Bank Statements – 01/03/2018 to 10/03/2020;
- Amstel cashflow statement;
- Investment confirmation;
- Management Agreement – Amstel SPV;
- Santini loan statement & loan documentation;
- Information Memorandum – Cranbourne;
- Unit Trust – Non Fixed Deed establishing the PEC Amstel Nominees and deed of appointment and resignation;
- Various accountants certificates in relation to investment;
- Contracts of sale for:
 - KFC;
 - McDonalds; and
 - 7-Eleven.
- Quarterly investor updates;
- Redemption confirmation notices;
- Settlement statements for sale to 7-Eleven & McDonalds; and
- Titles – Plan of Subdivision Stage 1 and 2.

The failure to maintain books and records in accordance with Section 286 provides a rebuttable presumption of insolvency which might be relied upon by a liquidator in an application for compensation for insolvent trading.

Based on my review of the books and records received, while there are some missing and/or incomplete information I am of the opinion that the Company's books and records were maintained in accordance with Section 286 of the Act to the date of the appointment of the Administrator on 2 March 2020.

This opinion on the adequacy of the Company's books and records is an initial opinion based on investigations that have been carried out over a limited period of time. In providing this opinion I note that an audit has not been completed (nor will an audit be completed) of the Company's financial records. Because of the short time period as prescribed by the Act for this report to be completed I have only reviewed the books and records of the Company pertinent for the preparation of this report.

5.4 Financial statements

I understand that since inception the Company did not engage external auditors or accountants to assist with the preparation of any financial statements. The accounting, business and general administrative services were undertaken by the Group's finance team.

For its day to day operations the Company maintained separate XERO files and prepared the management accounts including the profit and loss statement and balance sheet.

I understand that the XERO files obtained to date are reconciled up until 2 March 2020.

Below is an extract from the management accounts for the FY 30 June 2016 to 2 March 2020 (FY20 YTD):-

Profit and Loss Statement	FY 2016 (\$)	FY 2017 (\$)	FY 2018 (\$)	FY 2019 (\$)	Period ending 2 Mar 2020 (\$)
Income	-	19,828	3,454	362,910	11,409,780
Cost of Sales	-	-	-	-	-
Gross Profit	Nil	19,828	3,454	362,910	11,409,780
Other Income	-	-	-	-	-
Expenses	31,955	65,832	2,440	978	94
Net Profit/(Loss)	(31,955)	(46,004)	1,014	361,932	11,409,686

In respect of the profit and loss statements, I make the following comments:

- As recorded in the Company's profit and loss the Company's income primarily consisted of:
 - Rental Income totaling \$591,096 (from 7-Eleven store & Oporto); and
 - Pre-Appointment sale proceeds from development totaling \$11,150,000 (exc GST).
- The comparative Profit and Loss Statement shows an increase in income in FY2019. This is as a result of the Company starting to receive rental income in relation to the 7-Eleven and Oporto (restaurant) stores.
- In FY2020 the Company continued to collect rental monies and sold the following lots:
 - Lot 2 on Plan of Subdivision 742340L (Vol/Fol 12157/ 004) - Sale price \$8,250,000 (going concern sale); and
 - Lot 2 in proposed plan of subdivision PS802081C Volume 12178 Folio 053 Sale price \$2,900,000 (plus GST).
- There are minimal expenses recorded in the Company's Profit and Loss statement, this is primarily due to the Company capitalising its expenses through its balance sheet, this is further discussed in my balance sheet financial analysis below.
- The expenses recorded in the Company's profit and loss are primarily due to the amortization of borrowing expenses and capital raising fees.
- Please see my further comments below in respect to the reconstruction of the Company's cash flow in relation to the Amstel Project.

Financial analyses for Balance Sheet

Below is an extract from the management accounts for the FY 30 June 2016 to FY 30 June 2019 and nine (9) months FY20 to 2 March 2020 (FY20 YTD) disclosing the most recent financial position:-

Balance Sheet	FY 2016 (\$)	FY 2017 (\$)	FY 2018 (\$)	FY 2019 (\$)	Period ending 2 March 2020 (\$)
Current Assets	(74,181)	424,162	1,224,769	2,437,220	4,763,385
Non-Current Assets	4,822,044	6,931,093	14,262,849	17,489,946	20,191,312
Fixed Assets	-	-	-	-	828,891
Total Assets	4,747,863	7,355,255	15,487,618	19,927,166	25,783,588
Current Liabilities	669,818	1,705,999	11,943,975	16,245,621	8,184,152
Non-Current Liabilities	2,210,000	2,210,000	(1,023)	-	-
Total Liabilities	2,879,818	3,915,999	11,942,952	16,245,621	8,184,152
Net Assets	1,868,045	3,439,256	3,544,666	3,681,545	17,599,436
Equity					
Current Year Earnings	-31,954	-46,004.72	1,014	361,932	13,313,128
Redeemable Preference Units (Income only)	1,900,000	3,517,215	3,621,612	3,396,558	4,001,321
Retained Earnings	0	-31,954	-77,959	-76,945	284,987
Total Equity	1,868,045	\$3,439,256	\$3,544,666	\$3,681,545	17,599,436

In respect of the balance sheet statements, I make the following comments:

- During FY2017 to FY2019 current assets have increased by \$2,245,437. As recorded in the Company's balance sheet the Company's current assets primarily consist of related party loan accounts. Therefore the increase in current assets is as a direct result of funds being loaned to related parties.
- As outlined previously the Company capitalised its costs through the Company's balance sheet as non-current/fixed assets. This is in line with common accounting practices associated with the construction of a fixed asset/development. This allowed the Company to amortise its expenses over the life of the development/project. I note that this has resulted in the balance sheet indicating a net asset position of \$15.6m in FY20, which may not be the correct position.
- The Company's capitalised expenses increased by approximately:

Percentage Increase	Reason for Increase
30% from FY2016 to FY2017	<ul style="list-style-type: none"> - Increase in development consultants' costs (management fees, architect & engineer fees, surveyor and planning costs). - Increase in finance and interest expenses.
51% from FY2017 to FY2018	<ul style="list-style-type: none"> - Primarily due to costs associated with commencement of construction contract. - Increase in development consultants' costs. - Increase in finance and interest expenses.
18% from FY2018 to FY2019	<ul style="list-style-type: none"> - Primarily due to the increase to primary lender + other finance and interest expenses (noting that interest raised on RPU's were capitalised through the Company's balance sheet although it had not yet been paid). - Increase in development consultants costs – primarily management fees.

17% from FY2019 to FY2020	<ul style="list-style-type: none"> - Primarily due to the increase to primary lender+ other finance and interest expenses (noting that interest raised on RPU's were capitalised through the Company's balance sheet although it had not yet been paid. - Increase in management fees. - Sales & marketing costs
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- The Company's capitalised expenses increased by approximately:

Percentage Increase/Decrease	Reason for Increase
61% increase from FY2016 to FY2017	- Primarily due to the increase in investment from RPU: B&C investment.
86% increase from FY2017 to FY2018	<ul style="list-style-type: none"> - Primarily due to the increase in investment from RPU: B&C investment totalling. - Mortgage from Supra Holdings totalling \$6,000,000.
26% increase from FY2018 to FY2019	- Primarily due to the refinance of mortgage with Santini Group from totalling from \$6,000,000 to \$10,375,000.
50% decrease from FY2019 to FY2020	- Primarily due to the pay out of mortgage to Santini from \$10,375,000 to \$1,367,850.

Cash Flow summary for Amstel Project

To assist creditors, understand the source and applications of funds, the following section summarises receipts and payments in relation to the Amstel Project prepared by the Company's CFO:

Due to the time constraints imposed under the Voluntary Administration regime there was insufficient time to undertake an audit of the cash flow provided and/or to reconcile the cash flow against the Company's bank account.

RECEITPS	Notes	Amount (\$)
Receipts into Amstel bank account from:		
1 Silver Banksia , Cranbourne - 7 Eleven	1	8,250,000.00
2 Silver Banksia, Cranbourne - Maccas		3,190,000.00
Plus share of property outgoings		55,014.22
Net receipts into Amstel bank account		11,495,014.22
Net receipts into Amstel bank account from:		
Mortgage	1	1,367,850.63
Other loans		63,342.47
Interest		23,345.91
Unit Holders	2	
RPU:A		3,232,500.00
RPU:B		1,238,000.00
RPU:C		2,157,602.00
Rental Income	3	591,096.00
Net receipts into Amstel bank account		8,673,737.01
Total Inflows		20,168,751.23
PAYMENTS		
Operating expenses paid		
Accountant Fees		4,520.00
Bank Charges (752)		2,369.18
General Expenses		281.62
General Marketing		1,088.27

Stamp Fees		200.00
Sundry Fees		1,299.99
Project costs paid	4	
Total Construction Costs		4,922,231.47
Total Development Consultants		2,142,724.34
Total Finance - Interest & Fees		5,664,661.51
Total Legal Costs		253,462.43
Total Property Holding Costs		236,111.47
Total Sales, Marketing and Leasing Costs		178,988.25
Total Site Acquisition Costs		3,742,867.42
Total Statutory Authorities		124,599.59
Redemptions paid to date	2	
RPU:A		1,247,500.00
RPU:B		0.00
RPU:C		0.00
Interest paid to date	2	
RPU:A		596,387.00
RPU:B		0.00
RPU:C		0.00
Related party loan (unrelated to project)	5	
Loan - PEC Bell Park SPV		11,479.00
Loan - PEC Ltd		567,644.33
Loan - PEC Mt Duneed SPV		5,000.00
Loan - PEC Thompsons Road SPV		412,000.00
Loan - PEC Truganina 2 SPV		54,775.00
Loan - PEC Wollert SPV		4,459.49
Loan - PECFUM		113,608.34
Loan - Portfolio		1,357,894.32
Loan - Springvale		2,250.00
Loan - Truganina		128,875.00
Loan - Barnes Capital Projects		-1,635,349.14
Total Outflows		20,141,923.88
Net Inflows/Outflows		26,827.35
Amstel bank account balance (as at 2/3/2020)		2,622.44
Unreconciled Outflows	6	24,204.91

Notes:

- As outlined previously in this report, prior to the Administrator's appointment the Company sold two lots of the development.

The sale proceeds of \$10,722,775 from these lots was applied against the mortgage.

- During the period 09 December 2015 to 28 September 2016 the Company raised \$3,232,500 raised via Redeemable Preference Unit: A. Of this amount \$1,247,500 units were redeemed leaving an unpaid balance \$1,985,000.

The total interest paid to RPU:A's in relation to the redeemed shares was \$628,231.

The Company further raised \$3,395,602 via B & C class Redeemable Preference Units to related parties. I understand that as at the date of my appointment the full amount remains unpaid.

3. As discussed earlier in this report, rental income totalling \$591,096 is in respect to rent received from 7-Eleven & Oporto restaurant stores whilst they were being leased during the development period.
4. Total project costs incurred are in the sum of \$17,265,646. Please refer to my further comment in section 5.6.6 of this report for details in relation to development costs.
5. Total funds loaned to related parties are in the sum of \$2,657,985. I understand that these funds were loaned for purposes unrelated to the development of the Amstel Project
6. There is a small discrepancy between the net inflows and outflows and the Company's bank balance at the date of my appointment. My investigations are continuing in this regard.

5.5 The Amstel Project

As outlined previously in this report the PEC Amstel Project was set up as a special purpose vehicle (SPV) in order to raise investor funds.

The Company acted as trustee of the PEC Amstel SPV (ABN 18 840 480 249) and was the registered proprietor of the property located at 1016s Cranbourne-Frankston Road, Cranbourne VIC 3977 (PEC Amstel Project).

My investigations indicate that PEC Amstel SPV was set up as a sub trust under the Product Disclosure Statement (PDS) issued by Wealthcare Custodians Limited ("WCL" AFSL 297137) as responsible entity of the Australasian Infrastructure Trust (ARSN 093 197 105) being a registered managed investment scheme.

Please refer to the next section of this report for further details in relation to the managed investment fund.

Outlined below is a brief chronology of key events in the Company's/PEC Amstel SPV history.

Date	Description
17 September 2015	Contract of Sale of real estate executed by Martyn Barnes and Peter Terrill as Directors of Pec Portfolio 1 (Purchasers) with Australian International Property Corporation (third party vendor) for the purchase of 1016s Cranbourne-Frankston Road, Cranbourne VIC 3977 (Lot B on PS703240L) totalling \$3,400,000 plus GST
10 November 2015	The Pec Amstel Centre SPV trust was established as a unit trust & Pec Portfolio Pty Ltd (608 147 931) agree to be initial trustee.
2 December 2015	Information Memorandum issued for Amstel Centre 1016 Cranbourne Frankston Road, Cranbourne 3977.
09 December 2015 to 28 September 2016	Issue of units under PEC Amstel SPV \$3,232,500 raised via Redeemable Preference Unit: A \$1,247,500 redeemed during this period leaving an outstanding balance of \$1,985,000 \$3,395,602 raised via class B & C Redeemable Preference Units to related parties – Full amount still outstanding
21 December 2017	Pec Amstel Nominees Pty Ltd registered in Victoria
21 December 2017	Pec Amstel Nominees Pty Ltd replaced Pec Portfolio 1 Pty Ltd as Trustee of the Pec Amstel Centre SPV
December 2017	The entire parcel of land known as 1016s Cranbourne-Frankston Road, Cranbourne VIC 397 was transferred from PEC Portfolio 1 Pty Ltd to the Company in Dec 2017, prior to subdivision.

16 October 2019	Lot 2 on Plan of Subdivision 742340L (Vol/Fol 12157/ 004) The lot was subdivided from the balance of the land in October 2019 to facilitate settlement.
27 November 2019	Settled Lot 2 on Plan of Subdivision 742340L (Vol/Fol 12157/ 004) (7-Eleven) Sale price \$8,250,000 (Going concern sale)
09 January 2020	The remaining land was subdivided in January 2020 to facilitate settlement. Lot 2 on Plan of Subdivision 802081C (Vol/Fol 12178/053) Lot 1 on plan of Subdivision 802081C (Volume 12178 Folio 053)
24 January 2020	Settled Lot 2 in proposed plan of subdivision PS802081C Volume 12178 Folio 053. (Mc Donald's) Sale price \$2,900,000 Plus GST
19 March 2020 (settlement date)	Settled Lot 1 on proposed plan of subdivision PS802081C Volume 12178 Folio 052. (KFC) Sale Price \$1,900,000 PLUS GST Settled by Administrator/Receiver and Manager

My investigations indicate that a contract of sale of real estate was executed by Martyn Barnes and Peter Terrill as Directors of Pec Portfolio 1 (Purchasers) with Australian International Property Corporation (third party vendor) for the purchase of 1016s Cranbourne-Frankston Road, Cranbourne VIC 3977 (Lot B on PS703240L) totalling \$3,400,000 plus GST.

As outlined above the original parcel of land known as 1016s Cranbourne-Frankston Road, Cranbourne VIC 3977 was then transferred from PEC Portfolio 1 Pty Ltd to the Company in Dec 2017, on or around the time Pec Amstel Nominees Pty Ltd replaced Pec Portfolio 1 Pty Ltd as Trustee of the Pec Amstel Centre SPV and later subdivided.

The procedure for raising investment

- Investors received a copy of an information memorandum (IM) (product disclosure statements could be requested).
- Some investors were introduced via third parties.
- The potential investor would complete the application form attached to the IM to apply and provide a "qualified accountant certificate" in order to certify the following pre-requisites were met:
 - a) net assets of at least \$2,500,000 and/or
 - b) a gross income for the past two (2) financial years of at least \$250,000 per year.
- The forms were then submitted to PE Capital Limited.
- The investor was issued with a confirmation of investment and their details recorded in the investment register.
- The Trust Deed and Terms of Issue were available to unitholders on request.

Key terms of the investment

The IM provided for the following key terms under the Amstel Project investment:

- Principle amount being raised \$2,000,000.
- The minimum investment amount being \$50,000.
- Eligible subscribers being sophisticated and professional investors.
- The term of the investment being 24 months.
- The return being 30%p.a. paid on maturity.
- Initial investment and coupon returns to be paid at maturity.
- Right to reduce maturity term by Issuer – The Issuer reserves the right to reduce the maturity term and buy back Preference Units A prior to 24 months. In this event, the coupon return will be calculated to the date of the buy back with a minimum period of 6 months being paid. Right to extend

term by Issuer – The Issuer reserves the right to extend the maturity term beyond 24 months. Investors will be provided with 30 days’ notice for any alteration of term.

- Projected end values:
 - Project Gross Realisation Value \$29.2m.
 - Project Cost Base \$21.2m.
 - Net Equity on Completion \$8m.
- A General Security Agreement (GSA) is in place.

Land development – progress update

The PEC Amstel Project covered 11,129 sqm and was originally planned to consist of a 7 eleven fuel and convenience outlet, a major food outlet, childcare facility and medical centre.

However as a medical tenant was unable to be secured the scheme was revised and a decision was made to accept an offer from a major fast food retailer to purchase part of the land for a standalone restaurant. This resulted in a reduction in the forecasted development profit.

The Amstel Project was subdivided and sold in three (3) separate lots as outlined chronology of key events above. Noting that the Administrator/Receiver and Manager settled on the sale of the final lot known as Volume 12178 Folio 052 (7-11 Scioto Street Cranbourne Vic 3977). Please refer to section 5.6.1 for further details in relation to the settlement of this lot.

I now provide you with a summary of the project updates as communicated by PE Capital to investors:

Date	Project update
April 2016	<ul style="list-style-type: none"> - Pre-Application meeting held with council - Town planning drawings being updated for a two stage application in line with council advice - Stage 1 to include fuel, food and car wash tenants. Stage 2 to include the commercial mixed use building. - Discussions underway with potential tenants for Stages 2 including a medical centre. - Development currently in line with project milestones
August 2016	<ul style="list-style-type: none"> - Fuel and food/stage 1 lodged with town planning. - Received the first round of council town planning queries. In process of responding with supporting documentation. - Site reconfigured with carwash being replaced with a standalone food tenancy with expectation of the yield being maintained. - Positive discussions underway with two other tenants for the food tenancy site with negotiations progressing well. - 7 Eleven has received board approval for the site. - Stage 1 on track with project estimates. - Stage 2 commercial building concept being finalised for preliminary discussions with the council and prospective tenants.
December 2016	<ul style="list-style-type: none"> - Stage 1 planning awaiting final council approval. All detailed queries addressed. - Tender for Construction to be issued in December. - Heads of Agreement signed with The Coffee Club as the major food tenant. - The project schedule remains broadly in line with the Information Memorandum.
March 2017	<ul style="list-style-type: none"> - Draft Development Approval conditions received from council - Formal DA to be issued in April - Stage 2 planning well underway with childcare and medical centre as anchor tenants - Stage 1 construction forecast to commence in mid-2017
June 2017	<ul style="list-style-type: none"> - Development Approval for stage 1 granted in May 2017. - The original scheme included a three level building which incorporated a childcare, medical centre, cafes, restaurant and fast food. However, were unable to secure a medical centre tenant. Therefore accepted a conditional offer from a major fast food retailer to purchase 3,760sqm for a standalone restaurant.

	<ul style="list-style-type: none"> - Scheme revised with the original three level building being replaced with the fast food restaurant and a standalone childcare centre. Resulting in a reduction in the forecast development profit. - Changes will not impact the forecast investor returns. - Stage 1 construction forecast to commence in September 2017
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I have requested confirmation as to whether any updates were provided to unit holders subsequent to June 2017, although I am yet to receive this information.

5.6 Registered Managed Investment Scheme (MIS)

As per the IM dated 2 December 2015, I understand that the PEC Amstel Centre SPV (the Fund) is issued as a sub trust under the Product Disclosure Statement (PDS) issued by Wealthcare Custodians Limited ("WCL" AFSL 297137) as responsible entity ("RE") of the Australasian Infrastructure Trust (ARSN 093 197 105).

I note that a search of the ASIC data base has confirmed that strike off action is in progress in relation to Wealthcare Custodians Limited and document history indicates that an order was issued by ASIC on 7 November 2016 revoking its AFS licence. Furthermore the Australasian Infrastructure Trust (ARSN 093 197 105) was also de-registered on 22 January 2017 as per ASIC free search. Further investigations need to be conducted into these matters.

I understand that PEC Amstel SPV & the PEC 1475 Thompsons Rd SPV were set up as Sub-Trusts and were not registered managed investment schemes and that the Sub-Trust is a SPV established (and controlled) by the Fund.

I have requested the Groups executives to explain how the above may have affected the operation of PEC Amstel Centre SPV as a sub fund and to further confirm if the registered scheme was transferred to a new responsible entity.

I have been advised by the PE Capital CEO that all funds under the Amstel Project were raised with the RE in place and that no replacement RE was appointed. The CEO has further advised that the operations of the Amstel Centre SPV were unaffected as result of the above and the manager continued to comply with the requirements and terms governed by its trust deed and investment criteria as outlined in the IM.

My investigations in this regard are continuing.

5.6 Director's Report on Company Activities and Property

Following the appointment, my staff provided to the Director of the Company a ROCAP for completion in accordance with Section 438B(2) of the Act.

The ROCAP has been completed by the Director and returned to my office. The ROCAP has been lodged with ASIC in accordance with Section 438B(2A) of the Act.

I identified that ROCAP provided has limited financial information but rather refers to the records provided to date for further information.

Detailed below is a schedule of the assets and liabilities of the Company prepared by the Administrator based on my:

- investigations into the financial affairs of the Company;
- Discussions with the Director and external accountant of the Company; and
- Review of the books and records of the Company provided to date.

Accordingly, detailed below is a schedule of the estimated assets and liabilities completed by taking into consideration the books and records provided and my investigations to date.

I note that as the Administrator has not conducted an audit of the Company's financial accounts or the Company's books and records, the amounts in the following table may be subject to variation as a result of a number of factors including but not limited to:

- Further claims being submitted by creditors or employees which may alter the total claims against the Company;
- Realisation of assets may be lower or higher than the book values/valuation of same;
- Variation in the costs of realisation such as valuation costs, commissions;
- Professional costs of lawyers or debt collection firms which I may be required to engage to progress the recovery of the Company's assets/claims; and
- A secured creditor may not consent to the realisation of any asset(s) that may fall under its registered security interests.

	Note	Administrator's ERV
Assets		
Interest in Land (net)		1,903,635
Less payment to secured creditor (mortgagee)		(1,557,982)
Less other amounts due at settlement (legal fees, settlement fees & real estate agents commission)	5.6.1	(110,240)
Accounts receivable	5.6.2	Nil
Cash at Bank	5.6.3	2,612
Related party loan accounts	5.6.4	2,646,506
Sundry debtors	5.6.5	Nil
Total Assets		2,884,531
Liabilities		
Employee Entitlements	5.6.7	Nil
Secured Creditor	5.6.8	Nil
Unsecured Creditors	5.6.9	441,329
Unit Holder	5.6.9	
RPU: A (Principle & Interest)		4,203,512
RPU: B & C (Principle & Interest)		4,837,009
Related part loan accounts	5.6.10	1,836,849
Total Liabilities		11,318,699
Estimated Deficiency (subject to costs of Administration/Liquidation)		(8,434,168)

Assets

5.6.1 – Interests in Land

A search of the Victorian land title register indicated that the Company was the Sole Proprietor of the following title as at the date of my appointment.

Vol/Fol	Owner	Description	Municipality
12178/052	Pec Amstel Nominees Pty Ltd	Lot 1 of Plan PS802081C	Casey

I note that prior to my appointment as Administrator the Company had entered into a contract of Sale dated 8 March 2019 with Janine Higgon & or Nominees in relation to the sale of the abovementioned property totalling \$1,900,000 Plus GST. The property was due to settle on or around the 9 March 2020.

My investigations indicate that the sale was in line with market value for the following reasons:

- A pre-appointment valuation prepared by Charter Keck Cramer dated 3 October 2018 values the Property "as if complete" at \$1,791,750, or \$1,800,000 for practical valuation purposes (exclusive of GST)
- CBRE, the agents who sold the Property advised that, the sale price of the Property is in line with market values.

As a result of the Administrator's appointment on 2 March 2020, by operation of clause 89 of the Trust Deed, upon the Administrator's appointment the Company ceased to be the trustee of the Trust. Therefore the Company continued to hold the assets of the Trust as bare trustee.

As outlined previously in this report, in order to deal with the trust's assets I made an urgent application to the Court in order to be concurrently appointed as Receivers and Managers of the Company on 11 March 2020. This appointment was required as the Company is a Trustee of the PEC Amstel Centre SPV and such an appointment will allowed the Receiver and Manager to deal with the assets of the Trust.

In accordance with the Orders obtained from the Supreme Court of Victoria the Receiver and Manager have, in respect to the PEC Amstel Centre SPV, the powers to realise the assets of the Trust – including by proceeding to settle the sale of one such asset which is scheduled on March 2020.

I subsequently settled the abovementioned property as Administrator and Receiver and Manager on 12 March 2019.

The settlement summary is provided below:

Description	Amount (\$)
Purchase price – including GST	1,900,000
Less deposit	-190,000
Plus adjustments	3,291.23
Plus GST	190,344.21
Total amount due at settlement	1,903,635.44
Less Payment directions	
- Pexa fees	187.22
- Loan payout	1,557,981.86
- Legal Fees	34,908.95
- Vendor Funds	120,213.20
- Vendor Funds GST	190,344.21
Total payment directions	1,903,635.44

I note that funds totalling \$310,557.41 were transferred to my trust account on 12 March 2020 and subsequently transferred to the Company's receivership bank account. Of this amount \$190,344.21 relates to GST and must be remitted to the Australian Taxation Office.

In addition to above on 13 March 2020 I received funds in trust from CBRE totalling \$115,200 in relation to the deposit held by the real estate agent, these funds were subsequently transferred to the receivership bank account.

CBRE received the total deposit paid under the Contract to the sum of \$190,000 and retained their commission to the sum of \$74,800.

I am currently investigating CBRE's entitlement to the commission charged in respect to the contract that was entered into by the Company prior to my appointment.

I note that a total of \$425,757.41 has been transferred to the Receivers and Managers bank account in relation to above of which \$190,344.21 will be remitted to the ATO in relation to GST collected on the sale of property.

As outlined previously in section 5.5 of this report, in addition to the above, I note that the Company / trust previously owned 2 more lots which were sold and settled prior to my appointment as the Administrator.

My investigations regarding the disbursement of sale proceeds in relation to these lots is continuing.

5.6.2 – Accounts Receivable

My review of the Company's management account as at the date of appointment outlines accounts receivables totalling \$2,093,786.

Further analysis of the transaction listing for this account indicates that the balance relates to funds owing from the sale of Lot 1 on proposed plan of subdivision PS802081C Volume 12178 Folio 052.

I refer you to my previous comments in this report for details in relation to the sale and settlement of this lot (Volume 12178 Folio 052).

I note that adjustment to the Company's management accounts were made subsequent to my appointment in order re-allocate this amount.

5.6.3 – Cash at Bank

Subsequent to my appointment, I notified all the major banks and requested that any accounts in the name of the Company be frozen as at the date of appointment.

My review of the Company's management accounts as at the date of appointment outlined the Amstel Centre SPV held a bank account with the Commonwealth Bank of Australia ("CBA") with an available balance of \$2,622. I note that CBA responded to our initial correspondence and advised that no accounts were identified in the Company's name.

As outlined previously in this report PEC Portfolio 1 Pty Ltd initially acted as Trustee for the Pec Amstel Centre SPV and was later replaced as Trustee by the Company.

My investigations indicate that the bank account held for the Amstel Centre SPV was originally set up in the name of Pec Portfolio 1 Pty Ltd as Trustee for the Amstel Centre SPV.

As you are aware, I was also appointed as Administrator of Pec Portfolio 1 Pty Ltd on 2 March 2020 and therefore I notified all the major banks and requested that any accounts in the name of the Pec Portfolio 1 Pty Ltd be frozen as at the date of appointment.

CBA did respond to my correspondence as Administrator of Pec Portfolio 1 Pty Ltd and notified me of the following bank account held by Pec Portfolio 1 Pty Ltd as trustee for the Amstel Centre SPV;

Account Name	Balance (\$)
PEC Portfolio 1 Pty Ltd ATF Amstel Centre SPV	2,612.44

5.6.4 – Related party loan accounts

My review of the Company's management account as at the date of appointment outlines the following related party asset loan accounts:

Loan account	Amount (\$)
Loan - PEC Bell Park SPV	11,479
Loan - PEC Ltd	567,644
Loan - PEC Mt Duneed SPV	5,000
Loan - PEC Thompsons Road SPV	412,000
Loan - PEC Truganina 2 SPV	54,775
Loan - PEC Wollert SPV	4,459
Loan - PECFUM	113,608
Loan - Portfolio	1,357,894
Loan - Springvale	2,250
Loan - Truganina	128,875
Total	2,657,985

I advise that these loan accounts are an asset of the Company. Accordingly, I have request that the Director provides a detailed explanation as to the purpose of the above-mentioned loan accounts and the collectability of same.

I have been advised that the related party loans were provided for working capital purposes across a number of mixed development SPV's and that excluding the Pec Bell Park SPV all loans are expected to be recoverable in full.

I have further been advised that no offsets are available between related party asset and related party liability loan accounts.

As you are aware Pec Portfolio 1 Pty Ltd has been placed into Administration, therefore any recovery in relation to the Loan – Portfolio account will be dependent on a return to creditors in that Administration.

5.6.5 – Sundry Debtors

My review of the Company's management account as at the date of appointment outlines sundry debtors totalling \$124,788.

I have request that the Director provides a detailed explanation as to the purpose of the above-mentioned amount.

I have been advised that the amount was originally recorded in the Company's accounts as surplus funds totalling \$123,523 and was to be re-allocated against the mortgage loan. The balance should be written off.

My investigations are continuing in this regard.

5.6.6 – Other fixed assets & non-current assets

My review of the Company's management account as at the date of appointment outlines other fixed assets & non-current assets totalling \$21,020,203.

As outlined previously the Company's capitalised its costs through the Company's balance sheet.

I provide you with the following summary in relation to these expenses:

Description	Amount (\$)
Electrical Authority Fees	550
Construction Costs	4,922,231
Development Consultants	2,181,221
Finance - Interest & Fees	9,300,422
Legal Costs	253,462
Property Holding Costs	236,111
Sales, Marketing and Leasing Costs	259,288
Site Acquisition Costs	3,742,867
Statutory Authorities	124,050
Total	\$21,020,203

Comparison of budgeted development costs to actuals

I provide below summary the Company's capitalised costs when compared with the budgeted project costs as per the IM provided to investors:

Development Costs	Budgeted as per IM (\$)	Actuals as per management accounts as at 2/3/2020	Variance	Notes
Site Purchase and Legal Fees	3,751,700	3,742,867	-8,833	
Development Management	593,367	953,970	360,603	1
Project Management	362,438	720,869	358,431	1

Consultants and Planning	653,541	506,382	-147,159	2
Construction	12,081,266	4,922,231	-7,159,035	2
Leasing and Legals	550,413	253,462	-296,951	2
Bank Borrowing Costs	2,130,075	9,300,422	7,170,347	3
Misc (Marketing, Land Holding etc)	376,342	495,399	119,057	
Project Contingency	673,679	124,600	-549,079	2
Total costs	21,172,821	21,020,203	-152,618	

I have requested that the Director provides a detailed explanation as to the variances between budgeted developments costs and those capitalised through the Company's balance sheet.

I have been provided with the following notes:

1. Development & Management fees were set up as 3% of estimated sales value per feasibility and charged monthly. The original estimate was \$30,000 pcm for both, over 30 months. The difference relates to the length of the development
2. PEC Amstel decided it would maximise returns by not completing all stages, per IM. Thus, only stage 1 was developed with stage 2 changed to a sale to McDonalds and stage 3 a sale of land to KFC.

As a result, planning costs, construction costs, leasing and legal costs were all reduced.

3. Longer development timing and refinancing incurred considerable additional finance costs.

My investigations in this regard are continuing.

Liabilities

5.6.7 – Employee Entitlements

The Company's management accounts do not outline any outstanding employee entitlements.

I have been advised that the Company was not an employing entity.

5.6.8 Secured Creditors

Santini Custodians Pty Ltd ("Santini")

Santini held a registered ALLPAAP security interest over the Company's property and assets as at the date of my appointment pursuant to a general security deed against the Company. In addition, Santini had a registered Real Property Mortgage (Volume 12157/003) over all of that piece and parcel of land known as parent title volume 12157 folio 003.

The amount owing to Santini as at the date of my appointment \$1,556,481.

As outlined previously in this report I settled the sale of land known as Volume 12178 Folio 052 being Lot 1 of plan of Subdivision 802081C (parent tile volume 12157 folio 003) as Administrator and Receiver and Manager on 12 March 2019.

Sufficient funds were available from settlement in order discharge the debt owed by the Company to Santini in full totaling \$1,557,981.86 as at 12 March 2020.

5.6.9 Unsecured Creditors

Utilising the books and records of the Company and PODs submitted by creditors, I have calculated unsecured creditor claims to be up to \$524,379 which is summarised below.

Unsecured Creditor	Related Party (Y/N)	Amount (\$)
Australian Taxation Office		298,345
Paul Turner - Loan		38,342
Irwin Consultants		35,299
Napier Blakely		5,830
Glas		4,500
Rider Levett Bucknell		2,466
NBN		1,200
John Patrick		572
TF Partners		275
Related party unsecured creditors		
GSL Private Equity Pty Ltd	Y	33,000
Pec Portfolio 1 Pty Ltd	Y	1,250
PE Capital	Y	20,250
Total		441,329

Unit holders

As outlined previously in this report, funds for the Amstel Project were raised by way of investor funding and debt funding to support the project.

Issue and term of units

Redeemable preference units were issued for subscription in accordance to the following terms:

- Preference Unit A (RPU:A) – 30% per annum calculated and paid on maturity
- Preference Unit B (RPU:B) – 20% per annum calculated and paid monthly
- Preference Unit C (RPU:C) – 10% per annum calculated and paid monthly

The issue price of shares was \$1.00 per Preference Unit for all classes.

Please refer to section 5.5 of this report whereby I have previously outlined the key terms of the RPU:A investment as per the IM.

A review of the Amstel project investment register outlines the following investments made:

- RPU: A
 - Total units/price raised \$3,232,500 (35 investors).
 - Total units/price redeemed \$1,247,500 (17 investors).
 - Balance of units outstanding \$1,985,000.
 - Interest paid in respect to redeemed units \$596,386.
 - Total interest accrued as at date of appointment \$2,218,512
- RPU: B
 - Class B total units/price raised \$1,238,000 (3 investors).
 - No units redeemed.
 - Balance of units outstanding \$1,238,000.
 - Total interest accrued as at date of appointment \$598,711.
- RPU: B & C
 - Class C total units/price raised \$2,157,602 (5 investors).
 - No units redeemed.
 - Balance of units outstanding \$2,157,602.
 - Total interest accrued as at date of appointment \$842,696.

The unitholders position can be summarised as follows:

Unitholders	Total Capital Raised	Redeemed Units		Total Amount owing		
		Principle	Interest	Principle	Interest	Total Amount Owing
RPU:A	3,232,500	1,247,500	596,386	1,985,000	2,218,512	4,203,512
RPU:B	1,238,000	Nil	Nil	1,238,000	598,711	1,836,711
RPU:C	2,157,602	Nil	Nil	2,157,602	842,696	3,000,298

As the initial meeting of creditors, I had not been provided with sufficient evidence to support the unitholders claim as creditors of the Company. Accordingly these claims were admitted for the meeting for \$1 for voting purposes only.

Since the initial meeting, we have sought further evidence from unit holders and further investigated the available books and records in order to determine if the unit holders are in fact creditors of the company or beneficiaries of the trust

Investigations in relation to rights of unit holders:

It has been difficult to determine the position of unitholders and I have sought legal advice in respect to same. Although that advice has not been provided to date. The issue I have identified are as follows:

- The terms of the investment and unit holders rights appear to be contradictory between different documentation;
- It appears that there was limited communication to unitholders regarding the status of the project.
- Uncertainty in relation to the minimum term period, when and if it was extended to and which unit holders were extended;
- Unit holders have indicated that false and misleading statements were made in the IM.
- The GSA sighted is between a related Company PE Capital Limited and unitholders in the PEC SPV projects. It does not appear a security interest was lodged against the Company and/or Amstel Centre SPV trust;
- Whether various documents including the Terms of Issue could be relied upon;
- There is sufficient ambiguity in the Terms of Issue in order to determine whether the three classes of unitholders are creditor of any company. The key observations noted in the Terms of Issue are:
 - clause 6.1 states that the Redeemable Preference Units (“RPU”) for Class A, Class B and Class C shall be redeemed by payment in cash by the trustee;
 - clause 5(b) for Class A, Class B and Class C RPU each provide that, for the avoidance of doubt, the relationship of each RPU holder and the Trustee is one of creditor and debtor;
 - clause 5(a) provides that the three classes of RPU holders do not have an interest or right to a distribution of any of the Fund’s property;
 - clause 4.2 for the three classes of RPU provide that each of the three classes have a right to rank equally first with the other two classes for payment of all unpaid or unsatisfied coupons, in priority to all other classes of units; and
 - Clause 6.3 for the three classes of RPU provides that that each of the three classes of RPU are entitled to repayment of the Redemption Amount, comprising any unpaid coupons and the issue price, in priority to any return of capital or payment of any distribution to any other classes of units.

I reiterate that I have sought legal advice in relation to this matter, that advice has not been forthcoming to date accordingly I am not in a position at this point in time to confirm that unitholders are creditors of the company.

5.6.10 Related party loan accounts

My review of the Company’s management account as at the date of appointment outlines the following related party liability loan accounts:

Loan account	Amount (principle) (\$)	Amount (interest) (\$)	Total (\$)
Loan – Barnes Capital Projects	701,653	933,696	1,635,349
Loan – Canterbury Hill Pty Ltd	25,000.00	5,500	30,500
232 Bay Street Pty Ltd	-	-	171,000
Total	726,653	939,196	1,836,849

I advise that these loan accounts are liabilities of the Company. Accordingly, I have requested that the Director provides a detailed explanation as to the purpose of the above-mentioned loan accounts and the collectability of same.

I have been advised that the related party loan were provided by related parties for working capital and that no offsets are available between related party asset and related party liability loan accounts.

6.0 EXPLANATIONS FOR DIFFICULTIES

6.1 Director’s Explanation

The Director has advised that the primary reason for my appointment as Administrator was due to:

- Insufficient project management;
- Increase in funding costs; and
- a unitholder initiating legal action against a related entity by serving a creditors statutory demand against the related entity.

6.2 Administrator’s Explanation

Whilst I have no reason to oppose the Director’s reasons for failure, my preliminary investigations into the affairs of the Company also indicate that the failure may be attributed to:

(i) Poor financial control

The Company provided loan/funding of \$2,245,985 to related parties in relation to other projects in the Group. This resulted in insufficient cash being available to pay unit holder upon maturity.

(ii) Poor management of Project

The scheme had to be revised as a tenant was unable to be secured for the medical centre. This resulted in a reduction in development profits.

Due to the poor management of the project and lack of financial control the Company was without funds to payout the unit holder’s investment.

(iii) Poor Management of development costs

Although construction costs were significantly reduced due to the revised scheme, development costs in relation to development & project management fees & borrowing cost substantially exceeded the budgeted development costs.

6.3 Outstanding or previous winding up applications

I confirm that there are no outstanding winding up applications involving the Company.

7.0 OFFENCES, VOIDABLE TRANSACTIONS AND INSOLVENT TRADING

The Act requires an Administrator to conduct preliminary investigations into any breaches or offences committed by officers of the Company as well as review 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. These potential claims/recoveries are relevant to creditors if they are being asked to choose between a DOCA or a liquidation, because such claims/recoveries are only able to be challenged if a liquidation occurs.

My preliminary investigations have involved a review of the Company’s books and records together with discussions with the Director, Executives and creditors of the Company.

I refer creditors to ARITA’s Information Sheet attached and marked **Annexure “A”** which provides creditors with further information about the different types of offences, voidable transactions and insolvent trading actions that are generally available to a Liquidator.

7.1 Offences

Sections 180 to 184 of the Act set out certain obligations for director to exercise and discharge their duties and powers with a degree of care as well as good faith. Director must not use their position to obtain an advantage for themselves or cause detriment to a company.

My preliminary investigations have identified offences that may have been committed by the Director of the Company under the Act as set out below.

Section	Summary of Offence	Potential Offence Identified
180	Failure to exercise reasonable care and diligence in discharge of director’s duties	Misleading & deceptive information in IM & non-compliance with IM.
181	Failure to act in good faith	Misleading & deceptive information in IM & non-compliance with IM.
182	Improper use of position to gain an advantage	Misleading & deceptive information in IM & non-compliance with IM.
183	Improper use of information	Misleading & deceptive information in IM & non-compliance with IM.
184	Reckless or intentional dishonesty and failure to exercise duties in good faith and/or to gain an advantage	Investigations Continuing
438B(4)	Failure to prepare a report to the Administrator on the Company’s business, property, affairs and financial circumstances	No
588G	Insolvent trading	I estimate that the Company may have been trading whilst insolvent from at least December 2018 being the earliest date which the investment and coupon for RPU:A investors was due for payment.
588GAB	Officer’s duty to prevent creditor-defeating disposition	No
286	Inadequate books and records	No
911B	Providing financial services on behalf of a person who carries on a financial services business	Must only provide a financial service on behalf of a person who carries on a financial service business if the principle holds an Australian financial service license – my investigations are continuing in this regard.

These offences are discussed in further detail below. I will be reporting the results of my findings to the ASIC.

7.2 Insolvency

A number of commercial recoveries available to a Liquidator need to have occurred at a time when a company was insolvent. In addition, a director may be personally liable for continuing to incur debts whilst a company was insolvent.

7.2.1 – Presumption of Insolvency

There are a number of presumptions afforded to a Liquidator in the assessment and recovery of an insolvent trading claim. Two (2) important presumptions are:

Presumption of Continued Insolvency

If it is proved that a company is insolvent at any time during the twelve (12) months preceding the Administrator's appointment, then the company is presumed to remain insolvent continuously from that point until the appointment date. This presumption assists a Liquidator who would otherwise be required to prove that a company was insolvent at each time a new debt was incurred.

No Evidence of Solvency

A company is presumed to be insolvent if it has failed to maintain books and records in accordance with Section 286 of the Act. My preliminary investigations have identified that the Company has complied with Section 286.

However, whilst it is acknowledged that these presumptions exist, a Liquidator would nonetheless conduct an investigation and review other documentation bearing on a company's solvency. An initial discussion of the Company's solvency is outlined below.

7.2.2 – Indicators of Insolvency

A company is considered to be insolvent at the point when it is unable to pay its debts as and when they fall due for payment. Consideration is given to when the debts are commercially due for payment. Accordingly, the test of insolvency is primarily a cash flow test. Mandie J in *ASIC v Plymin* (2003) 46 ACSR 126 referred to a checklist of indicators of insolvency which I have reproduced below and noted which indicator has been identified as part of my investigations.

Indicators of Insolvency		Administrator's Investigations
Continuing Losses	✓	The Amstel project failed to meet its milestones and the scheme was revised resulting in insufficient funds to return to investors.
Liquidity Ratios below 1	x	N/A
Overdue statutory and tax obligations	✓	The Company's management accounts disclose outstanding GST liability totaling \$288,403 as at the date of appointment. This appears to be primarily in relation to the GST payable on the settlement of land (Volume 12178 Folio 053) on or around 24 January 2020.
Inability to borrow further funds	✓	I have been advised that the ability to attract new fund investors was seriously curtailed over the past 18 months due to various factors.
No access to alternative finance	x	We are not aware if the Company sought alternative finance.
Suppliers terms on C.O.D.	x	I have not sighted any evidence to suggest Suppliers put the Company on COD basis
Inability to raise further capital	✓	I understand the Company has attempted to raise further capital from investors although funding has not been forthcoming.
Creditors paid outside of trading terms	✓	The aged payables indicates the majority of debts unpaid were in excess of 3 months
Issuing post-dated cheques	x	No evidence identified
Dishonored cheques	x	No evidence identified

Special payment arrangements with creditors	x	I have not identified any payment plans entered into with the ATO or any other creditor although my investigations are continuing.
Summons, judgements or warrants issued against the Company	✓	Statutory demand issued against related entity.
Payments of rounded sums	✓	The Company's bank account discloses certain rounded payments to related parties from as early as December 2017.
Inability to produce timely and accurate financial information	x	My preliminary review of the books and records indicates that the Company has complied with Section 286 of the Act.
Redemption of units	✓	As per the IM the term of the investment made by RPU: A was 24 months. With a return due to be paid on the initial investment and coupon at maturity (subject to extension of term). Based on the available books and records received to date it does not appear as though an extension of the term was sought. In this regard the investment and coupon for RPU: A investors was due from as early as December 2018.

The above indicators are not conclusive individually, but rather should be used as building blocks to evaluate the financial position of the Company at any particular time.

7.2.3 - Conclusion

Based on my preliminary investigations completed to date and considering all of the above indicators of insolvency, I estimate that the Company may have been trading whilst insolvent from at least December 2018 being the earliest date which the investment and coupon for unitholders was due for payment.

7.3 Voidable transactions

I have conducted the following investigations into identifying potential voidable transactions:

From a preliminary review of the Company's books and records in my possession it is my opinion that the Company may have an action for the following amounts against certain parties for transactions that may be voidable:

Potential Actions	Quantum (\$)
Unfair Preferences	TBC
Creditor-defeating Dispositions	Nil
Uncommercial Transactions	TBC
Unfair Loans	Nil
Arrangements to Avoid Employee Entitlements	Nil
Unreasonable Payments to Director(s)	Nil
Voidable Security Interests	Nil

As discussed previously in this report, my investigations have identified that the Company made a number of payments/loans to related party entities which were unrelated to the Amstel Project development.

As per section 5.6.4 of this report the Company's management accounts outline loans provided to related parties totalling \$2,646,506.

I have been advised that the related party loan were provided for working capital purposes across a number of mixed development SPV's and that excluding the Pec Bell Park SPV. I have further been advised that the all loan with the exception of Pec Bell Park SPV are expected to be recoverable.

The disbursement of these funds will be the focus of any ongoing investigations.

The investigations of potential voidable transactions conducted to date are of a limited nature given the strict time span allowed under the Act for the preparation of this report. The adjournment of the meeting would allow me with further time to investigate the likely recovery of potential voidable transactions

Unfair Preferences

I have also identified a number of transactions in the Company's bank statements which do not have sufficient information to determine the payee and what the payments relate to. I will be seeking further information from the Director in relation to these transactions.

Recoverability

Difficulties with pursuing voidable transactions may include:

1. Legal and accounting fees could be substantial and the matter may take some time to resolve;
2. The recipient of the potential voidable transaction may have a valid defence;
3. The recipient of the potential voidable transaction may not be in a position to pay back those monies if and when a favourable judgment is received; and
4. It can be difficult to sustain a claim against a creditor for the receipt of certain types of voidable transaction as the issue of suspicion of insolvency can be disputed.

Although I am not in a position to provide an estimate of potential recoveries, creditors should note that the investigation of offences and potential voidable transactions conducted to date are of a limited nature given the strict timeframe allowed under the Act for the preparation of this report. A Liquidator (once appointed) would have sufficient time to investigate in further detail the likely recovery of potential voidable transactions. Any further action will only be taken if a Liquidator determines there will be a commercial benefit to creditors in doing so.

I also note that a Liquidator will report the offences and voidable transactions identified to ASIC. ASIC will then advise whether it may take further action or alternatively seek further information from the Liquidator prior to making its decision.

Notwithstanding the above, creditors need to consider the proposal for the Company to execute a DOCA in light of the possible returns from a liquidation. Accordingly, the adjournment of the major meeting of creditors will allow further time to consider any DOCA proposal from the director and form my opinion to the creditors of the Company.

7.4 Insolvent trading

Information about any potential insolvent trading recovery is relevant to creditors when making a decision about the future of a company as a director of a company may generally only be pursued for insolvent trading if a company is in liquidation. As with the voidable transaction analysis above, creditors have to assess the advantages to them of a DOCA, which cannot include proceeds from insolvent trading actions, compared to the likely return in a liquidation, which could include the proceeds of any successful insolvent trading action.

Please refer to ARITA's Information Sheet for information about insolvent trading.

Other than in cases of fraud and in exceptional circumstances such as when ASIC takes action, the director of a company may only be sued for insolvent trading if the company is in liquidation. Liquidation also preserves the possibility of individual creditors taking action in their own right.

7.4.1 – Insolvent Trading Claim

Further investigations would need to be completed in a liquidation to determine the precise date of insolvency and hence the exact quantum of any insolvent trading claim.

7.4.2 – Director’s Personal Financial Position

As noted earlier in this report, I have identified several transactions involving the Director’s that may be voidable against a Liquidator.

Additionally, in certain circumstances director may be held personally liable for insolvent trading.

I have sought to make reasonable enquiries to establish the Director’s capacity to pay any judgement obtained.

Due to financial and time constraints, I have not sought to conduct a public examination of the Director. Therefore, I am limited to public information and information provided by the Director.

I have undertaken searches of the Victoria Land Titles database in the Director’s name to determine any property owned by the Director. The search records one (1) property in Victoria that Mr. Barnes has an interest in. I note that this property is subject to a mortgage.

It should be noted that recovery actions against the Director in a liquidation can be costly and are not guaranteed of success.

Creditors should note that my investigations will continue in this regard and in the event that the Company is placed into liquidation, any action for insolvent trading would only be brought against the Director by a Liquidator if a benefit would accrue to creditors from doing so. A further detailed analysis of the Company would need to be undertaken by a Liquidator to evaluate the merits of any such action.

7.4.3 – Shadow Directors

My investigations indicate that the Director’s business partners, Sam Osborne and Simon Day participated in making decisions that affected the whole, or a substantial part, of the business of the Company and therefore may be considered officers of the Company and therefore joint and severally liable for any insolvent trading claim brought against the Director.

I note that any actions that may be available against a director would also be available against those parties that acted in the capacity of a director. I note that the majority of my dealing with the Company have been with the whole executive team of the Group, rather than just the Director.

My investigations in this regard are continuing.

7.4.4 – Defences to a Claim of Insolvent Trading

Defences potentially available to company director are also included in the attached ARITA Information Sheet.

The defences available to director contained in Section 588H are:

- The director had reasonable grounds at the time the debt was incurred to expect the company to be solvent and would remain solvent even after the debt was incurred;
- The director relied on another competent and reliable person to provide information about whether or not the company was insolvent;
- The director were ill or for some other good reason did not take part in the management of the company;
- The director took reasonable steps to prevent the incurring of the debt.

It should be noted that recovery actions against the Director in a Liquidation can be costly and are not guaranteed of success. Creditors should note that our investigations will continue in this regard and in the event that the Company is placed into Liquidation, any action for insolvent trading would only be brought against the Director by a Liquidator if a benefit would accrue to creditors from doing so. A further detailed analysis of the Company would need to be undertaken by a Liquidator to evaluate the merits of any such action.

Due to the inherent risk, it is likely that Liquidators would only be in a position to commence any action against the Director for insolvent trading in the event that funding is available.

7.4.5 – Safe Harbour (if applicable)

I have not sighted any documentation or received any correspondence which confirms whether the Director took any safe harbour advice prior to my appointment.

7.4.6 – Director’s and Officers’ Insurance

I have requested the Director to provide any details in relation to a D&O insurance policy, however I am yet to receive this information.

Notwithstanding, due to privacy and confidentiality reasons I may not be in a position to disclose any particulars of the policy (if any) given the confidentiality provisions therein, and disclosure can, in certain circumstances, jeopardise the policies ability to respond to any claim(s).

7.4.7 – Holding Company

Insolvent trading claims may also be brought against a holding company for insolvent trading by a subsidiary.

According to the search conducted of the database maintained by ASIC, as referred to earlier in this report, PE Capital Ltd is recorded as being the holding company of the Company. The officers of PE Capital Ltd are as follows:

Company Search	Details
Holding Company	PE Capital Ltd
A.C.N.	605 156 018
Directors	Mr Simon Day and Mr Sam Richard Stanley Osborne
Shareholders	Public Unlisted Company

As noted above, the holding company appears to be trading and a public unlisted company limited by shares registered in Victoria.

I have undertaken a Victorian Land Titles database search which confirms that PE Capital Ltd does not have an interest in any real property located in Victoria.

There are defences for insolvent trading applicable to PE Capital Ltd. These defences are essentially the same as the defences that a director may rely on. Any defences relied upon will take into account the Directors’ position as an officer of both the Company and PE Capital Ltd.

Should the Company be wound up and I am appointed as Liquidator, I will conduct further investigations into this matter.

7.4.8 – Return to Creditors from an Insolvent Trading Action

An action for insolvent trading would only be brought against the Directors or PE Capital by a Liquidator if a benefit would accrue to creditors from doing so. I refer to the four (4) points noted at Section 7.3 above as well as the defences at Section 7.4.2 above.

Should the Company be wound up and I am appointed as Liquidator, I will conduct further investigations into this matter.

7.5 Assigning Rights to Sue

A Liquidator may assign any right to sue conferred on that Liquidator which include voidable transactions and insolvent trading. In this regard, creditors or a third party may wish to acquire a right to sue conferred on the Liquidator based on the potential recovery actions I have discussed above. At this stage, I would suggest that any interested party await the outcome of further investigations which will be carried out by a Liquidator in due course, if appointed.

8.0 PROPOSAL FOR A DEED OF COMPANY ARRANGEMENT

8.1 Background

A DOCA is a legislative approved procedure allowing a company to make a compromise or arrangement binding all of its creditors. This provides for a modification or adjustment of the rights and obligations owing by that company to creditors. The Act provides the procedures for effecting such modification or adjustment, and enables the arrangement to be made binding on all creditors if agreed to by a majority at a meeting of creditors. Creditors holding security are not necessarily bound by the DOCA.

Following the creditors' meeting wherein creditors resolve to accept, the proposed DOCA will commence when both that company and the Administrator of the DOCA have properly executed the DOCA. Please carefully note if a DOCA is resolved to be accepted by creditors, then until the DOCA is executed by that company and the Administrators, creditors are not to act inconsistently with the terms of the DOCA. If a DOCA has been executed that company continues its legal existence and is described as being "Subject to a Deed of Company Arrangement".

A DOCA binds all creditors of that company in respect of their claims arising on or before the day specified in the DOCA (which is usually the day when the administration of that company first began).

Secured creditors are not prevented from realising or otherwise dealing with their security, except so far as the DOCA so provides in relation to a secured creditor who voted in favour of the resolution and the rights of an owner or lessor of property are not affected, except so far as the DOCA so provides and the owner or lessor voted in favour of the DOCA.

Until a DOCA terminates, any person bound by the DOCA cannot make or proceed with an application to wind up that company, or begin or proceed against that company in relation to its property by enforcement process or otherwise, except with leave of the Court.

8.2 Proposal

During the Administration period, we have been liaising with the Company's pre-appointment solicitors and Director in relation to the possibility of the Director putting forward a proposal to creditors in the form of a Deed of Company Arrangement ("DOCA"). Despite the Director's initial indication that he would like to propose a DOCA, to date we have not received a proposal.

I understand that due to the unexpected set back and disruption caused by the COVID-19 pandemic currently spreading throughout Australia the Director has been unable to formulate a DOCA, notwithstanding the above, the Director has further indicated that he is still willing to put forward.

For this reason I am seeking an adjournment of the major meeting of creditors. This adjournment is necessary in order to continue my investigations into the affairs of the Company and review the merits of a DOCA proposal and make my recommendation to the Company's creditors.

9.0 ESTIMATED RETURN FROM A WINDING UP AND DEED OF COMPANY ARRANGEMENT

For reasons discussed through this report, I am unable to effectively estimate and disclose the potential returns to creditors in a winding up or DOCA.

For this and other reasons, outlined earlier, I am recommending creditors adjourn the forthcoming major meeting as discussed later in Section 11 of this report. The adjournment of the major meeting of creditors will allow additional time to quantify the estimated returns to creditors in a DOCA scenario (if proposed), enabling creditors to make an informed decision regarding the future of the Company.

Based on the information currently at hand, an estimated return in a winding up is as follows:

	Notes	Liquidation \$ (excl GST) Best Case	Liquidation \$ (excl GST) Worst Case
Assets			
Cash at Bank	1	2,612	2,612
Funds from settlement		235,413	235,413
Related party loan accounts	2	2,646,506	-
Voidable Transaction Claims	3	Unknown	Unknown
Insolvent Trading Claim		Unknown	Unknown
Total Assets		2,884,531	238,025
Liabilities			
Administrator Remuneration	4	90,607	90,607
Administrator Disbursements		500	500
Administrator Remuneration (Est.)		50,000	50,000
Administrator Disbursements (Est.)		5,000	5,000
Receiver and Managers Remuneration		2,226	2,226
Receiver and Manger Disbursements		9	9
Liquidator Remuneration (Est)		100,000	100,000
Liquidator Disbursements (Est)		500	500
Legal Fees			15,000
Total Liabilities		263,842	263,842
Amount available to Unsecured Creditors			
		2,620,689	Nil
- Unsecured creditors' claims		441,329	441,329
- Unitholder (RPU:A) (Principle & Interest)		4,203,512	4,203,512
- Unitholder (RPU:B&C) (Principle & Interest)		4,837,009	4,837,009
- Related Party Loans		1,836,849	1,836,849
Total Unsecured Creditors		11,318,699	11,318,699
Return - cents in \$ to Ordinary unsecured Creditors	5	23 cents	Nil

Notes:

- Please refer to section 5.6.3 in relation to the Company's pre appointment bank account.
- Please refer to section 5.6.4 in relation to the Company's related party loan account. The best case scenario considers realisation of related party loans in full whereas the worst case scenario considers the effect should the related party claims be uncollectable.
- Please refer to my comments in relation to voidable transaction in section 7 of this report.
- The basis for which remuneration will be sought is discussed later in section 13 of this report.
- I have calculated all unsecured creditor/(including related party loan accounts) & unit holder claims to be \$10,630,559. I note that this amount is based on information provided to me to date. I refer to my previous comments outlined in section 5.6.9 & 5.6.10 of this report.

I refer to my previous comments in relation the position of unitholders, as discussed I have sought legal advice in relation to this matter, however that advice has not been forthcoming to date. Notwithstanding, for the purpose of outlining the potential return to unitholders in the event their position as creditors is determined I have included unitholders in the estimated table above.

10.0 RECEIPTS & PAYMENTS

I note that there are no receipts and payment recorded in the Administration bank account as at the date of writing this report.

As outlined previously in section 5.6.1 I note that funds totalling \$425,757.41 have been transferred to the Receivers and Mangers bank account.

11.0 ADMINISTRATOR'S RECOMMENDATION

The following options are available to creditors to decide pursuant to Section 439C of the Act, being that:

- The Company execute the proposed DOCA;
- The Administration should end; or
- The Company be wound up.

My opinion on each option and the reasons for my opinion are as follows:

The Company execute the proposed Deed of Company Arrangement

As stated earlier, the Director has indicated that he would like to propose a DOCA however to date we have not received a proposal.

Notwithstanding the above, the Director has further indicated that he is still willing to put forward a proposal however due to the unexpected set back and disruption caused by the COVID-19 pandemic

he requires further time to prepare one. He further advised that it is likely that the DOCA proposal will be able to provide a better return to creditors than the liquidation.

Given that a DOCA has not been finalised this option is not available for the creditors.

The Administration should end

I refer to the Company's schedule of assets and liabilities detailed earlier in this report and note that the Company is insolvent. As Administrator, I do not see any reason to recommend to creditors that the Administration should end and the Company be handed back to the Director. I have disclosed to creditors within this report all information known to me which will allow creditors to make an informed decision on whether to end the Administration.

Accordingly, it is my opinion that it is not in the creditors' interests for the Administration to end.

The Company should be wound up

As stated earlier, the Director has requested further time to formulate a DOCA proposal for the creditors which is likely to provide a better return to creditors than the liquidation.

In these circumstances, based upon the greater expected return under a Deed of Company Arrangement, it is my opinion that it is not in the creditors' interests for the Company to be wound up at this stage.

The forthcoming meeting of Creditors be adjourned

Based on the foregoing and the issues disclosed in this report, I recommend to creditors that the major meeting of creditors to be held on 7 April 2020 be adjourned for up to a maximum of forty five (45) business days. The reasons for my recommendation are set out earlier in this report and can be summarised as follows:

- a) To provide an opportunity for the Director to propose a DOCA for the benefit of the Company's creditors.
- b) To allow the Administrators to review the DOCA proposal to be submitted.
- c) To provide the Administrator further time to resolve outstanding issues raised in this report with respect to their investigations. Those issues being, further investigations in relation to:
 - Considering the merits of a DOCA proposal compared to a liquidation scenario;
 - Payments/loans to related party entities;
 - Further investigations into voidable transactions; and
 - Further investigation in relation to possible claims against the Company from unit holders.

As discussed above and given the limited timeframe, I recommend an adjournment of the major meeting of creditors. This adjournment is necessary for the Administrators in order to continue our investigations into the affairs of the Company and review the merits of a DOCA proposal and make our recommendation to the Company's creditors

It is the Administrators' opinion that finalising the foregoing issues are critical in discharging our obligations as Administrators of the Company under Section 439A of the Act and that these issues are significant in our final recommendation as to the creditors' best interests.

Although I am seeking an adjournment for the maximum period of time allowed by the Act, I anticipate that I will be in a position to convene the adjourned meeting of creditors before the expiration of the 45 business days.

In summary, it is my opinion that it is in the creditors' interests for the Administration to be adjourned for up to a maximum period of forty five (45) business days with the Administrator to have the discretion to reconvene the meeting on five (5) business days notice to creditors.

IPR 75-140 provides that the Chairperson may adjourn the meeting convened under section 439A of the Act for no more than forty five (45) business days. On this basis I propose to adjourn the meeting in accordance with my recommendation.

12.0 OTHER MATERIAL INFORMATION

There is no further information that would be materially relevant to creditors for you to make an informed decision on the Company's future other than that already disclosed in this report.

13.0 REMUNERATION AND DISBURSEMENTS

An Administrator is entitled to receive remuneration for necessary work properly performed as determined by a resolution of the creditors, a resolution of the committee of inspection or the Court.

Creditors are referred to my initial advice to creditors regarding remuneration calculation methods, sent out with my report to creditors dated 3 March 2020. In my initial advice I proposed that my remuneration be calculated on a time basis.

I attach, marked **Annexure "B"**, my Remuneration Report which details:

- The major tasks performed and likely to be performed by me, my partners and staff;
- The costs/estimated costs associated with these major tasks;
- The Hall Chadwick hourly rates effective DATE;
- The remuneration approval sought by me in my capacity as Administrator, and if applicable, remuneration approval for acting as Deed Administrator, Trustee or Liquidator of the Company; and
- The internal disbursements approval sought by me in my capacity as Administrator, and if applicable, disbursements approval for the DOCA or liquidation period.

Remuneration

A summary of the remuneration that I will be seeking creditor approval for at the forthcoming meeting is provided below:

Period	Amount
Actual remuneration from commencement of the Administration to 26 March 2020	90,607

Disbursements

In addition to the above remuneration resolutions, I will also seek creditor approval for internal disbursements properly incurred or to be incurred by the Administrator, where there may be a profit or advantage. The rates of my internal disbursements are disclosed in the attached Remuneration Report.

Period	Amount
Disbursements from commencement of the Administration to Completion	500

I note that in addition to above as at 26 March 2020 the Receiver and Manager of the Company has incurred remuneration totalling \$2,226.00. The Receiver and Manager will be seeking Court approval in relation to the approval of the Receiver and Manager's remuneration. Creditors should notify my office should they have any objection to this.

14.0 SECOND MEETING OF CREDITORS

Creditors are invited to attend the second meeting of creditors to be held on **7 April 2020 at 11:00AM**.

COVID – 19

Given Federal Government statements on social distancing, etc I consider the meeting of creditors should be conducted **by telephone conference only**.

I consider these facilities adequate for the purposes to permit all creditors who wish to attend by teleconference to do so. Further, each meeting of creditors will be assessed based on the circumstances present at the time and should meetings be held in person, creditors will be notified.

It is not compulsory for creditors to attend this meeting. You can nominate someone else or the Chairperson (being the Administrator) to attend and vote on your behalf. Your nominated proxy will vote as directed by you. Your non-attendance will **not** affect the validity of your claim against the Company.

A specific voting proxy form on the meeting's resolutions is **attached** and may be completed if you are not able to attend. Please also note that proxies used for the initial meeting of creditors **cannot** be used for this meeting and a new proxy form must be completed.

15.0 DISCLAIMER

The information contained in this report is based upon investigations into the affairs of the Company and advice from relevant parties. In these circumstances creditors must appreciate the limitations in the information provided. The Act timetable necessitates the completion of this report in a relatively short period of time.

The statement of financial position detailed earlier in this report and the estimated outcome is an estimate only based on information available at the date of this report. Many factors affect the estimated outcome to creditors. The data used in this report may change as further information becomes available and after all matters in the Administration are finalised. If there is any additional material information received in the Administration then it will be presented to creditors as soon as practicable.

Creditors may be aware that the Administrator must act as Chairperson at the forthcoming meeting of creditors. Further, it may be necessary for the Chairperson to use a casting vote in respect of a motion to wind up the Company or for the Company to enter into a DOCA.

It is my intention to use any casting vote in accordance with the recommendations contained within this report. This intention is based on the information available at the date of this report and the reasons set out in this report. This position is subject to the Administrator not receiving any further information before or during the meeting that would result in my recommendation being changed.

I trust that this report adequately discloses information pertaining to the Company's financial position and therefore allows creditors to make an informed decision as to the Company's future. I welcome further advice or comments from creditors on the report and the affairs of the Company in general.

If you have any queries or require further information, please contact Jaspreet Bhabra of this office.

Yours faithfully,



**DAVID ROSS
ADMINISTRATOR**

NOTICE OF MEETING

**PEC AMSTEL NOMINEES PTY LTD ATF PEC AMSTEL CENTRE SPV
(ADMINISTRATOR APPOINTED) (RECEIVER AND MANAGER APPOINTED)
A.C.N. 623 545 559
("the Company")**

NOTICE OF SECOND MEETING OF CREDITORS OF COMPANY UNDER ADMINISTRATION

1. On Monday, 2 March 2020 the Company appointed David Ross of Hall Chadwick Chartered Accountants as Administrator in accordance with Section 436A of the *Corporations Act 2001* ("the Act").
2. Notice is now given that the second meeting of the creditors of the Company will be held by teleconference in accordance to below:

As creditors would be aware, the World Health Organization has announced that COVID-19 is a pandemic and as you would be further aware, the outbreak is spreading throughout Australia.

In order to minimise the risk to all stakeholders and in accordance with recent guidance provided by ASIC and ARITA, I am convening the upcoming meeting of creditors to be **held by teleconference only at 11:00am on 7 April 2020**. I do not believe that this prejudices the rights of any creditor and welcome any comments from creditors in relation to same.

Teleconference facilities for the meeting are as follows:

Teleconference	Details
Date & Time	7 April 2020 at 11:00AM
Telephone Number	1800 092 578
Password	Please contact Jaspreet Bhambra on 03 9820 6400; or JBhambra@hallchadwick.com.au to obtain the password.

3. The purpose of the meeting is:
 - (a) to receive the report by the Administrator about the business, property, affairs and financial circumstances of the Company;
 - (b) to receive a statement of the Administrator opinion and reason for the opinion:
 - a. whether it would be in the creditors' interests for the Company to execute a Deed of Company Arrangement;
 - b. whether it would be in the creditors' interests for the administration to end; or
 - c. whether it would be in the creditors' interests for the Company to be wound up;
 - d. Whether to adjourn the meeting for a maximum of forty five (45) business days.
 - (c) for the creditors of the Company to resolve that:
 - a. the Company executes a Deed of Company Arrangement; or
 - b. the administration should end; or
 - c. the Company be wound up.
 - (d) whether to adjourn the meeting (for a maximum of 45 business days);

- (e) approval of the remuneration of the Administrator, the Deed Administrator(s) or the Liquidator(s);
- (f) if the Company executes a Deed of Company Arrangement, the appointment of the Deed Administrator(s);
- (g) if the Company is wound up, the appointment of the Liquidator(s);
- (h) to consider the early destruction of the books and records of the Company;
- (i) to consider appointing a Committee of Inspection and if so, who are to be the Committee members and that Committee members may directly or indirectly gain a profit or advantage from the external administration of the Company; and
- (j) any other business.

Dated this 30th day of March 2020.



**DAVID ROSS
ADMINISTRATOR**

Creditors wishing to attend the meeting must submit a completed Proxy Form and Formal Proof of Debt (Form 535) to the Administrator office by no later than **5.00pm** on Monday, 6 April 2020.

Teleconference Facilities

Creditors wishing to participate in the meeting by telephone must return to the external administrator not later than the second-last business day before the day of the meeting, a written statement setting out:

- i. the name of the person and of the proxy or attorney (if any); and
- ii. an address to which notices to the person, proxy or attorney may be sent; and
- iii. a method by which the person, proxy or attorney may be contacted for the purposes of the meeting.

Creditors wishing to attend by telephone are advised they can use the following teleconferencing facility:

Telephone Number: 1800 092 578
Password: Please contact Mr. Jaspreet Bhambra to obtain details.

Creditors Please Note

The effect of IPR Section 75-85 (entitlement to vote as creditor at meetings of creditors) is:

- (1) A person other than a creditor (or the creditor's proxy or attorney) is not entitled to vote at a meeting of creditors.
- (2) Subject to subsections (3), (4) and (5), each creditor is entitled to vote and has one vote.
- (3) A person is not entitled to vote as a creditor at a meeting of creditors unless:
 - (a) his or her debt or claim has been admitted wholly or in part by the external administrator; or

- (b) he or she has lodged, with the person presiding at the meeting, or with the person named in the notice convening the meeting as the person who may receive particulars of the debt or claim:
 - (i) those particulars; or
 - (ii) if required - a formal proof of the debt or claim.

(4) A creditor must not vote in respect of:

- (a) an unliquidated debt; or
- (b) a contingent debt; or
- (c) an unliquidated or a contingent claim; or
- (d) a debt the value of which is not established;

unless a just estimate of its value has been made.

(5) A creditor must not vote in respect of a debt or a claim on or secured by a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor unless he or she is willing to do the following:

- (a) treat the liability to him or her on the instrument or security of a person covered by subsection (6) as a security in his or her hands;
- (b) estimate its value;
- (c) for the purposes of voting (but not for the purposes of dividend), to deduct it from his or her debt or claim.

(6) A person is covered by this subsection if:

- (a) the person's liability is a debt or a claim on, or secured by, a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor; and
- (b) the person is either liable to the company directly, or may be liable to the company on the default of another person with respect to the liability; and
- (c) the person is not an insolvent under administration or a person against whom a winding up order is in force.

In addition, pursuant to IPR Section 75-25, if a creditor wishes to be represented at the meeting by an attorney, the creditor must arrange for the power of attorney to be produced to the external administrator at or before the meeting.

FORM 535
FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)

PEC Amstel Nominees Pty Ltd ATF PEC Amstel Centre SPV
(Administrator Appointed) (Receiver and Manager Appointed)
A.C.N. 623 545 559
("the Company")

To the Administrator of the Company,

1. This is to state that the Company was on Monday 2 March 2020, 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 \$ _____

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:

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

<input type="checkbox"/>	I nominate to receive electronic notifications of documents in accordance with Section 600G of the Corporations Act 2001 at the following email address: Email: _____
--------------------------	--

Signature
Occupation:
Address:
Return Email:

Dated this _____ day of _____ 20____

(Attach documentation such as copies of invoices in support of your claims)

**PEC Amstel Nominees Pty Ltd ATF PEC Amstel Centre SPV
(Administrator Appointed) (Receiver and Manager Appointed)
A.C.N. 623 545 559
("the Company")**

APPOINTMENT OF PROXY

*I/We (if a firm, strike out "I" and set out the full name of the firm) of (address), a creditor of PEC Amstel Nominees Pty Ltd ATF PEC Amstel Centre SPV (Administrator Appointed) (Receiver and Manager Appointed), appoint (name, address and description of the person appointed) or in his or her absence as *my/*our *general/* special proxy to vote at the meeting of creditors to be held by teleconference in accordance to below:

As creditors would be aware, the World Health Organization has announced that COVID-19 is a pandemic and as you would be further aware, the outbreak is spreading throughout Australia.

In order to minimise the risk to all stakeholders and in accordance with recent guidance provided by ASIC and ARITA, I am convening the upcoming meeting of creditors to be **held by teleconference only at 11:00am on 7 April 2020**. I do not believe that this prejudices the rights of any creditor and welcome any comments from creditors in relation to same.

Teleconference facilities for the meeting are as follows:

Teleconference	Details
Date & Time	7 April 2020 at 11:00AM
Telephone Number	1800 092 578
Password	Please contact Jaspreet Bhambra on 03 9820 6400; or JBhambra@hallchadwick.com.au to obtain the password.

If a creditor is appointing a special proxy, please indicate whether your vote is in favour / against or abstaining of the resolution. It is expected the following resolutions may be voted upon:

Resolutions	To Vote For	To Vote Against	Abstain
<i>The meeting be adjourned for a maximum period of 45 business days.</i>			
Resolution 1 – Administrator’s Remuneration – Commencement to 26 March 2020 <i>“the remuneration of the Administrator, his partners and staff from the commencement of the Administration to be approved up to a maximum amount of \$90,607 (plus GST), as calculated in the Remuneration Report to Creditors of 3 March 2020 and that the Administrator be authorised to draw the remuneration on a monthly basis or as required.”</i>			
Resolution 2 – Administrator’s Disbursements <i>“the internal disbursements of the Administrator from commencement to completion of the Administration be capped at an amount of \$500.00 (plus GST), as detailed in the Remuneration Report to Creditors of 3 March 2020, beyond which further approval will be sought and that the Administrator be authorised to draw these payments on a monthly basis or as required.”</i>			

*Only if appointing a Special Proxy should you tick the relevant box indicating which way you wish to vote on each resolution

Dated:

Signature:

Signing capacity:

ANNEXURE “A”

Creditor Information Sheet

Offences, Recoverable Transactions and Insolvent Trading



Offences

A summary of offences under the Corporations Act that may be identified by the administrator:

180	Failure by company officers to exercise a reasonable degree of care and diligence in the exercise of their powers and the discharge of their duties.
181	Failure to act in good faith.
182	Making improper use of their position as an officer or employee, to gain, directly or indirectly, an advantage.
183	Making improper use of information acquired by virtue of the officer's position.
184	Reckless or intentional dishonesty in failing to exercise duties in good faith for a proper purpose. Use of position or information dishonestly to gain advantage or cause detriment. This can be a criminal offence.
198G	Performing or exercising a function or power as an officer while a company is under administration.
206A	Contravening a court order against taking part in the management of a corporation.
206A, B	Taking part in the management of corporation while being an insolvent, for example, while bankrupt.
206A, B	Acting as a director or promoter or taking part in the management of a company within five years after conviction or imprisonment for various offences.
209(3)	Dishonest failure to observe requirements on making loans to directors or related companies.
254T	Paying dividends except out of profits.
286	Failure to keep proper accounting records.
312	Obstruction of an auditor.
314-7	Failure to comply with requirements for the preparation of financial statements.
437D(5)	Unauthorised dealing with company's property during administration.
438B(4)	Failure by directors to assist administrator, deliver records and provide information.
438C(5)	Failure to deliver up books and records to the administrator.
590	Failure to disclose property, concealed or removed property, concealed a debt due to the company, altered books of the company, fraudulently obtained credit on behalf of the company, material omission from Report as to Affairs or false representation to creditors.

Recoverable Transactions

Preferences

A preference is a transaction, such as a payment by the company to a creditor, in which the creditor receiving the payment is preferred over the general body of creditors. The relevant period for the payment commences six months before the commencement of the liquidation. The company must have been insolvent at the time of the transaction, or become insolvent because of the transaction.

Where a creditor receives a preference, the payment is voidable as against a liquidator and is liable to be paid back to the liquidator subject to the creditor being able to successfully maintain any of the defences available to the creditor under the Corporations Act.

Uncommercial Transaction

An uncommercial transaction is one that it may be expected that a reasonable person in the company's circumstances would not have entered into, having regard to:

- the benefit or detriment to the company;
- the respective benefits to other parties; and,
- any other relevant matter.

To be voidable, an uncommercial transaction must have occurred during the two years before the liquidation. However, if a related entity is a party to the transaction, the period is four years and if the intention of the transaction is to defeat creditors, the period is ten years.

The company must have been insolvent at the time of the transaction, or become insolvent because of the transaction.

Unfair Loan

A loan is unfair if and only if the interest was extortionate when the loan was made or has since become extortionate. There is no time limit on unfair loans – they only must be entered into before the winding up began.

Arrangements to avoid employee entitlements

If an employee suffers loss because a person (including a director) enters into an arrangement or transaction to avoid the payment of employee entitlements, the liquidator or the employee may seek to recover compensation from that person. It will only be necessary to satisfy the court that there was a breach on the balance of probabilities. There is no time limit on when the transaction occurred.

Unreasonable payments to directors

Liquidators have the power to reclaim '*unreasonable payments*' made to directors by companies prior to liquidation. The provision relates to payments made to or on behalf of a director or close associate of a director. The transaction must have been unreasonable, and have been entered into during the 4 years leading up to a company's liquidation, regardless of its solvency at the time the transaction occurred.

Voidable charges

Certain charges over company property are voidable by a liquidator:

- circulating security interest created within six months of the liquidation, unless it secures a subsequent advance;
- unregistered security interests;
- security interests in favour of related parties who attempt to enforce the security within six months of its creation.

Insolvent trading

In the following circumstances, directors may be personally liable for insolvent trading by the company:

- a person is a director at the time a company incurs a debt;
- the company is insolvent at the time of incurring the debt or becomes insolvent because of incurring the debt;
- at the time the debt was incurred, there were reasonable grounds to suspect that the company was insolvent;
- the director was aware such grounds for suspicion existed; and
- a reasonable person in a like position would have been so aware.

The law provides that the liquidator, and in certain circumstances the creditor who suffered the loss, may recover from the director, an amount equal to the loss or damage suffered. Similar provisions exist to pursue holding companies for debts incurred by their subsidiaries.

A defence is available under the law where the director can establish:

- there were reasonable grounds to expect that the company was solvent and they did so expect;
- they did not take part in management for illness or some other good reason; or
- they took all reasonable steps to prevent the company incurring the debt.

The proceeds of any recovery for insolvent trading by a liquidator are available for distribution to the unsecured creditors before the secured creditors.

Important note: This information sheet contains a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. This document may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances.

ANNEXURE “B”

Monday, 30 March 2020

REMUNERATION APPROVAL REQUEST REPORT

**PEC AMSTEL NOMINEES PTY LTD ATF PEC AMSTEL CENTRE SPV
(ADMINISTRATOR APPOINTED)
A.C.N. 623 545 559
("the Company")**

This Remuneration Approval Request Report ("Remuneration Report") provides you with the information you need to be able to make an informed decision regarding the approval of my remuneration and internal (firm) disbursements in respect of specified tasks. This Remuneration Report has the following information included:

Contents

PART 1: DECLARATION.....	3
PART 2: EXECUTIVE SUMMARY	3
PART 3: REMUNERATION.....	3
PART 4: DISBURSEMENTS	6
PART 5: REPORT ON PROGRESS OF THE ADMINISTRATION	7
PART 6: SUMMARY OF RECEIPTS AND PAYMENTS	7
PART 7: QUERIES	7
PART 8: APPROVAL OF REMUNERATION AND INTERNAL DISBURSEMENTS.....	7

What do you need to do next?

You should read the Remuneration Report and the other documentation that I have sent you.

In order to minimise the risk to all stakeholders and in accordance with recent guidance provided by the Australian Securities and Investments Commission (“ASIC”) and the Australian Restructuring Insolvency and Turnaround Association (“ARITA”), I am convening the forthcoming meeting of creditors to be **held by teleconference only**. I do not believe that this prejudices the rights of any creditor and welcome any comments from creditors in relation to same.

If you are unable to attend the forthcoming meeting of creditors to be held on **Tuesday, 7 April 2020 at 11:00AM**.

Due to the current situation (COVID-19) and uncertainty around delivery / access to mail, we request creditors to return the completed proof of debt form and proxy form via email only to:

Description	Details
Email	jbhambra@hallchadwick.com.au

Please note that I need to receive the abovementioned forms by close of business **Monday, 6 April 2020** for your vote to count. If you choose to use post, please allow sufficient time for your forms to be received by this office.

PART 1: DECLARATION

I, David Ross of Hall Chadwick Chartered Accountants have undertaken a proper assessment of this remuneration and disbursements claim for my appointment as Administrator of the Company in accordance with:

- The *Corporations Act 2001* (“the Act”);
- *Schedule 2 - Insolvency Practice Schedule (Corporations)*;
- *Insolvency Practice Rules (Corporations) 2016*;
- The Australian Restructuring Insolvency and Turnaround Association (“ARITA”) Code of Professional Practice; and
- Any applicable Professional Standards.

I am satisfied that the remuneration and disbursements claimed are in respect of necessary work, properly performed, or to be properly performed by the Administrator, my partners and staff in the conduct of the administration.

PART 2: EXECUTIVE SUMMARY

To date, no remuneration has been approved nor paid.

This Remuneration Report details approval sought for the following remuneration:

Period	Report Ref. & Sch Ref.	Amount (\$ (ex GST)
Voluntary Administration		
Resolution 1: Administrator’s Remuneration for the period Commencement of the Administration to 26 March 2020	3.1, Table 1 and Sch 1	90,607.00
Total – Voluntary Administration*		90,607.00
* Approval for the future remuneration sought is based on an estimate of the work necessary to the completion of this administration. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.		

Creditors should refer to the Report and Schedule references detailed in the above table for full details of the remuneration being sought for this matter.

This Remuneration Report also details approval sought for internal (firm) disbursements which are set out in the below table. To date, no internal disbursements have been approved nor paid.

Period	Report Ref. & Sch Ref.	Amount (\$ (ex GST)
Voluntary Administration		
Internal Disbursements claim		
Resolution 2: Commencement of the Administration to completion	4.1	500.00
Total – Internal Disbursements Claim*		500.00
* Approval for the internal disbursements sought is based on an estimate of the internal disbursements necessary to the completion of the administration. Should additional disbursements be necessary beyond what is contemplated, further approval may be sought from creditors.		

PART 3: REMUNERATION

I refer to my Initial Remuneration Notice to creditors regarding remuneration dated 3 March 2020. In that advice I confirmed that having regard to the nature of work involved for this administration, I proposed that my remuneration be calculated on a time based hourly rates method. Attached and marked Annexure “A” is a copy of my firm’s hourly rates for each category of staff.

3.1 Remuneration Claim Resolutions

Administrator's Resolution 1 – Commencement of the Administration to 26 March 2020

“the remuneration of the Administrator, his partners and staff from the commencement of the Administration to be approved up to a maximum amount of \$90,607.00 (plus GST), as calculated in the Remuneration Report to Creditors of 3 March 2020 and that the Administrator be authorised to draw the remuneration on a monthly basis or as required.”

3.2 Details of Remuneration

Administrator's Resolution 1 – Commencement of the Administration to 26 March 2020

The table below sets out time charged to each major task area by staff members working on this administration from the commencement of the Administration to 26 March 2020, which is the basis for Resolution 1. More detailed descriptions of the tasks performed within each task area, matching the amounts therein, are contained in Schedule 1.

Table 1 – Administrator’s Remuneration for Commencement of the Administration to 26 March 2020

Employee	Position	\$/hour (excl. GST)	Total		Administration		Assets		Creditor		Investigation		Litigation	
			Hours	(\$)	Hours	(\$)	Hours	(\$)	Hours	(\$)	Hours	(\$)	Hours	(\$)
David Ross	Partner	640.00	29.30	18,752.00	0.30	192.00	5.00	3,200.00	7.90	5,056.00	12.40	7,936.00	3.70	2,368.00
Steven Gladman	Partner	640.00	0.10	64.00	0.10	64.00		-		-		-		-
Steven Barnet	Director	620.00	0.20	124.00		-		-	0.20	124.00		-		-
Gaurav Mishra	Director	620.00	23.30	14,446.00	0.20	124.00	2.70	1,674.00	7.80	4,836.00	12.60	7,812.00		-
Andrew Vosko	Associate	560.00	74.30	41,608.00	2.70	1,512.00	8.30	4,648.00	34.70	19,432.00	27.00	15,120.00	1.60	896.00
Jaspreet Bhabra	Senior 1	390.00	32.80	12,792.00	2.60	1,014.00	0.30	117.00	20.90	8,151.00	8.80	3,432.00	0.20	78.00
Sue Chong	Intermediate 1	300.00	3.90	1,170.00	1.00	300.00	0.40	120.00	1.80	540.00	0.70	210.00		-
Catherine Byrne	Banking Administrator	280.00	0.70	196.00	0.70	196.00		-		-		-		-
Holly Chad	PA/ Secretary	150.00	9.30	1,395.00	3.50	525.00	0.60	90.00	2.90	435.00	2.30	345.00		-
Rebecca Hepton	PA/ Secretary	150.00	0.40	60.00	0.40	60.00		-		-		-		-
TOTAL			174.30	90,607.00	11.50	3,987.00	17.30	9,849.00	76.20	38,574.00	63.80	34,855.00	5.50	3,342.00
GST (10%)				9,060.70										
TOTAL (INCL. GST)				99,667.70										
Average Hourly Rate				519.83		346.70		569.31		506.22		546.32		607.64

3.3 Likely Impact on Dividends

Recoveries in a Liquidation are generally subject to the following priorities (each group must be paid in full prior to the remaining funds being paid to a lower priority claim unless otherwise agreed):

1. Expenses in the winding up in respect of preserving, realising or getting in property of the Company or in carrying on the business of the Company;
2. Secured creditors;
3. Other expenses of the winding up, including Administrators', Deed Administrators' and Liquidators' remuneration and expenses;
4. Employee entitlements (in the following order):
 - a) Wages and superannuation;
 - b) Leave entitlements; and
 - c) Redundancy.
5. Ordinary unsecured creditors.

There are also some specific rules that apply to the priority between secured creditors and employees in respect of certain assets. Any dividend to creditors is ultimately subject to the:

- Actual recoveries;
- The cost of achieving those recoveries; and
- The value of creditors in each of the above groups.

Please refer to my report to creditors dated 30 March 2020 for further details in relation to dividend prospects.

3.4 Remuneration Recoverable from External Sources

I have not received an indemnity or upfront payment from any external source.

PART 4: DISBURSEMENTS

Attached and marked "B" is a schedule of my firm's internal and external disbursements and their applicable charge rates.

I am required to seek creditor approval prior to the payment of any internal (firm) disbursements where there may be a profit or advantage.

I have considered the extent of potential disbursements for this appointment and confirm that I am seeking creditor approval of the following internal (firm) disbursements for the Administration period set out below.

4.1 Internal Disbursement Claim Resolutions

Resolution 2 – Commencement to completion of the Administration

"the internal disbursements of the Administrator from commencement to completion of the Administration be capped at an amount of \$500.00 (plus GST), as detailed in the Remuneration Report to Creditors of 3 March 2020, beyond which further approval will be sought and that the Administrator be authorised to draw these payments on a monthly basis or as required."

PART 5: REPORT ON PROGRESS OF THE ADMINISTRATION

Creditors are referred to the Voluntary Administrator's Report to Creditors dated 30 March 2020 to which this Remuneration Report is annexed.

PART 6: SUMMARY OF RECEIPTS AND PAYMENTS

I confirm that during the Administration period, I have not received any funds and/or made any payment in relation to the Company. Therefore, I have not attached a summary of Receipts and Payments with this Report.

PART 7: QUERIES

If you have any queries in relation to the information in this report, please contact Mr. Jaspreet Bhabra of my office.

I have also attached for creditors' review an information sheet titled "*Approving Fees: A guide for creditors*" prepared by ASIC, which is attached and marked "C".

PART 8: APPROVAL OF REMUNERATION AND INTERNAL DISBURSEMENTS

As noted in the Voluntary Administrator's Report to Creditors dated 30 March 2020, I will be seeking the approval of my remuneration and internal (firm) disbursements at the forthcoming meeting of creditors.

Creditors can obtain further information about voting at the meeting of creditors by accessing ASIC's online information sheet titled "Voluntary Administration – A guide for creditors" located at <http://asic.gov.au/regulatory-resources/insolvency/insolvency-for-creditors/voluntary-administration-a-guide-for-creditors/>

Schedule 1 – Table of major tasks for remuneration for Resolution 1

The major tasks, which Practitioners undertake can be broadly divided into five (5) categories. These are Assets, Creditors, Investigations, Administration, and litigation.

The below table provides a description of the work undertaken in each major task area from the commencement of the Administration to 26 March 2020:

Task Area	General Description	Includes
Administration 11.50 Hours \$3,987	Correspondence	<ul style="list-style-type: none"> - Discussions with the Director about general matters. - Discussions with the Company's solicitor about general matters. - Liaising with the Director and solicitor throughout the Administration. - Prepare correspondence to various external parties advising of the Administration.
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> - Internal notifications of appointment. - Internal discussions regarding the background of the Company and job progression throughout the Administration. - Internal review of job progression. - Updating control forms and tasking lists. - Preparing file notes throughout the Administration with respect to status of same. - Scanning and uploading documentation to the Company's file as required.
	ASIC Forms and Other forms	<ul style="list-style-type: none"> - Preparation and lodgment of Form 505 for appointment of the Administrators. - Preparation and lodgment of combined public notice of appointment of the Administrator and initial meeting of creditors. - Preparation and lodgment of Form 531 (Administrator's DIRRI). - Liaising with the Director regarding the preparation Director's Report on Company Activities and Property ("ROCAP"). - Lodgment of minutes of first meeting of creditors (Form 5011).
	Statutory reporting	<ul style="list-style-type: none"> - Preparation of documentation informing Director of statutory requirements upon appointment of the Administrator. - Preparation and issuing of notification of appointment of the Administrator to the ATO. - Preparation and issuing of notification of appointment of the Administrator to Victoria State Revenue Office. - Liaising with the ATO regarding appointment of Administrator and registration for GST.
	Bank account	<ul style="list-style-type: none"> - Open Administration bank account.

Task Area	General Description	Includes
	administration	
	Books and records/storage	<ul style="list-style-type: none"> - Storage of electronic internal records and books and records of the Company.
<p style="text-align: center;">Assets 17.30 Hours \$9,849</p>	Insurance	<ul style="list-style-type: none"> - Notify insurance broker of Administrator's appointment. - Liaising with insurance broker regarding default coverage and necessity of any further coverage. - Continued liaising with insurance broker with respect to insurance policies and requirements of same. - Internal liaising with respect to ongoing insurance requirements.
	Pre-Appointment Bank Account	<ul style="list-style-type: none"> - Preparing and issuing correspondence to all major banks requesting details of any pre-appointment bank accounts held by the Company. - Liaising with pre-appointment banks regarding accounts previously held with their office by the Company.
	Deed of Company Arrangement	<ul style="list-style-type: none"> - Held a number of discussions with the Company's pre-appointment solicitor regarding the financial affairs of the Company and their client's intention to put forward a DOCA proposal to creditors. - Liaising with the Director and his solicitor with relation to the proposal for a Deed of Company Arrangement, including discussing terms of potential proposal. - Internal liaising with respect to a potential DOCA proposal. - Correspondence with the Director in relation to documentation required for purposes of consideration of the DOCA proposal.
	Pre-Appointment Debtors	<ul style="list-style-type: none"> - Reviewing aged receivables extracted from the Company's management accounts. - Request for information in relation to accounts receivables outlined in the Company's accounts.
	Plant & Equipment	<ul style="list-style-type: none"> - Review of management accounts for details in relation to any plant and equipment.
	Real Property	<ul style="list-style-type: none"> - Perform land title search in the Company's name. - Review pre-appointment sale of contracts in relation to property scheduled to settle post VA appointment. - Review of sale of contracts in relation to property sold prior to VA appointment. - Determine whether market value achieved for property scheduled to settle post VA appointment.

Task Area	General Description	Includes
		<ul style="list-style-type: none"> - Liaise with pre-appointment real estate agent in relation to sale of property and marketing campaign. - Review pre-appointment agency agreement signed with CBRE and marketing appraisal. - Liaising with lawyer in relation to the Settlement of property. - Dealing with issues regarding realization of trust assets. - Review of secured creditor payout details in order to determine equity available from sale of property. - Dealing with lawyers regarding preparation for settlement.
	Other Assets	<ul style="list-style-type: none"> - Queries into pre-appointment assets of the Company, including liaising with the Director in relation to same. - Conducting land title searches on the Company's name.
Creditors 76,20 Hours \$38,574	Creditor/unitholder Enquiries	<ul style="list-style-type: none"> - Receive and follow up creditor enquiries by telephone and email, specifically in relation to the effect of the appointment of the Administrator and providing updates with respect to course of Administration. - Dealing with numerous stakeholders enquiries including investors/unitholders of the Company. - Prepare and review correspondence to creditors and their representatives.
	Reporting to Creditors/unitholders	<ul style="list-style-type: none"> - Preparation of initial report to creditors and relevant annexures. - Review of initial report to creditors and relevant annexures. - Preparation of report to unitholders - Sending initial report to creditors via mail, also via email and fax (as applicable). - Drafting Voluntary Administrator's report to creditors and annexures for same.
	Meeting of Creditors	<ul style="list-style-type: none"> - Preparation of initial meeting notices, proxies and ASIC notice. - Forward notice of initial meeting to all known creditors. - Dealing with creditor queries and attendance expectations prior to initial meeting of creditors. - Preparing for initial meeting of creditors, collating all documentation to be tabled and referenced at meeting. - Collating and recording of proxies for initial meeting of creditors. - Collating and recording of proofs of debt for initial meeting of creditors. - Attendance at initial meeting of creditors and taking minutes of meeting.

Task Area	General Description	Includes
		<ul style="list-style-type: none"> - Dealing with numerous creditor/unitholders queries after initial meeting of creditors.
	Unitholders	<ul style="list-style-type: none"> - Review of Company books and records in order to determine the terms of investment and unitholders position. - Investigation to determine unit holders position against the Company. - Engaged lawyers to obtain advice as to how an investor comes from unitholder to a creditor of a trust. - Liaising with our lawyer in regards to the position of unitholders in this administration; - Liaising with unit holders in relation to their position against the Company. - Liaising with unit holders lawyers in relation to their position. - Correspondence with unitholders and their legal representatives in relation to unitholders position.
	Secured Creditors	<ul style="list-style-type: none"> - Notifying PPSR registered creditors of appointment. - Correspondence to secured creditors regarding details of their security interests. - Liaising with secured creditors in relation to security interests held. - Dealing with Santini in relation to settlement of property. - Review of statement of account from Santini in order to determine funds available from settlement. - Internal liaising with respect to status of security interests held against the Company. - Prepare and issue further correspondence to security interest holders in relation to respective security interests held against the Company.
	Dealing with proofs of debt	<ul style="list-style-type: none"> - Receiving creditors' claims throughout the Administration period and updating internal records accordingly. - Assisting creditors with preparation of Proofs of Debt as required. - Correspondence inviting creditors to lodge proofs of debt. - Reviewing supporting documents for creditors' claim. - Review and periodical maintenance of claims from creditors recorded in the system.
Investigations	Conducting Investigations	<ul style="list-style-type: none"> - Preliminary investigations into the Company's business, property, affairs and financials. - Preparing and dispatching demand to the

Task Area	General Description	Includes
<p>63.80 Hours \$34,855</p>		<p>Director to complete ROCAP, as well as providing books and records of the Company.</p> <ul style="list-style-type: none"> - Preparing and issuing request to the ATO for providing of documentation held in relation to the Company. - Liaise with the Director regarding the books and records of the Company and providing of same. - Extracting, collating and reviewing electronic books and records of the Company. - Preparation for teleconference with the Director of the Company in relation to investigations made to date, including preparing required documentation for same. - Meeting with Company key staff in relation to Company's structure and to discuss investigations. - Teleconference with the Director regarding the company's background and other financial affairs of the Company. - Discussions with the Director of the Company regarding the projects the Company acted as the Trustee for; - Further liaising with the Director in relation to the causes of the Company's financial difficulties. - Reviewing the Company's pre-appointment taxation documents and RBA, to determine the Company's statutory compliance. - Conduct land title searches to identify any property owned by the Company and its Director. - Performed various searches on entities related to and involved in the property development in relation to land 1016s Cranbourne-Frankston Road, Cranbourne VIC 3977. - Conducted land title search in the state of Victoria in relation to the property located 1016s Cranbourne-Frankston Road, Cranbourne VIC 3977. - Reviewed the Contracts of Sale of subdivided lots of 1016s Cranbourne-Frankston Road, Cranbourne VIC 3977. - Reviewed the Information memorandum, Trust Deed, Planning Permit, endorsed plans, Investment register, Terms of Issue for all three class of Unitholders for Amstel Centre project. - Financial performance analysis & review of related party claims. - Review of Amstel Project Cash Flow.

Task Area	General Description	Includes
		<ul style="list-style-type: none"> - Conducting bankruptcy searches on the Director for purposes of initial investigations in relation to the Directors' personal financial positions. - Calculating returns to creditors in a Liquidation scenario. - Identifying potential voidable transactions entered into by the Company, including preference payments and uncommercial director-related transactions. - Conduct investigations in relation to potential insolvent trading of Company, including investigations in relation to solvency position of the Company.
	Voidable Transactions Investigations	<ul style="list-style-type: none"> - Reviewing the Company's pre-appointment books and records, including bank statements, accounting files, and pre-appointment ATO RBA with respect to the identification of any voidable transactions entered into prior to the appointment of the Administrator. - Preliminary review of potential voidable transactions entered into by the Company, including preference payments and unreasonable director-related transactions. - Listing the Company's payments made to statutory and trade creditors within the relation back period.
	Insolvent Trading	<ul style="list-style-type: none"> - Initial investigations with respect to the insolvent trading of the Company, including consider the indicators of insolvency relevant to the Company's solvency position. - Compiling records relevant to the Company's insolvency, in particular with respect to the date of insolvency and the quantum of any potential claim for insolvent trading. - Internal liaising with respect to the insolvent trading of the Company.
Litigation 5.5 Hours \$3,342	Litigation	<ul style="list-style-type: none"> - Sought legal advice in relation to dealing with trust assets. - Discussion with lawyer in relation to administrators right of indemnity from trust assets - Application to Court in order to appointment Receiver and Manager. - Review of affidavit regarding application. - Liaising with lawyer in relation to application.
Total Hours:		174.30 Hours
Total Remuneration Sought		\$90,607.00
GST at 10%:		\$9,060.70
Total Remuneration (Including GST):		\$99,667.70

Annexure “A” – Hourly Rates

The rates for my remuneration calculation are set out in the following table together with a general guide showing the qualifications and experience of staff engaged in the administration and the role they take in the administration. The hourly rates charged encompass the total cost of providing professional services and should not be compared to an hourly wage.

Hall Chadwick Hourly Rates (effective from 1 August 2019)

POSITION	DESCRIPTION	RATES \$ PER HOUR (Ex GST)
Partner	Registered liquidator/trustee or appointee’s partner bringing a high level of insolvency knowledge and skill, with more than 10 years experience and an appreciation of risk control and personal commitment.	640
Director	Qualified accountant bringing a high level of insolvency knowledge and skill, with more than 10 years experience and an appreciation of risk control.	620
Senior Associate	Qualified accountant with more than 10 years insolvency experience and able to control all aspects of an appointment, who brings a high level of insolvency knowledge and skill and has an appreciation of risk control.	595
Associate	Qualified accountant with more than 10 years insolvency experience and able to control all aspects of an appointment.	560
Senior Manager	Qualified accountant with more than 7 years insolvency experience able to control all aspects of an appointment and manage a team of staff.	525
Manager	Qualified accountant with more than 6 years insolvency experience able to control all aspect of an appointment and project manage a team on a large appointment.	500
Supervisor	Graduate completing post graduate studies with up to 5 years insolvency experience and responsibility to supervise a small team of staff.	430
Senior 1	Graduate completing post graduate studies with 2 to 4 years insolvency experience. Assists planning and control of small to medium sized jobs as well as performing some of the more difficult work on larger jobs.	390
Senior 2	Graduate completing post graduate studies with 1 to 2 years experience. Required to control the fieldwork on small jobs and is responsible for assisting complete fieldwork on medium to large jobs.	340

Intermediate 1	Graduate or Undergraduate with 1 to 2 years insolvency experience. Required to assist in day to day fieldwork under supervision of more senior staff.	300
Intermediate 2	Undergraduate with up to 1 year insolvency experience. Required to assist in day to day fieldwork under supervision of more senior staff.	275
Intermediate 3	Appropriate skills with 1 – 2 years insolvency experience and geographically located outside of Australia.	220
Junior 1	Undergraduate completing their university degree.	190
Support Staff		
IT Manager	Appropriate Skills	280
Banking Administrator	Appropriate Skills	280
PA/Secretary	Appropriate Skills	150
Computer Operations	Appropriate Skills	150
Administration Assistant	Appropriate Skills	150
Filing Assistant	Appropriate Skills	55

Note: The classifications above do not cover professional staff that are unqualified and not studying to become qualified as accountants. I recognise that in this latter category there are some people who are highly skilled. It is my view that it is not possible to give a description which will adequately cover all situations.

Annexure “B” – Disbursement Rates

Disbursements are divided into three (3) types:

- All externally provided professional services. These are recovered at cost. An example is legal fees. It does not include insolvency services as insolvency services are claimed as remuneration.
- All externally provided non-professional costs such as travel, accommodation and search fees. These disbursements are recovered at cost.

External disbursements include but are not limited to external meeting room hire, legal fees, insurance, valuation fees, search fees, travel, postage, parking and accommodation. All externally provided professional and non-professional services are recovered at cost.

- Internally (firm) provided non-professional costs such as photocopying, printing and postage. If charged to the administration, would generally be charged at cost; though some expenses such as telephone calls, photocopying and printing may be charged at a rate which recoups both variable and fixed costs on a reasonable commercial basis.

I am not required to seek creditor approval for expenses paid to third parties or for disbursements where I am recovering a cost incurred on behalf of the administration, but I must account to creditors. I must be satisfied that these expenses and disbursements are appropriate, justified and reasonable. Details of any disbursements for these categories that have been paid are included in the receipts and payments summary which is attached to the Voluntary Administrators’ Report to Creditors to which this Remuneration Report is annexed.

I am required to obtain creditor’s consent for the payment of a disbursement where I, or a related entity, may directly or indirectly obtain a profit. In these circumstances, creditors will be asked to approve my disbursements prior to these disbursements being paid from the administration as detailed within this Remuneration Report.

The rates for internal (firm) disbursements are set out as follows:

Disbursements Rates	Rate (\$ (Incl GST)
Photocopy – per page*	0.99
Facsimile – per page*	
Local Facsimile	1.10
International Facsimile	3.30

* Internally (firm) provided services are charged at the rates advised in the above table.

Annexure “C” – ASIC Information Sheet 85 “Approving Fees: A guide for Creditors”



ASIC

Australian Securities & Investments Commission

INFORMATION SHEET 85

Approving fees: a guide for creditors

If a company is in financial difficulty, it can be put under the control of an independent external administrator.

This information sheet gives general information for creditors on the approval of an external administrator's fees in a liquidation of an insolvent company, voluntary administration or deed of company arrangement (other forms of external administration are not discussed in this information sheet). It outlines the rights that creditors have in the approval process.

Entitlement to fees and costs

A liquidator, voluntary administrator or deed administrator (i.e. an 'external administrator') is entitled to be:

- paid reasonable *fees*, or remuneration, for the work they perform, once these fees have been approved by a creditors' committee, creditors or a court, and
- reimbursed for out-of-pocket *costs* incurred in performing their role (these costs do not need creditors' committee, creditor or court approval).

External administrators are only entitled to an amount of fees that is reasonable for the work that they and their staff properly perform in the external administration. What is reasonable will depend on the type of external administration and the issues that need to be resolved. Some are straightforward, while others are more complex.

External administrators must undertake some tasks that may not directly benefit creditors. These include reporting potential breaches of the law and lodging a detailed listing of receipts and payments with ASIC every six months. The external administrator is entitled to be paid for completing these statutory tasks.

For more on the tasks involved, see ASIC's information sheets INFO 45 *Liquidation: a guide for creditors* and INFO 74 *Voluntary administration: a guide for creditors*.

Out-of-pocket costs that are commonly reimbursed include:

Important note: This information sheet contains a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. This document may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances. You will need a qualified professional adviser to take into account your particular circumstances and to tell you how the law applies to you.

- legal fees
- valuer's, real estate agent's and auctioneer's fees
- stationery, photocopying, telephone and postage costs
- retrieval costs for recovering the company's computer records, and
- storage costs for the company's books and records.

Creditors have a direct interest in the level of fees and costs, as the external administrator will, generally, be paid from the company's available assets before any payments to creditors. If there are not enough assets, the external administrator may have arranged for a third party to pay any shortfall. As a creditor, you should receive details of such an arrangement. If there are not enough assets to pay the fees and costs, and there is no third party payment arrangement, any shortfall is not paid.

Who may approve fees

Who may approve fees depends on the type of external administration: see Table 1. The external administrator must provide sufficient information to enable the relevant decision-making body to assess whether the fees are reasonable.

Table 1: Who may approve fees

	Creditors' committee	Creditors	Court
Administrator in a voluntary administration	✓ ¹	✓	✓
Administrator of a deed of company arrangement	✓ ¹	✓	✓
Creditors' voluntary liquidator	✓ ¹	✓ ⁵	✗ ³
Court-appointed liquidator	✓ ¹	✓ ^{4, 5}	✓ ²

¹ If there is one.

² If there is no approval by the committee or the creditors.

³ Unless an application is made for a fee review.

⁴ If there is no creditors' committee or the committee fails to approve the fees.

⁵ If insufficient creditors turn up to the meeting called by the liquidator to approve fees, the liquidator is entitled to be paid up to a maximum of \$5000, or more if specified in the Corporations Regulations 2001.

Creditors' committee approval

If there is a creditors' committee, members are chosen by a vote of creditors as a whole. In approving the fees, the members represent the interests of all the creditors, not just their own individual interests.

There is not a creditors' committee in every external administration. A creditors' committee makes its decision by a majority in number of its members present at a meeting, but it can only act if a majority of its members attend.

To find out more about creditors' committees and how they are formed, see ASIC's information sheets INFO 45 *Liquidation: a guide for creditors*, INFO 74 *Voluntary administration: a guide for creditors* and INFO 41 *Insolvency: a glossary of terms*.

Creditors' approval

Creditors approve fees by passing a resolution at a creditors' meeting. Unless creditors call for a poll, the resolution is passed if a simple majority of creditors present and voting, in person or by proxy,

indicate that they agree to the resolution. Unlike where acting as committee members, creditors may vote according to their individual interests.

If a poll is taken, rather than a vote being decided on the voices or by a show of hands, a majority in *number* and *value* of creditors present and voting must agree. A poll requires the votes of each creditor to be recorded.

A separate resolution of creditors is required for approving fees for an administrator in a voluntary administration and an administrator of a deed of company arrangement, even if the administrator is the same person in both administrations.

A proxy is where a creditor appoints someone else to represent them at a creditors' meeting and to vote on their behalf. A proxy can be either a *general proxy* or a *special proxy*. A general proxy allows the person holding the proxy to vote as they wish on a resolution, while a special proxy directs the proxy holder to vote in a particular way.

A creditor will sometimes appoint the external administrator as a proxy to vote on the creditor's behalf. An external administrator, their partners or staff must not use a general proxy to vote on approval of their fees; they must hold a special proxy in order to do this. They must vote all special proxies as directed, even those against approval of their fees.

Calculation of fees

Fees may be calculated using one of a number of different methods, such as:

- on the basis of *time spent* by the external administrator and their staff
- a quoted *fixed fee*, based on an upfront estimate, or
- a percentage of asset realisations.

Charging on a time basis is the most common method. External administrators have a scale of hourly rates, with different rates for each category of staff working on the external administration, including the external administrator.

If the external administrator intends to charge on a time basis, you should receive a copy of these hourly rates soon after their appointment and before you are asked to approve the fees.

The external administrator and their staff will record the time taken for the various tasks involved, and a record will be kept of the nature of the work performed.

It is important to note that the hourly rates do not represent an hourly wage for the external administrator and their staff. The external administrator is running a business—an insolvency practice—and the hourly rates will be based on the cost of running the business, including overheads such as rent for business premises, utilities, wages and superannuation for staff who are not charged out at an hourly rate (such as personal assistants), information technology support, office equipment and supplies, insurances, taxes, and a profit.

External administrators are professionals who are required to have qualifications and experience, be independent and maintain up-to-date skills. Many of the costs of running an insolvency practice are fixed costs that must be paid, even if there are insufficient assets available to pay the external administrator for their services. External administrators compete for work and their rates should reflect this.

These are all matters that committee members or creditors should be aware of when considering the fees presented. However, regardless of these matters, creditors have a right to question the external administrator about the fees and whether the rates are negotiable.

It is up to the external administrator to justify why the method chosen for calculating fees is an appropriate method for the particular external administration. As a creditor, you also have a right to question the external administrator about the calculation method used and how the calculation was made.

Report on proposed fees

When seeking approval of fees, the external administrator must send committee members/creditors a report with the notice of meeting setting out:

- information that will enable the committee members/creditors to make an informed assessment of whether the proposed fees are reasonable
- a summary description of the major tasks performed, or to be performed, and
- the costs associated with each of these tasks.

Committee members/creditors may be asked to approve fees for work already performed or based on an estimate of work yet to be carried out.

If the work is yet to be carried out, it is advisable to set a maximum limit ('cap') on the amount that the external administrator may receive. For example, future fees calculated according to time spent may be approved on the basis of the number of hours worked at the rates charged (as set out in the provided rate scale) up to a cap of \$X. If the work involved then exceeds this figure, the external administrator will have to ask the creditors' committee/creditors to approve a further amount of fees, after accounting for the fees already incurred.

Deciding if fees are reasonable

If asked to approve an amount of fees either as a committee member or by resolution at a creditors' meeting, your task is to decide if that amount of fees is reasonable, given the work carried out in the external administration and the results of that work.

You may find the following information from the external administrator useful in deciding if the fees claimed are reasonable:

- the method used to calculate fees
- the major tasks that have been performed, or are likely to be performed, for the fees
- the fees/estimated fees (as applicable) for each of the major tasks
- the size and complexity (or otherwise) of the external administration
- the amount of fees (if any) that have previously been approved
- if the fees are calculated, in whole or in part, on a time basis:
 - the period over which the work was, or is likely to be performed
 - if the fees are for work that has already been carried out, the time spent by each level of staff on each of the major tasks
 - if the fees are for work that is yet to be carried out, whether the fees are capped.

If you need more information about fees than is provided in the external administrator's report, you should let them know before the meeting at which fees will be voted on.

What can you do if you think the fees are not reasonable?

If you do not think the fees being claimed are reasonable, you should raise your concerns with the external administrator. It is your decision whether to vote in favour of, or against, a resolution to approve fees.

Generally, if fees are approved by a creditors' committee/creditors and you wish to challenge this decision, you may apply to the court and ask the court to review the fees. Special rules apply to court liquidations.

You may wish to seek your own legal advice if you are considering applying for a court review of the fees.

Reimbursement of out-of-pocket costs

An external administrator should be very careful incurring costs that must be paid from the external administration—as careful as if they were dealing with their own money. Their report on fees should also include information on the out-of-pocket costs of the external administration.

If you have questions about any of these costs, you should ask the external administrator and, if necessary, bring it up at a creditors' committee/creditors' meeting. If you are still concerned, you have the right to ask the court to review the costs.

Queries and complaints

You should first raise any queries or complaints with the external administrator. If this fails to resolve your concerns, including any concerns about their conduct, you can lodge a complaint with ASIC at www.asic.gov.au/complain, or write to:

ASIC Complaints
PO Box 9149
TRARALGON VIC 3844

ASIC will usually not become involved in matters of commercial judgement by an external administrator. Complaints against companies and their officers can also be made to ASIC. For other enquiries, email ASIC through infoline@asic.gov.au, or call ASIC's Infoline on 1300 300 630 for the cost of a local call.

To find out more

For an explanation of terms used in this information sheet, see ASIC's information sheet INFO 41 *Insolvency: a glossary of terms*. For more on external administration, see ASIC's related information sheets at www.asic.gov.au/insolvencyinfosheets:

- INFO 74 *Voluntary administration: a guide for creditors*
- INFO 75 *Voluntary administration: a guide for employees*
- INFO 45 *Liquidation: a guide for creditors*
- INFO 46 *Liquidation: a guide for employees*
- INFO 54 *Receivership: a guide for creditors*
- INFO 55 *Receivership: a guide for employees*
- INFO 43 *Insolvency: a guide for shareholders*
- INFO 42 *Insolvency: a guide for directors*
- INFO 84 *Independence of external administrators: a guide for creditors*

These are also available from the Insolvency Practitioners Association (IPA) website at www.ipaa.com.au. The IPA website also contains the IPA's Code of Professional Practice for Insolvency Professionals, which applies to IPA members.