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**Private and confidential**

To the creditor addressed

12 September 2017

Dear Sir/Madam

**Macro Group of Companies (Refer to attached schedule of entities)**  
***First report to creditors***

This is our first report to creditors, following our appointment as liquidators of various entities within the Macro group of companies ("Macro Group"). Further periodic updates will be provided to creditors with relevant information pertaining to the liquidations as and when required.

Our work to date has largely focussed on developing an understanding of the broader group and conducting preliminary investigations into the affairs of the Macro Group. Further details of work undertaken to date, and our preliminary findings are set out in this report.

In summary, our work has involved dealing with:

- 78 individual liquidation appointments;
- 274 property holdings (including those under the control of other practitioners);
- In excess of 250 group companies;
- In excess of 1,800 geographically spread investors;
- In excess of 800 security interests registered on the Personal Property Securities Register ("PPSR");
- Assisting with ongoing investigations being performed by the Australian Securities and Investments Commission ("ASIC") and other government agencies;
- Concurrent insolvency appointments

**Overview and background**

The Macro Group was essentially set up to acquire and develop property holdings in Western Australia's Newman region, with the intention of displacing the existing mine camp infrastructure, to create more permanent communities for the fly-in-fly-out workforce. The group was largely debt funded through non-traditional financiers and from private investors, largely overseas based.

The Liquidators' preliminary investigations have identified that at least \$150m was successfully raised by the group, over \$120m of which was sourced from private investors.

A high level snapshot of the organisational structure is as follows:

- Macro Realty Developments Pty Ltd (In Liquidation) ("MRD") acted as the treasury vehicle for the Macro Group, with control of almost all related party cash flow. It also provided the corporate functions for the broader group;
- 511 GTN Pty Ltd (Receivers and Managers Appointed) (In Liquidation) ("511 GTN") was the main asset holding entity within the group, which purchased a parcel of land in Newman, Western Australia ("the Newman Estate"), and later subdivided it into 244 lots, some of which were sold prior to our appointment, to a mix of related and unrelated parties. 511 GTN is currently under the control of Ian Francis and Michael Ryan of FTI Consulting ("FTI") as Receivers and Managers;
- Macro Realty Pty Ltd (In Liquidation) ("Macro Realty") was set up as a real estate business operating under a real estate license. Macro Realty operated as a stand-alone business, however, the majority of its revenue was sourced from inter group property transactions and real estate services provided to group entities. The Department of Commerce appointed Alan Ferris of BDO ("BDO") as supervisor to Macro Realty in May 2016
- Separately, special purpose vehicle companies were set up (collectively referred to as "SPVs") which were used to raise funds, (predominantly from overseas investors) and to acquire land holdings within one of two housing estates:
  - Newman Estate
  - Kurra Estate
- A number of dormant entities also form part of the group, which were registered for the purposes of fund raising, however, ultimately never used

Our preliminary investigations suggest that apart from Macro Realty (which generated revenue from intra group property transactions), the balance of the Macro Group generated little to no income from day-to-day business activities, with the Macro Group being reliant on debt financing.

The majority of finance raised, was utilised for:

- Property acquisitions
- Operational expenses
- Organisational structure set-up costs
- Servicing various debt facilities
- Maintaining existing land holdings and civil works

- Financing fundraising activities

Without a sustainable business framework to generate external income, together with the widely acknowledged downturn in the Western Australian mining sector and associated north west property market, the Group was unable to meet its financial obligations under the various financing agreements from at least early 2016. At this time, steps were taken to cease all business activity, which broadly coincided with:

- The appointment of BDO as supervisor to Macro Realty by the Department of Commerce to, amongst other things, review its accounts and assume control of trust funds; and
- The appointment of FTI as Receivers and Managers, to take control of the remaining lots in the Newman Estate

### **Appointment**

Following various investor complaints in early 2016, the ASIC commenced an investigation into the Macro Group.

Following the investigation, ASIC commenced winding up proceedings in the Federal Court of Australia and approached Matthew Woods and I in February 2017 to obtain consents to act as Provisional Liquidators of the following entities:

- MRD
- Macro Realty
- 511 GTN
- Macro All State Investments and Securities Ltd
- Macro Realty Developments AFSL Pty Ltd
- Pilbara Property Developments Pty Ltd

The Court granted Orders to appoint us as Provisional Liquidators on 14 March 2017, and subsequently as Liquidators on 30 May 2017.

Following our appointments to the above six companies, the Court heard numerous winding up applications (over time) commenced by creditors and by ASIC. Between May 2017 and July 2017, the Court ordered the appointment of Matthew Woods and I as Liquidators to an additional 72 companies within the group, taking the total number of appointments to 78.

### **Conduct of the liquidations**

The Liquidators' immediate focus has been to identify and secure any available assets, correspond with creditors and investors and conduct preliminary investigations into the Macro Group's affairs.

Our preliminary findings with respect to these matters are set out below:



## **Identified assets and liabilities**

### **Land**

We have identified 274 real properties registered to various companies to which we have been appointed, all located in the Pilbara region of Western Australia. Prominent Investment Holding (Australia) Ltd, a major secured creditor, has exercised its security rights, appointing representatives of FTI Consulting as Receivers and Managers. By virtue of this appointment, the Receivers and Managers currently have control of the majority of the properties.

The vast majority of properties not subject to the appointment of Receivers and Managers, have security interests or caveats in favour of other secured lenders to the group.

A summary of the land holdings is set out below:

<b>Land holdings summary</b>	
<b>Controlling party</b>	<b>No. of properties</b>
Liquidators	49
La Trobe Financial Asset Management Ltd	10
C2 Property Group Pty Ltd	1
Prequin Securities	1
Third party	21
Receivers and Managers	213
<b>Total</b>	<b>295</b>

Whilst we continue to explore all available options to maximise the value of the Macro Group's land holdings in conjunction with the receivers and managers, and other secured creditors, we do not, at this stage, consider a realisation of the assets will produce an outcome sufficient to allow for a return to unsecured creditors or investors, for the following reasons:

- The existing value of secured debt;
- The properties continue to accrue secured debt and holding costs (i.e. interest on secured facilities, rates and taxes, insurance costs etc.)
- The properties comprise undeveloped land lots, and are situated on the outskirts of Newman in an area that remains largely undeveloped, raising queries as to whether a market currently exists for these properties
- Whilst we have not obtained valuations, our preliminary enquiries suggest that the property market activity in Newman remains subdued, reflective of the widely acknowledged property downturn in the northwest of Western Australia, negatively impacting sale prices and the ability to sell undeveloped land in the region



### *Intercompany loans*

MRD operated as the treasury function of the Macro group, with the vast majority of the funds raised from financial institutions and investors flowing through its banking facilities, accounting for any payments it made on behalf of an associated entity by way of loan accounts between the respective entities.

Approximately 250 individual loan accounts are carried in the MRD accounts alone.

With numerous intercompany loan receivable balances across the Macro Group, our preliminary view is that any return against the loans is entirely dependent upon the Macro Group's property holdings being realised at a value sufficient to discharge all of those entities' obligations in full, including secured debt, which, for the reasons set out above, appears unlikely.

### *Director and other related party loans*

From our preliminary review of the records available, we have identified loan accounts due from directors and other related parties, the nature and background of which is yet to be confirmed. With various personal guarantees granted across a number of the lending facilities, the recoverability of these loans remains highly uncertain, and requires further investigation.

### *Cash*

Across the group, approximately \$300k has been identified in various bank accounts and legal trust accounts. We continue to investigate the source, and rightful entitlements to these funds.

### *Other assets*

We have not identified any other material assets apart from those mentioned above.

### *Estimated liabilities*

The liability position is yet to be fully quantified, given the early stages of the liquidation process.

From our preliminary enquiries and our review of the available books and records, it appears that the Macro Group successfully raised at least \$150m, \$120m of which was attributable to investor funds, sourced at interest rates as high as 50%.

With accruing interest and costs, and subject to further investigation, we estimate that the total amounts currently due to secured lenders, investors and unsecured creditors could exceed \$250m.

## **Investigation status**

The Liquidators have a statutory obligation to undertake investigations into the affairs of the Macro Group, and the conduct of its officers, for the purpose of identifying any contraventions. The relevant authority is the Corporations Act 2001 ("the Act"). The Act



empowers liquidators to pursue the recovery of certain transactions or make claims, including claims against directors and officers provided that certain criteria is met, having regard to the commerciality and expected net benefit to creditors.

Based upon our preliminary investigations undertaken to date, we have identified, and consider further investigation work is required into the following areas:

<b>Areas identified for further investigation</b>	
<b>Description</b>	<b>Corporations Act 2001</b>
<b>Liquidator actions</b>	
Insolvent trading	588G
Uncommercial transactions	588FB
Unfair loans to a company	588FD
<b>Potential director/officer offences</b>	
Breaches of general directors' duties	180-184
Failure to keep proper accounting records	286
Failure to submit report as to affairs	475
Trading whilst insolvent	588G
Concealing, destroying, mutilating or falsifying records	1307

As our work in this regard continues, we may identify other areas of enquiry.

In assessing the commercial merits of pursuing any such claims, as liquidators, we must take into account the following:

- Legal merits of the claim (i.e. chances of success)
- Potential costs of pursuing such a claim (liquidators' fees and costs, legal fees, expert evidence etc.)
- The ability to fund such claims, to the extent sufficient recoveries have not been made from available assets
- Financial capacity of a defendant to meet any claim (if successful)

In our efforts to try to maximise the return to creditors, we have held preliminary discussions with litigation funders, who have expressed an interest in funding the Liquidators to conduct further investigations into specific affairs of the Macro Group.

Once our investigations have progressed substantively, we will provide creditors with an update on any available claims and importantly, the prospect of recovery.

Should creditors have any particular matters that they consider require further investigation, we request that they contact our office with specific details and supporting evidence as soon as possible.

## **Estimated return**

At this stage of the liquidation process, it is too early to provide any meaningful estimate of a potential return to creditors of the Macro Group. In order to determine the potential return to unsecured creditors (if any), we will need to:

- Determine whether any surplus exists from property realisations, which as stated above, we consider unlikely in the current environment
- Substantially complete our investigations to a stage where potential claims can be quantified, and recoverability assessed

At this stage, with the current subdued property market, we consider the recovery from land holdings to be highly uncertain. Accordingly, in the absence of any successful liquidator recoveries, it is the Liquidators' current view that there will be insufficient funds available from the realisation of the land holdings to allow for any return to unsecured creditors and investors of the Macro Group.

## **Next steps**

The key next steps in the liquidation will consist of the following:

- Continue working with secured lenders and the receivers and managers of 511 GTN to develop a strategy to maximise the realisable value for available land holdings, having regard to the current market conditions
- Progress our investigations into the Macro Group, to identify any available liquidator actions or claims, including liaising with relevant stakeholders, including:
  - ASIC
  - Department of Commerce
  - Relevant investor groups and creditors
  - Current and former officers
  - Potential funders
- Continue to keep creditors and stakeholders apprised of developments, as and when they occur



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### **Closing and further information**

A further update will be provided in the event of any material developments on matters set out above.

We request that creditors continue to monitor the website and should creditors have any queries in respect to the above, please contact us by email on [macro@kpmg.com.au](mailto:macro@kpmg.com.au)

Yours faithfully

A handwritten signature in black ink, appearing to read 'Hayden White', written in a cursive style.

Hayden White  
Liquidator





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## **Macro Group of Companies**

*Schedule of companies to which we have been appointed as Liquidators*

<b>#</b>	<b>Company Name</b>	<b>ACN</b>
1	Macro Realty Developments Pty Ltd	159 678 930
2	Macro Realty Pty Ltd	143 381 060
3	Macro All State Investments & Securities Ltd	168 713 719
4	Macro Realty Developments AFSL Pty Ltd	160 620 502
5	511 GTN Pty Ltd	152 534 695
6	Pilbara Property Developments Pty Ltd	162 445 187
7	Edkinway Pty Ltd	605 936 838
8	59 Kurra at New man Pty Ltd	601 622 673
9	Mactrader WA Pty Ltd	609 165 522
10	New hale Pty Ltd	606 027 258
11	Andraw artha Pty Ltd	607 135 624
12	Bingley GV Pty Ltd	607 117 733
13	Black Honeyeater Pty Ltd	601 622 691
14	Brahminy Kite Pty Ltd	601 622 726
15	Cecic Holdings Pty Ltd	608 032 613
16	Crimson Chat Pty Ltd	601 622 655
17	East Pilbara Holdings Pty Ltd	601 622 664
18	Edheavy Pty Ltd	605 936 865
19	Fortescue Falls Pty Ltd	601 622 646
20	Jaflaf Pty Ltd	601 622 717
21	L Bryden Pty Ltd	607 135 517
22	LFCF Holdings Pty Ltd	601 623 107
23	Macfire WA Pty Ltd	609 165 497
24	Maclog Pty Ltd	605 929 208
25	Macro Capital Enterprises Pty Ltd	162 445 178
26	Macstar WA Pty Ltd	609 165 513
27	Macripp WA Pty Ltd	609 165 531
28	Mcfly WA Pty Ltd	609 165 540
29	New ay Enterprises Pty Ltd	606 027 285
30	New iron Pty Ltd	606 027 249
31	New man 57K Pty Ltd	601 623 198
32	New minds Enterprises Pty Ltd	609 165 577
33	New sky Enterprises Pty Ltd	606 027 294
34	Northern Quoll Pty Ltd	601 623 134
35	One Pow erball Pty Ltd	601 623 170
36	Palecka WA Pty Ltd	607 117 644
37	Placebest Pty Ltd	605 929 182
38	Placeright Pty Ltd	605 545 426
39	Porttri Pty Ltd	605 936 874



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#	Company Name	ACN
40	Reddirt Enterprises Pty Ltd	609 165 586
41	Sturts Pea Pilbara Pty Ltd	601 623 081
42	Sweet Boronia Pty Ltd	601 623 189
43	Takenway Pty Ltd	605 545 417
44	Teale WA Pty Ltd	607 118 007
45	Twistjac Pty Ltd	607 118 016
46	Veneman Pty Ltd	607 135 535
47	WA Pilbara Property Options Pty Ltd	601 623 205
48	WAH Holdings WA Pty Ltd	607 118 061
49	73KAN Pty Ltd	601 622 708
50	Endeavour Holdings Group Pty Ltd	136 024 827
51	Newmine Pty Ltd	606 027 267
52	Peregrine Falcon Pty Ltd	601 623 152
53	Python Pool Pty Ltd	601 623 161
54	Spinifex Mallee Pty Ltd	601 623 125
55	WA Land Investments Pty Ltd	601 623 090
56	Diep WA Pty Ltd	607 538 849
57	Fifo Fix Pty Ltd	601 622 682
58	Grasswren Pty Ltd	601 622 637
59	Hendry Estate Pty Ltd	608 032 604
60	Marchibold Pty Ltd	607 118 089
61	AGKM Green Pty Ltd	607 117 706
62	Aiple Enterprises Pty Ltd	607 117 724
63	BA Sullivan Pty Ltd	607 135 286
64	Brayst WA Pty Ltd	609 165 479
65	Chippere Pty Ltd	607 117 662
66	Christians Holdings WA Pty Ltd	607 135 302
67	Dee Vee Enterprises Pty Ltd	145 136 652
68	EDWY14 WA Pty Ltd	610 296 645
69	Ferrous Ferric Pty Ltd	607 117 948
70	Hedland Projects Pty Ltd	145 328 418
71	Kurst WA Pty Ltd	611 094 332
72	Macpherson Realty Options Pty Ltd	126 711 162
73	Macro Projects TS PH Pty Ltd	169 433 158
74	MCKST Pty Ltd	610 296 618
75	MRF Kurra Pty Ltd	603 215 756
76	Newkins WA Pty Ltd	609 165 568
77	Prime Holdings Group Pty Ltd	131 361 450
78	Splendiferous Enterprises Pty Ltd	606 731 177