

**ACN 050 019 960 Pty Ltd  
(Administrators Appointed)  
ACN 050 019 960  
Formerly 'York Civil Pty Ltd'**

Voluntary Administrators' Report

30 August 2018

Section	Page
Glossary of terms	2
1 Executive summary	4
2 Introduction	7
3 Company information	11
4 Historical financial performance and position	18
5 Directors' report as to affairs	21
6 The Administration to date and sale process undertaken	34
7 Statutory investigations	40
8 Voidable transactions	46
9 Return to creditors	49
10 Statement by Administrators	51
11 Further information and enquiries	52
Annexures	53
A – Receipts & Payments	54
B – Notice of meeting of creditors	55
C – Declaration of independence, relevant relationships and indemnities	58
D – Remuneration approval request	59
E – ARITA creditor information sheet	81

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## Glossary of terms

Term	Description
ACN	Australian Company Number
Act	Corporations Act 2001
Administrators	Martin David Lewis and Timothy David Mablesen
APAAP	All present and after-acquired property
ARITA	Australian Restructuring, Insolvency & Turnaround Association
ARV	Auction Realisable Value
ASA	Asset Sale Agreement
ASIC	Australian Securities & Investments Commission
ATO	Australian Taxation Office
Bank	BankSA, a division of Westpac Banking Corporation
BAS	Business Activity Statement
Code	ARITA Code of Professional Practice
COI	Committee of Inspection
Company	ACN 050 019 960 Pty Ltd (Administrators Appointed), formerly York Civil Pty Ltd
CPB Contractors	CPB Contractors Pty Ltd
Directors	Mr Ian Tarbotton and Mr Dominic Viecei
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities, pursuant to s436DA of the Act and Code
DOCA	Deed of Company Arrangement
Downer EDI	Downer EDI Works Pty Ltd
DPTI	Department of Planning, Transport and Infrastructure
ERV	Estimated Realisable Value
F & V Trading	F & V Trading Pty Ltd
FEG	Fair Entitlements Guarantee
Ferrovial	Ferrovial Agroman (Australia) Pty Ltd
First Meeting of Creditors	First meeting of creditors held on Thursday, 16 August 2018 at 2:00PM ACST
FY	Financial year
GSA	General Security Agreement
HOA	Heads of Agreement

Term	Description
HOA party	The party which executed the HOA with the Company
ID Fabrication	York Civil Investments Pty Ltd trading as ID Fabrication
IDC	IDC Contracting Pty Ltd
IDK	IDK Mechanical Services Pty Ltd
IPR	Insolvency Practice Rules (Corporations) 2016
LTO	Lands Titles Office
MGS	Mason Gray Strange
MV	Market Value
OHL	Obsrascon Huarte Lain S.A.
OHLCP	OHL Construction Pacific Pty Ltd
PMSI	Purchase Money Security Interest
PPSA	Personal Property Securities Act 2009 (Cth)
PPSR	Personal Property Securities Register
RATA	Report as to Affairs
Report	This report, prepared pursuant to IPR 75-225 and Section 438A of the Act
RMS	Roads & Maritime Services of New South Wales
ROT	Retention of Title
Second Meeting	Second meeting held pursuant to IPR 75-225 and Section 439A of the Act, where creditors determine the future of the Company
Slatterys	Slattery Auctions
SMS	SMS Resource Solutions Pty Ltd
Tari	Tari Pty Ltd
Toyota Tsusho	Toyota Tsusho (Australasia) Pty Ltd
York Properties	York Properties Pty Ltd

# 1 Executive summary

This section addresses frequently asked questions relating to the Administration of the Company including a summary of the estimated outcome for creditors. Full details are available throughout this Report.

Question	
<b>What is the Company?</b>	The Company was founded by Mr Ian Tarbotton in 1991 and offered complete engineering, construction and project management services to the civil and building industries throughout Australia, in its own right and as JV partner. In FY17 and FY18, the Company generated revenues of in excess of \$100 million.
<b>What is the purpose of this Report?</b>	The purpose of this Report is to table the findings of our investigations of the Company's business, property, affairs and financial circumstances, as well as our opinion on the three options available to creditors in deciding the future of the Company at the Second Meeting. At the date of this report, no DOCA proposal has been received.
<b>What is the current status of the Company?</b>	<p>On Monday, 6 August 2018, we, Martin David Lewis and Timothy David Mablesen, were appointed as Joint and Several Voluntary Administrators of the Company by the Directors under Section 436A of the Act.</p> <p>Immediately following our appointment, as Administrators we assumed control of the Company's operations and notified employees, creditors and other stakeholders of the appointment. We then conducted an urgent financial and commercial review of the Company with the assistance of key personnel and communications with key stakeholders including customers and suppliers.</p> <p>We also commenced urgent negotiations with an ASX listed entity that had entered into a non-binding HOA prior to our appointment, which we assessed would represent the best outcome for creditors, as well as enabling the Company's business to continue in existence, being one of the objects of Part 5.3A of the Act.</p> <p>It became immediately apparent upon our appointment that the Company had insufficient funds to continue trading. Accordingly, we held urgent discussions with the HOA party requesting them to provide the necessary funding to continue to trade to maximise the prospects of the HOA proposal being implemented.</p> <p>Following extensive negotiations, the HOA party agreed to provide funding in two initial tranches equivalent to the estimated cost of one week's trading. Ultimately, the second tranche of funding was not received and no funding was received beyond the first week of trading.</p> <p>At approximately 6pm on Sunday, 12 August 2018, it became apparent that the HOA party's offer had been revised and would not include the assumption of any of the employees or of the employee liabilities whatsoever. This development, coupled with the fact that we had insufficient cash resources available to continue to trade the business, meant that the business ceased trading on Monday, 13 August 2018.</p>

## Question

### Who is in control of the Company?

The Administrators are in control of the Company's affairs and are taking steps to realise the Company's assets.

The Administrators have also undertaken preliminary investigations into the affairs of the Company and the reasons for its failure.

### What is the ownership structure of the Company?

The Company has 1,635,000 fully paid ordinary shares, which are held by Tari Pty Ltd (85%), a company associated with Mr Tarbotton, and F&V Trading Pty Ltd (15%), a company associated with Mr Viecei. In addition, the Company has 32,295 "Class B Redeemable Preference" shares which are held in equal proportions by three former senior management employees of the Company.

### How did the Company's business trade?

As outlined above, the Company ceased trading on Monday, 13 August 2018.

### What were the underlying causes of the Company's failure?

The Administrators consider that the underlying causes of the Company's failure include:

- A number of JV projects (including four with international JV partners) placing a strain on the Company's financial position and Director, senior management and administration time;
- An inability to generate increased project margins from revenue growth and to meet the overhead costs associated with the larger business footprint;
- Resultant trading losses of \$14.6 million for FY18 (in addition to losses of \$1.7 million for FY17) culminating in net assets deteriorating from net assets of \$21.2 million as at 30 June 2017 to net assets of \$6.5 million as at 30 June 2018;
- A deterioration of the Company's cash position from an overdraft of \$2.6 million as at 30 June 2017 to an overdraft of \$10.0 million as at the date of our appointment;
- The Company was subject to cash calls in recent months for two JV projects for around \$5 million to \$7 million which could not be met; and
- A dispute with a major client in relation to a \$11.0 million debt which is due to go to arbitration later this year, with that claim being strongly defended by the debtor.

### What was the outcome of the sale of business process?

Despite negotiations with the HOA party following our appointment, a going concern sale of the business was not able to be achieved.

Following closure of the Company's business, negotiations with the HOA party continued resulting in an Asset Sale Agreement (ASA) being signed to sell the Company's right to continue four active contracts (subject to consents) and transfer of its business name to the HOA party. Settlement was effected on Monday, 21 August 2018. The HOA party now has 45 business days from settlement to obtain novation or new contracts with these customers.

The Company's plant and equipment will be sold by MGS and Slatterys at public auctions commencing on Monday, 11 September 2018. Please refer to **Section 6.3** for further information.

## Question

### What is the purpose of the Second Meeting of Creditors?

To resolve the future of the Company. The options available are:

- That the Company should execute a DOCA (should a DOCA be proposed); or
- That the administration should end and control of the Company revert back to its directors; or
- That the Company should be wound up.

### What is the estimated return to creditors?

At this stage, it is unlikely that there will be a return to unsecured creditors of the Company. The return to unsecured creditors will depend upon:

- The recovery from the Company's pre-appointment debtors/progress claims;
- The outcome of the arbitration process with a major client for an \$11.0 million disputed debt;
- The extent of statutory recoveries from claims identified in a liquidation, including unfair preferences and insolvent trading (if any);
- Changes in the estimated realisation costs resulting from issues not presently known;
- The final amount claimed by unsecured creditors once any shortfall to the Bank (after realising the plant and equipment) is crystallised, the extent of bank guarantees called by the Company's customers is known and proof of debt forms are received and adjudicated upon (including contingent claims).

If the Company is placed into liquidation at the Second Meeting, priority employee creditors may be able to recover their outstanding entitlements (excluding unpaid superannuation and subject to maximum limits prescribed by FEG) through FEG. Please refer to **Section 9** for further information.

### What do the Administrators recommend creditors should do?

On the basis that a DOCA proposal has not been received and ending the Administration with control of the Company reverting back to the Directors is not a viable option due to the insolvency of the Company, it is our opinion that creditors of the Company should vote to wind up the Company (liquidation) at the Second Meeting.

## Question

### What claims will a liquidator investigate?

Whilst the Administrators' have considered the underlying causes of the Company's failure, our investigations into claims arising from those matters are at an early stage.

The preliminary investigations have identified that:

- We are of the opinion that the Company may have been insolvent from 31 May 2018;
- Further investigations are required to determine a precise date of insolvency due to the lack of project information (particularly for JV projects) in the monthly management accounts;
- Given the complexity of the Company's business it would be necessary for the future Liquidators to reconstruct the status and circumstances of each creditor's debt (on an individual basis) in order to better determine the amount of any claim for insolvent trading;
- Consideration would also need to be had to any defences available to the Directors with respect to any insolvent trading claim and creditors with respect to any unfair preference claims in order to determine the merits of pursuing recovery of those claims.

These, and other potential claims, will require further investigation by the future Liquidators, if appointed.

The investigations undertaken to date in the Administration are detailed at **Section 7** of this report.

### Where can I get more information?

Questions relating to the administration should be directed by telephone to Link Market Services on 1300 420 208 or via email to [yorkcivil@linkmarketservices.com.au](mailto:yorkcivil@linkmarketservices.com.au).

## 2 Introduction

This section provides information on the Administration process, the purpose of this Report, details of meetings of creditors and the Administrators' remuneration.

### 2.1 Appointment of Voluntary Administrators

On Monday, 6 August 2018, Martin David Lewis and Timothy David Mableson, were appointed as Joint and Several Administrators of the Company by the Directors under Section 436A of the Act.

### 2.2 Objective of voluntary administration

In a voluntary administration, Administrators are empowered by the Act to assume control of an insolvent company, superseding the powers of the Directors and Officers, to manage the company's affairs and deal with its assets in the interests of its creditors.

The intention of a voluntary administration is to maximise the prospects of a company continuing in existence or, if that is not possible, to achieve better returns to creditors than would be achieved by its immediate liquidation. During a voluntary administration there is a moratorium over most pre-administration creditor claims.

Administrators are also required to investigate the Company's affairs and report to creditors on the Administrators' opinion as to which outcome of the voluntary administration process is in the creditors' best interest, informing the creditors prior to their voting at the Second Meeting (please see Section 2.7 for further details).



## 2.3 Purpose and basis of this report

IPR 75-225 requires a voluntary administrator to provide a report (the Voluntary Administrators' Report or this Report) to all creditors ahead of the Second Meeting, outlining:

- Details regarding the business, property, affairs and financial circumstances of the entity under administration;
- The Administrator's opinion and recommendation on each of the options available to creditors; and
- If a DOCA is proposed, the details of the DOCA.

This Report also informs creditors about the preliminary investigations undertaken by the Administrators to date. Accordingly, the views formed in this Report are not final and may be subject to change. Any additional material issues that are identified after this Report may be subject to a further written report and/or tabled at the Second Meeting.

This Report has been prepared primarily from information obtained from the Company's books and records and discussions with the Directors and senior management. Although the Administrators have conducted certain investigations into the affairs of the Company, there may be matters which we are unaware of as an audit of the Company has not been undertaken since the audit of the FY17 financial statements.

In order to complete our Report, we have utilised information from:

- The ASIC;
- The PPSR;
- The Company's book and records;
- Discussions with the Directors;
- Discussions with senior management;
- Discussions with creditors of the Company; and
- Other public databases.

## 2.4 Context of this Report

- This Report is based on our preliminary investigations to date. Any additional material issues that are identified subsequent to the issue of this Report may be the subject of a further written report and/or tabled at the Second Meeting.
- 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. We reserve the right to alter any conclusions reached based on any changed or additional information which may be provided to us between the date of this Report and the date of the Second Meeting (except where otherwise stated).
- In considering the options available to creditors and formulating our opinion and recommendation, we have necessarily made forecasts of asset realisations and total creditors' claims based on our best assessment in the circumstances. These forecasts and estimates may change as asset realisations progress and we receive creditor claims and consequently the outcome for creditors might differ from the information provided in this Report.
- Creditors should consider seeking their own independent legal advice as to their rights and the options available to them at the Second Meeting.

## 2.5 Declaration of independence, relevant relationships and indemnities

In accordance with Section 436DA of the Act and the Code, a DIRRI was enclosed with the Administrators' first communication to creditors (and tabled at the First Meetings of Creditors).

The DIRRI disclosed information regarding the Administrators' independence, prior personal or professional relationships with the Company or related parties and any indemnities received in relation to the appointment. This assessment identified no real or potential risks to the Administrators' independence.

There has been no changes to the DIRRI since our appointment. The DIRRI is attached at **Annexure C**.

## 2.6 First Meeting of Creditors and Committee of Inspection

Section 436E of the Act requires the Administrators to convene the first meeting of creditors within eight business days of being appointed.

The First Meeting of Creditors of the Company was held on Thursday, 16 August 2018 at 2:00PM ACST, at which the Administrators appointment was confirmed.

Creditors resolved at the First Meeting of Creditors to appoint a COI. Details of the members of the COI's are available in the minutes of the First Meeting of Creditors. Given the short time between the First Meeting of Creditors and the date of this Report, we have only had one COI meeting.

## 2.7 Second Meeting of Creditors

Pursuant to Section 439A of the Act, the Second Meeting is convened for Monday, 10 September 2018 at Hilton Adelaide, Victoria Room, Ground Floor, 233 Victoria Square, ADELAIDE SA 5000 at 2:00PM ACST. The Notice of Meeting of Creditors is attached (**Annexure B**).

At the Second Meeting, creditors will decide the Company's future by voting on one of the following options:

- That the Company should execute a DOCA (should a DOCA be proposed); or
- That the administration should end and control of the Company revert back to its directors; or
- That the Company should be wound up.

Creditors have the opportunity to adjourn the Second Meeting for up to a period of 45 business days to enable further investigations to be undertaken. We do not consider that necessary in this administration.

Creditors who wish to participate in the Second Meeting must complete the following forms:

Form	Comments
Appointment of proxy (form 532)	<ul style="list-style-type: none"> <li>– Corporate creditors must appoint an individual to act on its behalf.</li> <li>– This form enables you to appoint a person (including the Chairperson) to act on your behalf at the meeting.</li> <li>– Proxy forms submitted at the first meeting are not valid for this meeting.</li> </ul>
Proof of debt (form 535)	<ul style="list-style-type: none"> <li>– A person is not entitled to vote at the meeting unless they provide particulars of the debt or claim to the Voluntary Administrators before the meeting.</li> <li>– If you submitted this form for the purposes of the first meeting of creditors, you do not need to submit another form for this meeting unless you seek to amend your claim.</li> <li>– All creditors must furnish full details of their claims</li> </ul>

**All proof of debt and proxy forms are to be lodged with Link Market Services Limited before the meeting and, in any event by no later than 11:00am on Friday, 7 September 2018.** Forms are available from:

Link Market Services Limited, PO Box 3184, Rhodes NSW 2138

Facsimile: +61 2 9287 0309

Client Code: YCPI

Email: [yorkcivil@linkmarketservices.com.au](mailto:yorkcivil@linkmarketservices.com.au)

Creditor Queries: +61 1300 420 208

## 2.8 Remuneration

The Administrators' remuneration can only be fixed by resolution of a COI, the Company's creditors, or by application to the Court. In accordance with IPR 70-35 and the Code, an Initial Remuneration Notice was provided to creditors with our initial communication and tabled at the First Meeting of Creditors.

ARITA has issued an "Approving remuneration in external administrations" information sheet providing general information for creditors on the approval of an administrator's fees in a liquidation, a voluntary administration or a DOCA. This information sheet is available from the ARITA website ([www.arita.com.au](http://www.arita.com.au)).

Please refer to our Remuneration Approval Request at **Annexure D** for details of our remuneration and the key tasks undertaken throughout the course of the administration to date.

## 2.9 Non-disclosure of certain information

There are sections of this Report where we have considered it inappropriate to disclose certain information to creditors. Such information includes valuations of specific assets, our assessment of the likely collectability of the Company's trade debtors and commercially sensitive information (ie the identity of the ASX listed entities due to their ongoing disclosure requirements).

We recognise the need to provide creditors with complete disclosure of all necessary information relating to the Company. However, we believe this information is commercially sensitive and it is not in creditors' interests for us to disclose the information publicly at this stage.

Where necessary in this Report, we provide a combined figure for potential realisations of assets when comparing estimated dividends under the relevant options.

### 3 Company information

This section provides creditors with information on the history of the Company and the circumstances leading up to the appointment of Administrators together with details of related entities including statutory information and an overview of the business.

#### 3.1 Statutory information

Statutory details for the Company extracted from ASIC's national database at the time of our appointment are summarised below:

ACN 050 019 960 Pty Ltd (formerly York Civil Pty Ltd)	
ACN	050 019 960
Incorporation date	25 January 1991
Registered address/principal place of business	27 Tikalara Street REGENCY PARK SA 5010

Source: ASIC

The Company's officers over the past 3 years were:

Name	Role	Appointment date	Resignation date
Ian Stanley Tarbotton	Director	20 December 1990	
	Secretary	24 August 2001	
Domenico Marc Viecei	Director	7 November 2001	
Geoffrey Richard Davies	Secretary	24 April 2015	5 September 2017

Source: ASIC

A search of the National Personal Insolvency Index maintained by the Australian Financial Security Authority shows that the Company's Directors are not bankrupt or subject to a Personal Insolvency Agreement under Part X.

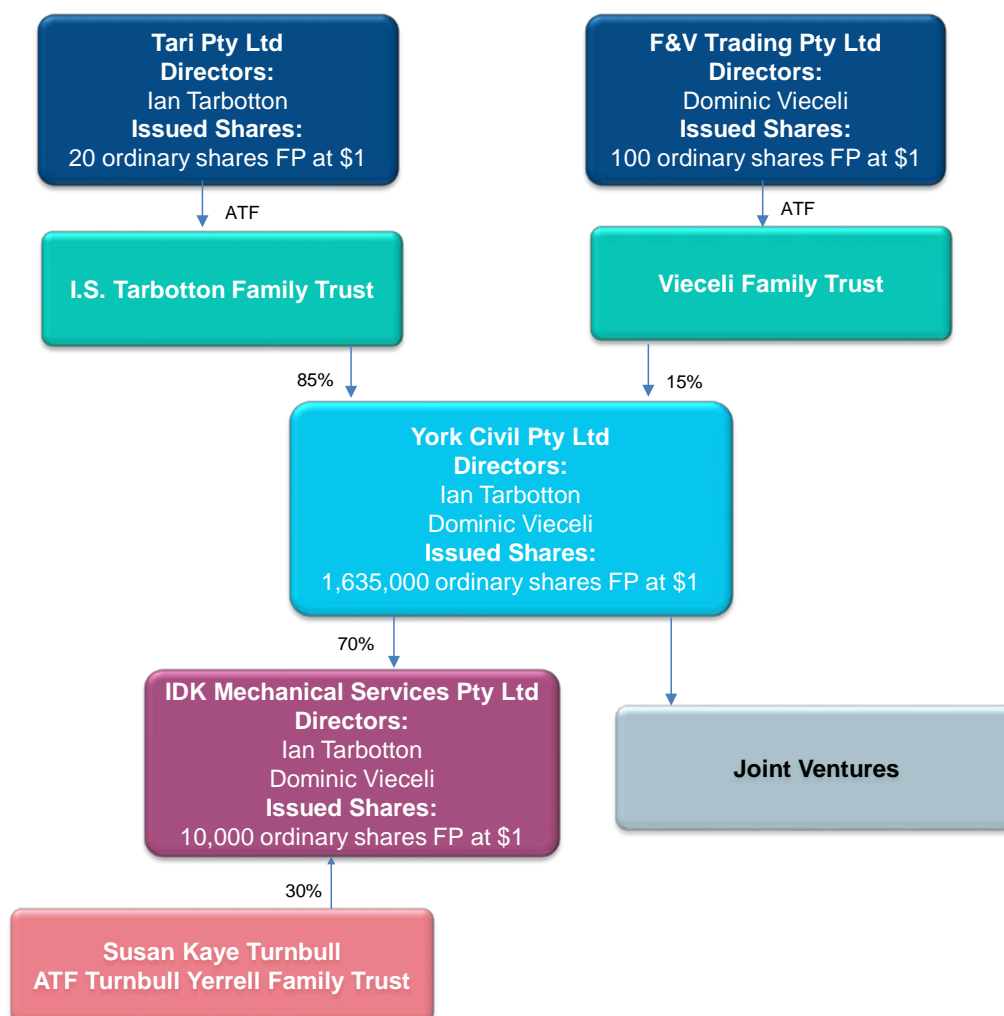
The ASIC database discloses the Company's shareholders to be:

Registered Owner	Shares held	Description	Fully paid	% Issued Capital
Tari	1,389,750	Ordinary	Yes	85%
F & V Trading	245,250	Ordinary	Yes	15%
Simon Alexander Glover Green	11,765	B Class Redeemable Preference	Yes	n/a
Michael Brian Hyde	11,765	B Class Redeemable Preference	Yes	n/a
Steven William Kochergen	11,765	B Class Redeemable Preference	Yes	n/a

Source: ASIC

### 3.2 Corporate structure

The corporate structure for the Company is illustrated as follows:



We make the following comments:

- The Company has 1,635,000 fully paid ordinary shares, which are held by Tari (85 percent), a company associated with Mr Tarbotton, and F&V Trading (15 percent), a company associated with Mr Viecei. In addition, the Company has 32,295 "Class B Redeemable Preference" shares which are held in equal proportions by three former senior management employees of the Company.
- The Company's operations are also carried on through a number of JV entities and a subsidiary company IDK Mechanical Services Pty Ltd (IDK). IDK is treated as a JV although structured as an incorporated entity. IDK was created for the purpose of conducting works relating to the Bolivar WWTP Primary Sedimentation Tank Concrete Rehabilitation Project, which was completed some time ago. The co-shareholder in IDK has advised the defect liability period for this project ended in February 2017.
- It should be noted that the Bank holds security over the Company and no other entities listed within the corporate structure.

### 3.3 Current projects

The Company had five “active” projects (excluding JVs) on appointment as follows:

Project	Customer	Status
Bolivar Framework – Services Agreement	SA Water	Construction phase
Barker Inlet Power Station	Primero Group Limited	Construction phase
Port Hedland Berth 3	Pilbara Ports Authority	Design phase
Dignams Creek Upgrade	RMS	Ceased activity on appointment
North Richmond Raw Water Intake	Sydney Water	Design phase

We comment as follows:

- The Bolivar Framework project for SA Water is a 4-year project which we understand is concluding around June 2020. Work is occurring on multiple sites across South Australia, typically involving upgrades to wastewater treatment plants and associated facilities.
- The Barker Inlet Power Station project for Primero Group Limited involves civil works associated with the power plant, which we understand is nearing completion with further opportunities for additional works.
- The Port Hedland Berth 3 project for Pilbara Ports Authority is for a wharf upgrade, which we understand is due for completion around June 2019. The client has terminated the contract since our appointment.
- The North Richmond Raw Water Treatment Plant for Sydney Water is a design and construction of a new river intake and pump station structure, which we understand is due for completion around April 2019. The client has terminated the contract since our appointment.
- As the Dignams Creek Upgrade project was likely to be a loss-making project, this project ceased operating immediately on our appointment and arrangements were made to repatriate the staff and relocate the plant and equipment on site to a secure location. The Company’s client has since issued a formal notice terminating the contract and we understand is seeking to engage a new contractor to complete the project.

Work continued, but on a care and maintenance basis due to a lack of cash resources, on the four active projects (excluding Dignams Creek) following our appointment until the Company’s business ceased trading on Monday, 13 August 2018. That work involved the provision of the Company’s labour and equipment. We have otherwise taken steps to cease all activities on the Company’s other projects, including JVs.

The Company has a number of projects in the defects liability period including:

- Darlington Pipeline – we understand there is an issue with the valves installed which the Company has been working with stakeholders to resolve.
- Main South Road (Old Coach to Malpas) Upgrade – we understand that this project is complete but still in the defects liability period.
- Charles Street Bus Bridge and Busway – we understand there are no current defects outstanding although the defects liability period is continuing.

### 3.4 Company JV projects

At the time of our appointment, the major JV arrangements, to which the Company was a partner, in the construction phase were Northern Beaches Hospital Connectivity, Torrens to Torrens Alliance, Swan River Pedestrian Bridge and East Link Tram Extension. Other JV projects were completed but remain in the defects liability period:

JVs	Customer	JV Partner and % interest	Company % interest	Estimated Completion Date
East Link Tram Extension	DPTI	Downer EDI (50%)	50%	August 2018
Torrens to Torrens Alliance	DPTI	CPB Contractors (65%) & Aurecon (10%)	25%	late 2018
Swan River Pedestrian Bridge	Main Roads (WA)	Rizzani De Eccher (50%)	50%	late 2018
Schofield Road Upgrade Stage 2	RMS	OHL (50%)	50%	late 2018 (subject to defect rectifications)
Pacific Highway Upgrade – Woolgoolga to Halfway Creek	RMS	OHLCP (50%)	50%	TBA (subject to defect rectifications)
Northern Beaches Hospital Connectivity	RMS	Ferrovial (70%)	30%	Stage one October 2018 Stage two October 2019

Despite the Company ceasing to trade, the respective JV Partners are expected to complete outstanding works including fulfilling maintenance period obligations. Further, creditors of those JV projects sit outside of the voluntary administration of the Company and will be paid by the JV.

To minimise any disruption to the JV, undertakings for equipment hire and a short-term labour hire arrangement (two weeks) whereby each of the other JV partners agreed to prepay for those costs, were entered into by the Administrators with the JV partners on the Torrens to Torrens Alliance, Swan River Pedestrian Bridge and East Link Tram Extension JVs. Total revenue of \$256,681 (including GST) was generated from these activities which has been paid by the respective JV partners. A similar arrangement was put in place by the Directors of the Company prior to our appointment with respect to the Northern Beaches Hospital Connectivity JV.

We understand there are JV claims issued to clients still to be resolved on these JVs which are being addressed by the JV Partner and will be monitored by us in terms of the Company's interests.

In relation to the JVs for the Schofield Road Upgrade and Pacific Highway Upgrade, we understand there are various defect works to be completed by the JV partner before the respective clients will agree completion has been reached. Accordingly, any JV claims on clients are still to be resolved. These matters are being addressed by the JV Partner and will be monitored by us in terms of the Company's interests.

All JVs are covered by a JV agreement that sets out the commercial terms between the JV partners including responsibilities for the administration of the JV, banking arrangements and responsibilities for financial and other reporting.

### 3.5 JV material uncertainty

The Company's FY17 audited financial statements stated a material uncertainty existed with regards to the outcome of some JV arrangements together with JV debtors. In the Company's financial records and reports, all JV projects are accounted for using equity accounting principles.

The JV accounting itself is completed either by the Company or its JV partner. We are seeking a final accounting from the respective JV partners in due course and an accounting for the Company's respective interest, including the status of bank guarantees and performance bonds.

### 3.6 Business sale initiatives prior to Administrators' appointment

We are advised by the Company's Directors that a listed ASX entity made an unsolicited approach to acquire the issued shareholding of the Company in 2016 which ultimately led to a non-binding Term Sheet dated 6 December 2017 being entered into. However, following a period of due diligence, that entity withdrew its offer in February 2018 citing the high level of uncertainty in respect of the Company's JV undertakings.

Prior to our appointment we had two meetings with the Company on 27 July 2018 and 5 August 2018 for the purpose of explaining the various options available to the Company and the nature and consequences of an insolvency appointment.

We were made aware of the following key matters from the information supplied by the Directors at these meetings:

- Immediately prior to our appointment the Company was still actively negotiating with two ASX listed entities (including the entity which previously withdrew its interest in February 2018) regarding a potential sale of the Company's business and assets and that non-binding offers had been received from both parties.
- Based on the Directors' assessment of those offers, they entered into a non-binding HOA with one of the ASX listed entities (HOA party) on 3 August 2018.

In summary, the key elements of the signed HOA were that:

- The business assets of the Company were to be acquired including contracts (excluding any JV agreements or partnership agreements and subject to consents), goodwill, intellectual property and plant and equipment;
- Trade debtors and work in progress of the Company would remain with the Company up to the date of completion of the sale;
- Certain employees would be offered employment with the purchaser;
- Consideration for the sale was to be agreed but effectively:
  - Acquisition of the accrued liabilities associated with the transferring employees (including leave and other entitlements);
  - Payment for plant and equipment at market valuation, not less than \$7 million; and
  - The provision of replacement guarantees/performance bonds provided by the Company's financiers for its projects; and
- The HOA stipulated certain conditions precedent including due diligence, an independent valuation of the market value of the Company's plant and equipment and third-party consents for the transfer or novation of contracts.

The business sale initiatives undertaken following our appointment are outlined at Section 6.2 of this Report.

### 3.7 Registered security interests

The PPSR discloses that 131 parties hold 299 registered security interests on the PPSR, a majority of which relates to financed or hire equipment. The following security interests were registered over various assets and undertakings of the Company:

Security Holders	Collateral Type	Registrations	Note
1 x party	APAAP – With Exceptions	1	1
1 x party	Watercraft	5	2
25 x parties	Motor Vehicle	104	3
103 x parties	Other Goods	188	4
1 x party	General intangible	1	5
<b>131 x parties</b>		<b>299</b>	

Source: ASIC



### Note 1 – APAAP – With Exceptions

The Bank holds an APAAP General Security Agreement (GSA) over the whole or substantially the whole of the property of the Company. We sought advice from our solicitors regarding the validity of the Bank's GSA which confirmed that the security is executed correctly and registered within the required time on the PPSR and is therefore enforceable.

As at the date of our appointment, the Bank was owed approximately \$12.1 million (with a contingent liability in respect of bank guarantees totalling \$8.4 million), set out as follows:

Description	\$000s
Overdraft	(9,952)
Asset finance facility	(2,129)
Credit card facility	(25)
<b>Sub total</b>	<b>(12,106)</b>
Contingent debt – bank guarantees	(8,443)
<b>Total (excluding accrued and ongoing interest)</b>	<b>(20,549)</b>

Source: Management accounts

The uncalled bank guarantees subject to the Bank's facility totalling approximately \$8.4 million have been issued to customers in support of the Company's obligations under its various contracts and to two interstate landlords in respect of those state offices. Given that the Company has ceased operating, there is a risk that a number of these bank guarantees will be called. Of the bank guarantees, none relate to the HOA sale but \$5.9 million relates to JVs which represents the Company's percentage interest in the JV. We are advised that under the joint and several provisions of the JV agreement, bank guarantees have also been issued by the respective JV partners in accordance with their percentage interests.

### Note 2 – Watercraft

At the date of issuing our report, the Bank had four watercraft registrations. There is one other party that has a registration in respect of a watercraft which we understand will be discharged shortly.

### Note 3 – Motor Vehicle

At the date of issuing our report, 11 of the 25 parties had discharged their security interests following correspondence from us. We are continuing to liaise with the remaining parties in relation to their registrations however at this stage, it appears that the Company has minimal exposure to these parties as the Company has ceased trading and does not have any property of the registered parties in its possession. Some parties have claimed outstanding monies in respect of dry-hire for motor vehicles, however, this portion of their claim is unsecured.

### Note 4 – Other Goods

At the date of issuing our report:

- 30 of the 103 parties had discharged their security interests following correspondence from us;
- 13 of the 103 parties have made claims which we are in the process of reviewing;
- 60 parties of the 103 parties have not responded to our correspondence requesting details of their registered claims. We are continuing to liaise with the remaining parties in relation to their registrations however, given we have not received a response, we have assumed these parties do not have a claim in the Administration.

There is one claim in relation to stock on hand held at a site at Wingfield. This stock has been isolated and is subject to our review. We note the maximum amount of the claim, if valid, is \$10,000.

## **Note 5 – General Intangible**

One party has registered a general intangible interest. We are unaware of any debt outstanding by the Company, accordingly we will write to this party again requesting they discharge their registration.

Following our appointment, we contacted each of the creditors with registrations to request that they provide us with details of their security interest and any amounts due by the Company to them. We are in the process of reviewing these registrations to determine their validity or otherwise and we will continue to correspond with each creditor directly. As at the date of this report, the status of those claims was as follows:

Description	Number of parties	Number of registrations
Responses subject to adjudication	14	23
Bank	1	27
St. George Finance Limited	1	3
Capital Finance Australia Limited	1	18
Registrations discharged	40	55
Related parties	2	60
No response to date	72	113
<b>Total</b>	<b>131</b>	<b>299</b>

*Source: PPSR searches undertaken on 6 August 2018*

The Administrators are in the process of completing a detailed assessment of the registered security interests above (other than those that have since been deregistered or have not responded to our correspondence) and will provide a further update to creditors in due course. Information is also still being obtained from the related parties with respect to their registered security interests including the assets to which those registered interests relate to.

### **3.8 Winding up applications**

At the date of our appointment, there was no outstanding winding up application against the Company.

## 4 Historical financial performance and position

This section provides a summary of the financial performance and position of the Company during the period of FY17 and FY18.

### 4.1 Preparation of financial statements

We have been provided with certain financial statements of the Company, including the Company's audited financial reports for FY17 and unaudited management accounts on a monthly basis for the year ended 30 June 2018. In the time since our appointment, it has not been possible to finalise the FY18 accounts as management are still awaiting management accounts from a number of JV partners that will impact the carrying value of the Company's equity share in the respective JV's.

### 4.2 Summary profit and loss

A summary of the Company's profit and loss statements is presented below:

\$M	Audited FY16	Audited FY17	Unaudited 9 months ended 31 March 2018	Unaudited FY18
Revenue	100.3	105.8	71.5	101.3
Share of net profit/(loss) from JVs	4.4	2.9	(9.2)	(7.4)
Other Income	0.4	1.1	0.9	1.0
<b>Total revenue</b>	<b>105.1</b>	<b>109.9</b>	<b>63.2</b>	<b>94.9</b>
Expenses	(100.2)	(109.7)	(78.3)	(106.8)
Depreciation and amortisation	(3.6)	(2.7)	(1.5)	(2.0)
Finance costs	(0.8)	(0.4)	(0.5)	(0.7)
<b>Total expenses</b>	<b>(104.6)</b>	<b>(112.8)</b>	<b>(80.3)</b>	<b>(109.5)</b>
<b>NPBT</b>	<b>0.5</b>	<b>(2.9)</b>	<b>(17.1)</b>	<b>(14.6)</b>
Income tax benefit/(expense)	(0.2)	1.2	(0.1)	-
<b>NPAT/(Loss)</b>	<b>0.3</b>	<b>(1.7)</b>	<b>(17.2)</b>	<b>(14.6)</b>

Source: FY17 Annual Report and FY18 management accounts

We make the following comments:

- The Company produces monthly management accounts. However, those accounts are only adjusted on a quarterly basis to reflect management's estimates of project profit and loss. For the September and December 2017 quarters, the estimates of profit and loss on JV projects was restricted due to a lack of information provided by JV partners. For the March 2018 quarter, the Directors adjusted the accounts to reflect their best estimates of JV and project outcomes resulting in a loss of \$17.2 million for the nine months to 31 March 2018. The monthly management accounts do not provide any detail as to the timing of when those losses were incurred.
- The share of losses from JVs fell by \$1.8 million in the three months to 30 June 2018 due to contributions of \$1.2 million from the Pacific Highway Capital Upgrade JV project and \$0.6 million from the Tram Extension JV project. The contribution from these projects is based on the Company's management's assessment and has not been certified by the JV partner.
- Due to a lack of information the Company has made no provision for changes in the estimated profit or loss on its other JV projects and has retained the position as estimated as at 31 March 2018. The actual position for these projects may differ materially from the assumed March 2018 position.
- We are further assessing the Company's financial position for each of the JV's.

### 4.3 Summary balance sheet

A summary of the Company's balance sheet is presented below:

\$M	Audited 30 June 2016	Audited 30 June 2017	Unaudited 31 March 2018	Unaudited 30 June 2018
<b>Current assets</b>				
Cash and cash equivalents	5.0	0.5	-	-
Trade debtors	23.1	17.0	12.1	13.1
Work in progress	4.1	1.2	1.5	0.6
Loans to JVs	-	2.6	2.2	2.2
Interests in JVs	2.3	7.9	5.7	7.5
Other assets	0.6	0.4	0.5	0.5
<b>Total current assets</b>	<b>35.1</b>	<b>29.6</b>	<b>22.0</b>	<b>23.9</b>
<b>Non-current assets</b>				
Non-current receivable	-	7.8	7.8	7.8
Plant and equipment	14.9	11.8	9.9	9.4
Deferred tax assets	0.7	1.3	2.8	2.4
<b>Total non-current assets</b>	<b>15.6</b>	<b>20.9</b>	<b>20.5</b>	<b>19.6</b>
<b>Total assets</b>	<b>50.7</b>	<b>50.5</b>	<b>42.5</b>	<b>43.5</b>
<b>Current liabilities</b>				
Trade and other payables	(17.6)	(15.1)	(12.9)	(14.2)
Overdraft	-	(2.6)	(7.0)	(7.3)
Borrowings – bank	(2.5)	(1.2)	(1.4)	(1.0)
Borrowings – JVs	(2.0)	(5.7)	(6.9)	(6.9)
Employee provisions	(3.0)	(3.4)	(3.2)	(2.4)
Income in advance	-	-	(3.8)	(3.6)
Current tax liabilities/(assets)	-	1.9	(0.9)	0.6
<b>Total current liabilities</b>	<b>(25.1)</b>	<b>(26.1)</b>	<b>(36.1)</b>	<b>(34.8)</b>
<b>Non-current liabilities</b>				
Borrowings	(1.9)	(2.3)	(1.6)	(1.4)
Employee provisions	(0.8)	(0.9)	(0.8)	(0.8)
<b>Total non-current liabilities</b>	<b>(2.7)</b>	<b>(3.2)</b>	<b>(2.4)</b>	<b>(2.2)</b>
<b>Total liabilities</b>	<b>(27.8)</b>	<b>(29.3)</b>	<b>(38.5)</b>	<b>(37.0)</b>
<b>Net assets</b>	<b>22.9</b>	<b>21.2</b>	<b>4.0</b>	<b>6.5</b>

Source: FY17 Annual Report and FY18 management accounts

We make the following comments:

- Given the operating loss of \$17.2 million reported for the nine months to 31 March 2018, the net asset position of the Company was eroded significantly from \$21.2 million to \$4.0 million. The \$2.5 million improvement in the net asset position reflected in the 30 June 2018 management accounts must be considered doubtful given the lack of information pertaining to JVs.
- The Company's cash position has deteriorated from \$5.0 million in cash on hand at 30 June 2016 to an overdraft of \$10 million as at the date of our appointment.

The Company's assets and liabilities as at the date of our appointment are discussed further in Section 5 of this report.

## 5 Directors' report as to affairs

This section provides a summary of the report as to affairs submitted by the Directors

### 5.1 Report as to affairs (RATA)

Section 438B of the Act requires the Directors to give an administrator a RATA about the Company's business, property, affairs and financial circumstances. We received the Directors' RATA on Thursday, 23 August 2018 and lodged a copy of that RATA with the ASIC on Thursday, 30 August 2018.

The Administrators have not audited the Company's books and records. The below schedule should not be used to determine the likely return to creditors as a number of realisable values are based on the Company's records and remain subject to the review of the Administrators and, in particular:

- The Administrators are not in a position to confirm (or otherwise) certain asset values as they are commercially sensitive and are not disclosed in this report.
- The value of creditor claims remains subject to change as further claims may be received and all claims require adjudication.
- The table below does not provide for realisation and other costs associated with the administration process.

Further detail on the estimated return to creditors from the administration is contained in **Section 9**.

The following table summarises the Administrators' ERV for assets and liabilities based on the Directors' ERV in their RATA:

\$000s	Ref	Directors' ERV	Administrators' ERV	
			High	Low
Assets				
Cash at bank/cash on hand	5.1.1	-	3	3
Debtors/Potential claims	5.1.2	15,875	Unknown	975
Inventory/Work in Progress	5.1.3	-	40	20
Plant and equipment	5.1.4	6,778	12,500	6,778
Interests in JV's	5.1.5	-	Unknown	-
Other assets	5.1.6	-	Unknown	-
Total assets		22,653	Unknown	7,776
Liabilities (excluding contingent liabilities)				
Secured creditors	5.1.7	(12,100)	(16,327)	(20,549)
Employee claims	5.1.8	(3,404)	(7,221)	(7,221)
PMSI claims	3.7 / 5.1.9	-	-	(10)
Unsecured creditors	5.1.10	(13,993)	(15,895)	(15,895)
Total liabilities		(29,497)	(39,443)	(43,675)
Estimated surplus/deficiency		(6,844)	Unknown	(35,899)

## Notes

### 5.1.1 Cash at bank/cash on hand

The Company had a \$10.0 million overdraft facility with BSA, which was drawn to \$9.952 million at the date of our appointment. The Company also had minor cash at bank balances as follows:

Description	Amount (\$000s)
NAB trading account	2
NAB cash management account	1
ANZ trading account	-
Bank SA NSW trust account	8
<b>Total</b>	<b>11</b>

We have arranged for the NAB and ANZ account balances to be “swept” to our Administrators’ bank account. The Bank SA trust account relates to a cash retention held on trust for a New South Wales subcontractor. It is likely that this amount will need to be released to the subcontractor, however we will seek legal advice in that regard.

The Company also held petty cash floats of \$4,200, however those floats had been exhausted as at the date of our appointment. The amount of \$41.45 was on hand and has been banked into our Administrators’ bank account.

### 5.1.2 Debtors/Potential claims

As at the date of our appointment, the Company had debtors of \$25.8 million comprised as follows:

Description	Note	\$000s
Company clients	5.1.2.1	6,143
JV debtors/Potential claims	5.1.2.2	8,311
Non-current debtor	5.1.2.3	11,022
Related parties	5.1.2.4	93
Other debtors	5.1.2.5	221
<b>Total</b>		<b>25,790</b>

As debtors are tied to projects, in our experience, debtors of construction companies in voluntary administration generally refuse to make payment pending the crystallisation of any claims that may be made against the insolvent company.

A summary of the ageing of debtors is provided below:

\$000s	Current	30 Days	60 Days	90 Days	>120 Days	Total
Company clients	4,802	789	552	-	-	6,143
JV debtors	1,622	915	3,123	1,191	1,460	8,311
Non-current debtor	-	-	-	-	11,022	11,022
Related parties	-	15	7	3	68	93
Other	92	73	-	47	9	221
<b>Total</b>	<b>6,516</b>	<b>1,791</b>	<b>3,682</b>	<b>1,241</b>	<b>12,559</b>	<b>25,790</b>

### 5.1.2.1 Company clients

As at the date of our appointment, the Company was carrying on a number of projects in its own right and had debtor balances in relation to those projects as follows:

Project name	Debtor Balance (\$000s)	Comments
Bolivar Project	1,464	Prior to our appointment, this debtor was being held as there is in excess of \$4 million of unpaid subcontractors and other suppliers relating to this project (refer Section 5.1.10.1). The right to continue this project (subject to client's consent) was subject to an ASA with the HOA party. A full accounting in relation to this contract will be pursued in due course.
Barker Inlet Power Station	1,237	We have recovered \$693,000 of this claim. The balance of this debtor was subject to a claimed entitlement to a statutory charge by a supplier.
Port Headland Berth 3	1,084	Prior to our appointment, payment was being held awaiting a bank guarantee to be provided. Following our appointment Pilbara Ports Authority terminated the contract in relation to this project. The right to continue this project (subject to client's consent) was subject to an ASA with the HOA party. A full accounting in relation to this contract will be pursued in due course.
North Richmond Raw Water Intake	94	Following our appointment, Sydney Water Corporation terminated the contract in relation to this project. The right to continue this project (subject to client's consent) was subject to an ASA with the HOA party. A full accounting in relation to this contract will be pursued in due course.
Dignams Creek Upgrade	1,864	The contract was terminated by RMS on 8 August 2018. We have written to RMS seeking payment of this amount. RMS has responded that given the amount of work required to achieve completion, a set off of the \$1.864 million will be insufficient to satisfy the Company's ultimate debt to RMS. A full accounting in relation to this contract will be pursued in due course.
Main South Road (Old Coach to Malpas) Upgrade	373	We have written to the Commissioner of Highways seeking payment of this amount. We are awaiting a response.
Main Roads WA	27	We have written to Main Roads WA seeking payment of this amount. We are awaiting a response.
<b>Total</b>	<b>6,143</b>	
<b>Amount collected to date</b>	<b>693</b>	

The above will likely take some time to resolve given the potential for offsetting claims for incomplete work, overbilling, defects and damages (if any).



### 5.1.2.2 JV debtors/Potential claims

As at the date of our appointment, the Company had JV debtors as follows:

JV debtor name	Debtor Balance (\$000s)	Comments
Downer EDI – York JV	2,937	Following our appointment, in accordance with the JV agreement, Downer EDI excluded the Company from further participation in the JV. Downer EDI has indicated that it will provide a final accounting to the JV once it has determined the final JV profit and loss.
Ferrovia - York JV	301	Following our appointment, Ferrovia excluded the Company from further participation in the JV. Notwithstanding that payment of \$23,714 was received following our appointment, Ferrovia have sought a basis upon which the balance is payable, noting that Ferrovia has lodged a proof of debt in the administration for \$14.1 million (refer Section 5.1.11) and have asserted a statutory right of set off. This position is in the process of being reviewed.
CPB Contractors - York JV	573	We have written to the JV regarding payment of the debtor but at the date of this report, have not received a response. We note that following our appointment, CPB Contractors (the 65 percent JV partner) requested that the Company remedy its performance default by 6 September 2018. The Company is not in a position to do so. In addition, CPB Contractors have lodged a proof of debt in the administration for \$3.8 million (refer Section 5.1.11). This project is ongoing.
OHL - York JV	3,377	We have written to the JV seeking payment of this amount. At the date of this report, we are awaiting a response. However, we note that following our appointment, OHL notified us of immediate termination of the JV and lodged a proof of debt in the administration for \$1.5 million (refer Section 5.1.11). This claim is in the process of being reviewed. However, we note that various rectification work is ongoing.
OHCLCP - York JV	936	We have written to the JV seeking payment of this amount. At the date of this report, we are awaiting a response. However, we note that following our appointment, OHCLCP notified us of immediate termination of the JV and lodged a proof of debt in the administration for \$7.8 million (refer Section 5.1.11). This claim is in the process of being reviewed. However, we note that various rectification work is ongoing.
Rizzani - York JV	187	Following our appointment, we received payment of this amount in full from the JV.
<b>Total</b>	<b>8,311</b>	
<b>Amount collected to date</b>	<b>210</b>	

Resolution of the above will likely take some time to resolve, including JV partners having possible offsetting claims and will depend on the overall outcome of the projects. The debtor balances/potential claims arise from work undertaken by the Company in the JV project. The balance does not include loan accounts with the JV or the Company's share in the JV's equity, if any.

#### 5.1.2.3 Non-current debtor

At the date of our appointment, the Company had an amount due from one of its customers which was carried in the balance sheet at \$7.8 million (impaired down from \$11.0 million). This claim is the subject of a dispute and was due to go to arbitration shortly following our appointment. However, the arbitration was postponed to allow us time to review the claim, with the arbitration now scheduled for a directions hearing 20 September 2018. We note that the Company's claim is being strongly defended by the debtor.

#### 5.1.2.4 Related party debtors

As at the date of our appointment, the Company had related party debtors as follows:

Debtor name	Debtor Balance (\$000s)	Comments
IDC	1	We have written to IDC seeking payment of this amount however note that IDC are a creditor of the Company in the amount of \$1,117 (refer Section 5.1.10.2), which exceeds the value of the Company's claim.
IDK	68	IDK is 70 percent owned by the Company. We have written to IDK seeking payment of this amount, however note that IDK are also a creditor of the Company in the amount of \$105,539 (refer Section 5.1.10.2).
SMS	11	We have written to SMS seeking payment of this amount, however note that SMS are also a creditor of the Company in the amount of \$160,610 (refer Section 5.1.10.2).
ID Fabrication	13	We have written to ID Fabrication seeking payment of this amount. ID Fabrication indicated that they had no record of the unpaid invoices (copies of which have since been provided). We also note that ID Fabrication is also a creditor of the Company in the amount of \$34,612 (refer Section 5.1.10.2).
<b>Total</b>	<b>93</b>	
<b>Amount collected to date</b>	<b>0</b>	

At the date of our report, we are continuing to pursue recovery, however consider that recovery is unlikely due to the larger creditor claims.

#### 5.1.2.5 Other debtors

As at the date of our appointment, the Company had other debtors as follows:

Debtor name	Debtor Balance (\$000s)	Comments
Crane Services Pty Ltd	9	This amount relates to dry crane hire however is disputed by the debtor due to the reliability of the crane the subject of the hire. We are in the process of reviewing the status of the dispute.
NRW Pty Ltd	158	This amount relates to dry hire of equipment at the Oz Minerals Carapateena Mine. We have now received payment of \$67,494 from NRW Pty Ltd (being the June invoice totalling \$69,663 less a back charge relating to a tyre repair). The balance of \$88,594 is expected to be paid on 15 September 2018.
Rocla Pty Ltd	47	We have written to Rocla Pty Ltd seeking payment of this amount. At the date of this report, we have not received a response. According to the Company's records, Rocla Pty Ltd may be a creditor of the administration for \$19,992 which Rocla Pty Ltd may be entitled to set off against the debtor amount.
Vision Surveys (Qld) Pty Ltd	7	This relates to rent payable by a subtenant of the Company's Queensland head office. The Administrators did not exercise the Company's rights in relation to this property effective 13 August 2018. The subtenant has paid the amount due until that time of \$4,601.
<b>Total</b>	<b>221</b>	
<b>Amount collected to date</b>	<b>72</b>	

At the date of our report, we are continuing to pursue recovery of the above amounts (where applicable).

#### 5.1.2.6 Summary

We note that the Directors' ERV for debtors is \$15.9 million, being \$7.8 million in relation to the non-current debtor and \$8.1 million in relation to the balance. At the date of this report, we have recovered approximately \$975,000. We are continuing to pursue recovery of the balance of claims, however that will likely take time given the complexity of issues referred to above, including resolution of legal proceedings/disputes, waiting for finalisation of projects and receiving final accountings in relation to the same. Accordingly, the Administrators' are not in a position to provide their ERV for debtors at this time.

#### 5.1.3 Inventory/Work In Progress

The Company did not carry inventory on its balance sheet as all inventory for projects was incorporated into Work In Progress as received. However, we anticipate that the Company holds some inventory in the form of consumables, spare parts etc that will be sold as part of the upcoming public auctions which we estimate to have an ERV of between \$20,000 and \$40,000.

#### 5.1.4 Plant and equipment

The Company's plant and equipment had a written down value of \$9.4 million as at 30 June 2018.

Immediately following our appointment, we engaged Mason Gray Strange (MGS) and Slatterys Auctions (Slatterys) to assist with repatriation of the Company's assets from certain projects that were not continuing. Following the Company ceasing to trade on 13 August 2018 (refer Section 6.2), MGS and Slatterys then facilitated security and collection of all plant and equipment in preparation for sale through a public/online auction process (refer Section 6.3).

MGS and Slatterys were engaged by us to complete a valuation of both South Australia and interstate assets. A final report is nearing completion and we expect a market value for existing use basis (MV) of approximately \$12.5 million (GST exclusive). For the purpose of our ERV in this Report, we have utilised the expected MV in the High case and the Directors' ERV in the Low case.

#### 5.1.5 Interests in JVs

Other than the claims by the Company against the JV for work undertaken (refer Section 5.1.2.2), the Directors' included an amount of \$5.7 million (book value) in their RATA (but with an ERV of nil), being the Company's equity share in its JVs as at 31 March 2018. However, we note that interest reduces to \$1.0 million after taking into account loans to and from JVs. Set out in the table below is a summary of the Company's net interest in JVs (at book value) as at 30 June 2017, 31 March 2018 and 30 June 2018:

\$000s	Company equity share	Loans to JVs	Loans from JVs	Net interest in JVs
As at 30 June 2017	7,912	2,602	(5,725)	4,789
As at 31 March 2018	5,720	2,202	(6,875)	1,047
As at 30 June 2018	7,535	2,202	(6,875)	2,862

We note that calculation of the Company's equity share in JVs was updated after completion of the Directors' RATA to reflect June 2018 management accounts received from JV partners. However, a number of JV partners are still finalising their June management accounts and, in some cases, financial information has not been provided by JV partners since 31 December 2017.

In addition, as a number of projects are ongoing, the final position of the JV will not be known/reconciled until after achievement of practical completion and/or expiry of the defects liability period. There may also be claims from JV partners because of the Company's inability to meet its obligations as JV partner (refer Section 5.1.11). Accordingly, the Administrators' have provided an ERV of \$nil (consistent with the Directors' RATA) in the Low case, however, the High case is unknown.

#### 5.1.6 Other assets

The Directors' have included an amount of \$37,500 in their RATA for prepayments, in relation to the following:

Description	\$000s
Office bond in relation to Queensland head office	12
Security for costs deposit in relation to arbitration for non-current debtor	25
<b>Total other assets</b>	<b>37</b>

We make the following comments:

- The landlord of the Queensland head office holds security in the form of a cash bond of approximately \$12,000 as well as a bank guarantee in the amount of \$74,800. The Company vacated the property within five business days of our appointment and we are currently in discussions with the landlord who has asserted that the Company has a number of 'make-good' obligations in respect of the property. We are currently reviewing these assertions in the context of the lease, in order to ensure that any claim made by the landlord in respect of the security held is reasonable.
- The \$25,000 deposit relates to the upcoming arbitration that was discussed at Section 5.1.2.3.

#### **5.1.7 Secured creditors**

The Bank's claim was outlined at Section 3.7. For the purpose of our ERV High, we have included the Company's liability in relation to the overdraft, asset finance facility and credit card liability plus 50 percent of outstanding guarantees (ie a total debt of approximately \$16.4 million). For the purpose of our ERV Low, we have included the Company's bank guarantee liability to the Bank in full (ie a total debt of approximately \$20.6 million). Where possible, we are working with holders of bank guarantees to minimise the extent of calls made on those guarantees.

#### **5.1.8 Employee claims**

As at the date of our appointment, the Company employed 188 staff. On Friday, 3 August 2018 (ie just prior to our appointment) the Directors arranged for the Company to pay the payroll for that week, being the week prior to our appointment based on the employee's standard hours (ie excluding overtime and other allowances). This resulted in wage claims for overtime and allowances only being outstanding on appointment. The Directors also arranged for the current superannuation to be paid on 3 August 2018 (as there was no other superannuation arrears). Following our appointment, we were advised that an amount of approximately \$41,000 for superannuation paid on 3 August 2018 had been returned due to a technical issue with the funds transfer. This now represents a priority unsecured claim.

Following our appointment, we undertook a review of the Company's staffing requirements to enable us to continue to progress the potential HOA sale. Over the first three days of the administration, 64 employees were made redundant.

On 12 and 13 August 2018, we determined that it was not viable to continue the operations of the Company. As a consequence, the balance of employees were made redundant with the exception of 18 that continued to assist us with our administration and a further 17 where arrangements were made with JV partners for employment to continue in the short term. Those arrangements have now concluded. Remaining head office staff were made redundant on Wednesday, 29 August 2018, with some "plant team" staff continuing to be employed at the date of this report, to assist with repatriation of plant and equipment.

We note that the Directors have included an amount of \$3.4 million owing to employees in their RATA, represented by the unpaid overtime referred to above (net \$31,189), the PAYG withholding not remitted to the ATO relating to the Company's final payroll prior to our appointment (\$119,013) (which we note represents an unsecured, non priority claim) and annual and long service leave entitlements (\$3.3 million). Based on the Company's books and records, set out in the table below is our current estimate of the Company's employee entitlements:

<b>\$000s</b>	<b>Priority</b>	<b>Excluded employees (non-priority)</b>	<b>Total</b>
Unpaid wages			
- Unpaid overtime/allowances	46	-	46
- Unpaid employee reimbursements	15	-	15
- Salary sacrifice not remitted on final payroll <sup>(1)</sup>	6	-	6
- Rostered days off	109	-	109
Superannuation Guarantee Charge (before interest and ATO admin charge)	41	-	41

\$000s	Priority	Excluded employees (non-priority)	Total
Estimated superannuation on PILN	125	-	125
Annual leave (including leave loading)	1,490	194	1,684
Long service leave	1,495	170	1,665
PILN	1,229	84	1,313
Redundancy	2,665	202	2,867
<b>Total</b>	<b>7,221</b>	<b>650</b>	<b>7,871</b>

<sup>(1)</sup> Superannuation, child support and novated lease payments

We make the following comments:

- Employees claims are afforded a priority of repayment pursuant to Section 556 of the Act in the event that the Company is wound up.
- The above table has been prepared consistent with the Act which provides that “Excluded Employees”, being company directors, their spouses and relatives, are each restricted to a maximum priority claim of \$2,000 in total for unpaid wages/superannuation and \$1,500 in total for leave entitlements. There is no priority claim for Excluded Employees with respect to PILN and Redundancy.
- Included in the above table is priority claims for Excluded Employees of \$3,057. The non-priority claims (including PILN and Redundancy) of the two Directors totals approximately \$650,000 and represents a non-priority unsecured claim against the Company.
- The PILN and Redundancy calculations provided are an estimate only and are in the process of being reviewed.

In the event the Company was to proceed to liquidation and has insufficient circulating assets (e.g. debtors) to meet employee entitlements (which is likely to be the case), employees may be eligible to submit an application to FEG and be compensated for unpaid entitlements (excluding superannuation) via the FEG Scheme. Further information on FEG including eligibility for assistance can be found at [www.employment.gov.au/feg](http://www.employment.gov.au/feg). FEG is already aware of our appointment and has contacted us. All entitlements are subject to final review by FEG before FEG will advance payment for same.

#### 5.1.9 PMSI claims

PMSI claims were outlined at Section 3.7.

#### 5.1.10 Unsecured creditors

In their RATA, the Directors have recorded unsecured creditor claims totalling \$14.0 million. A summary of the unsecured creditors is below:

\$000s	Note	Directors' ERV	Administrators' ERV
Trade creditors	5.1.10.1	13,993	13,929
Related party creditors	5.1.10.2	Included above	997
Statutory creditors	5.1.10.3	-	319
Non-priority excluded employee creditors	Refer Section 5.1.8	-	650
<b>Total</b>		<b>13,993</b>	<b>15,895</b>

We make the following comments:

#### 5.1.10.1 Trade creditors

As at the date of our appointment, there was processing of accounts payable to be completed in accordance with normal month end processes. Those invoices have now been entered resulting in the Company having in excess of 400 non-contingent unsecured creditors with debts totalling approximately \$14.9 million (\$13.93 million plus \$997,000 per the above table). Based on the records of the Company, the outstanding creditors (including subcontractors) by project are estimated as follows:

Description	\$000s
Bolivar Project	4,266
Main South Road (Old Coach) to Malpas Upgrade	2,165
Dignams Creek Upgrade	1,927
Port Headland Berth 3	1,757
Barker Inlet Power Station	864
T2T (Small Works & Contract Services & North South Corridor)	285
Bolivar WWTP Concrete Rehabilitation & Grit Removal	106
Subcontractor retentions	803
Plant department overhead	1,021
Corporate overhead	451
Estimating department	242
Other projects and overheads	1,039
<b>Total</b>	<b>14,926</b>

If a dividend is paid to unsecured creditors in the future, all unsecured creditor claims will need to be reviewed to ensure that:

- Goods and/or services were actually delivered or provided to the Company in circumstances where the Company ceased trading;
- Goods and/or services were delivered or provided to the Company in accordance with authorised purchase orders (as a number of invoices were receipted in the Company's accounting system without a matching purchase order) or the normal approvals from operators; and
- Goods and/or services have been incorporated into progress claims to clients (ie goods and/or services invoiced to the Company may become the responsibility of a client and/or new contractor).

For a number of projects above, the outstanding total creditor balance exceeds the Company's outstanding debtor claim relating to the project. We are investigating the circumstances around the timing and quantum of debtor receipts and creditor payments on projects.

#### 5.1.10.2 Related party creditors

Based on the records of the Company, below is a summary of the related party receivable and payable balances at the date of our appointment:

Related party	Company interest	Tarbotton interest	Vieceli interest	Other interest	Debtor balance (\$000s)	Creditor balance (\$000s)
Tari	-	100%	-	-		352
F&V Trading	-		100%	-		323
York Properties	-	85%	15%	-		19
ID Fabrication	-	85%	15%	-	13	35
IDC	-	40%	40%	20%	1	1
SMS	-	45%	25%	30%	11	161
IDK	70%	-	-	30%	68	106
<b>Total</b>					<b>93</b>	<b>997</b>

The related parties are all net creditors of the Company totalling approximately \$1.0 million. Where a related party has submitted a proof of debt it accords with the Company's books and records.

#### 5.1.10.3 Statutory creditors

As at the date of our appointment, the Company's lodgements and payments to the ATO were up to date, except for the PAYG withholding from the final week's payroll which is paid weekly and totalled \$119,013. In addition, the Business Activity Statement (BAS) for the month of July (refund of \$15,506 excluding FBT) and period 1 August 2018 to 5 August 2018 (which has not yet been determined) have not been lodged, however, they were not due as at the date of our appointment.

We note that the ATO has submitted a Proof of Debt form in the amount of \$1.96 million in relation to the following:

Description	\$000s
Estimates due and payable for the period 1 July to 31 July 2018 (PAYG withholding and BAS)	269
Estimates due and payable as at 6 August 2018	1,687
<b>Total</b>	<b>1,956</b>

We make the following comments:

- We consider that based on our explanation above, the ATO's estimate for the month of July 2018 may be overstated.
- Just prior to our appointment, the Company was the subject of an ATO review in relation to Research and Development Grants claimed totalling in the order of \$1.7 million.
- A notification letter was sent to the Company on 5 June 2018, requesting copies of certain documents subject to the review. PWC were assisting the Company and had already provided copies of the Company's 2015 and 2016 income tax returns, with the ATO awaiting information with respect to the 2013 and 2014 income tax years, as well as copies of contracts with respect to all projects registered with AusIndustry from the 2013 to 2016 income tax years (inclusive).
- We are currently reviewing the position in relation to the above, in the context of the Company's overall income and indirect tax position. Given that position, for the purpose of this Report, we have included the outstanding PAYG of \$119,013 in our estimate of total creditors but have noted the ATO's proof of debt as a contingent liability at Section 5.1.11 below.



Finally, we note that final payroll tax and workers compensation insurance reconciliations are being completed on a State by State basis and that there may be a further liability that crystallises for the month of July 2018, subject to annual reconciliations being completed. We estimate that these claims may total in the order of \$200,000.

#### 5.1.11 Contingent liabilities

At the date of this Report, excluding the Bank's bank guarantees which was discussed at Sections 3.7 and 5.1.7, we consider that the following creditors have unsecured claims that are contingent in nature. **Those contingent claims which are in the nature of damages, or disputed by the Directors, will be subject to proof by the creditor and will require legal advice to ultimately determine the validity of those claims:**

Creditor name	Balance (\$000s)	Comments
Asset Insure	23,512	The Company maintains a facility with Asset Insure and has issued performance bonds to customers in support of the Company's obligations under its various contracts totalling approximately \$23.5 million as at the date of our appointment. Of the Asset Insure performance bonds, \$15.1 million relates to JVs.
Ferrovial	14,087	On 14 August 2018, Ferrovial lodged a proof of debt for approximately \$14.1 million, being Ferrovial's assessment of the Company's 30 percent share of the forecast loss from the Northern Beaches JV of \$47.0 million. We are in the process of reviewing this claim.
Toyota Tsusho	26,900	On 14 August 2018, Toyota Tsusho lodged a proof of debt for approximately \$26.9 million, in relation to a damages claim for steel supplied for the Swan River Pedestrian Bridge JV. This claim is disputed by the Directors of the Company. Full particulars of this claim are yet to be received.
CPB Contractors	3,750	On 15 August 2018, CPB Contractors lodged a proof of debt for approximately \$3.8 million, being an estimate of a fee overpayment to the Company given the present outlook for the JV project.
OHL	1,520	On 16 August 2018, OHL lodged a proof of debt for approximately \$1.5 million, being OHL's assessment of the Company's 50 percent share of the forecast loss from the Schofields Road JV of \$3.0 million. We are in the process of reviewing this claim.
OHLCP	7,755	On 16 August 2018, OHLCP lodged a proof of debt for approximately \$7.8 million, being OHLCP's assessment of the Company's 50 percent share of the forecast loss from the Pacific Highway JV of \$15.5 million. This includes potential costs associated with pavement cracking of \$13.0 million. We are in the process of reviewing this claim.
ATO	1,956	Refer Section 5.1.10.3
<b>Total</b>	<b>79,480</b>	

## 5.2 Omissions from RATA

We have not identified any material omissions from the Directors' RATA, other than to note that the Directors did not include liabilities that crystallised upon our appointment (ie PILN and Redundancy) or known contingent liabilities relating to the Bank's bank guarantees and Asset Insure performance bonds.

## **6 The Administration to date and sale process undertaken**

This section provides an overview of the conduct of the Administration, including business sale initiatives and realisation of assets.

### **6.1 The business at commencement of the Administration**

On appointment, the Administrators assumed control of the Company's business and assets. Some of the key actions taken since our appointment include:

- Attended the Company's head office and met with the Company's Directors and CFO to accept the appointment.
- Met with and addressed all of the Company's staff based at head office and around Adelaide of our appointment and issued a Circular to Employees.
- Obtained automatic insurance cover with our brokers, Gallaghers, and liaised with Gallaghers in relation to the status of the Company's existing insurance policies and the premium funding arrangements relating to same.
- Liaised with Gallaghers regarding certain pre-appointment insurance claims on foot.
- Froze pre-appointment the Company's bank accounts and arranged for minor pre-appointment balances to be transferred to the Administrators' bank account.
- Opened a new Administrators' bank account.
- Negotiated funding for the ongoing operation of the business with the HOA party.
- Circularised all known creditors of the Company in relation to our appointment including providing notice and convening of the First Meeting of Creditors.
- Served the appropriate notices on the Directors requesting they complete Director Statements concerning the Company's Business, Property, Affairs and Financial Circumstances and Director Questionnaires.
- Attended to all statutory notices as required by the ASIC and notified the relevant statutory authorities of our appointment.
- Requested details from creditors with registered security interests on the PPSR.
- Correspondence and meetings with various customers of the Company regarding the appointment and the status of projects.
- Correspondence and meetings with various JV partners and stakeholders regarding the appointment and the transition of the Company's employees and utilisation of the Company's equipment for continuity of those projects which become the responsibility of the JV partner.
- Issued correspondence to the Company's debtors, including responding to queries to our correspondence.
- Undertook a detailed review of the Company's debtor status, including certified and uncertified claims and the GST treatment surrounding the same.
- Had a preliminary telephone conference with a tax specialist in relation to a potential review of the Company's pre-appointment ATO position.
- Ongoing updates to and discussions with the Bank, as required, including seeking an overdraft for costs associated with the care, preservation and realisation of the plant and equipment.
- Commenced negotiations with an ASX listed party with whom the Directors had signed a non-binding HOA shortly prior to our appointment to sell the business and assets of the Company and potentially novate certain construction contracts subject to consents (discussed further at Section 6.2 below).
- Responded to enquiries from other parties interested in purchasing certain of the Company's assets.
- Prepared a cash flow forecast for the administration period. This cash flow has been monitored and updated as required.
- Ongoing review of staffing levels required for the administration and implementation of a staff rationalisation process based on:
  - The requirements of the potential purchaser;
  - The requirements of the various customers and JV partners; and

- The requirements of the administration, including recovery and care of assets.
- Review of pre-appointment employee entitlements as calculated by the Company's staff.
- Engaged MGS and Slattery's to prepare a valuation of the Company's plant and equipment and arrange logistics to secure and relocate plant and equipment.
- Liaised with the landlord of the Company's Regency Park premises regarding ongoing tenure to enable plant and equipment auction to take place on-site.
- Liaised with landlords relating to offices vacated in New South Wales, Queensland and Western Australia.
- Secured ongoing supply of critical services relating to telephone, internet and electricity, including a rationalisation of services no longer required.
- Arranged for Gallaghers to undertake a review of the Company's Work Health & Safety ("WHS") policies and certain site inspections to ensure compliance with the Company's WHS policies. Reviewed the audit and site inspection report prepared by Gallaghers which scored a 99 percent rating in terms of conformance with WHS legislative compliance.
- Secured and commenced archiving the Company's books and records.
- Arranged for the Company's IT servers and computers to be forensically imaged.
- Liaised with JV partners regarding transfer of accounting systems and books and records (where relevant).
- Engaged Link Market Services to arrange and co-ordinate the creditors' meetings, including:
  - Issuing relevant circular to creditors.
  - Receiving and collating Proofs of Debt and Proxy forms.
  - Responding to creditor enquiries.
- Attendance at the First Meeting of Creditors.
- Responded to enquires from creditors and employees in respect of their claims.
- Engaged public relations advisers to assist generally with respect to this administration, including preparing media releases, as required.
- Undertook preliminary investigations into the Company's past financial performance and financial position.
- Engaged solicitors to assist generally with respect to this administration.
- Preparing this Report.

## 6.2 Business Sale Initiatives Following the Administrators' Appointment

Following our appointment, we received a revised highly conditional Non-Binding Indicative Offer from the other party with whom the Company had been negotiating prior to our appointment. However, we proceeded to negotiate in good faith with the HOA party as we assessed the transaction proposed in the HOA to be superior to the other offer received both in terms of price and conditions.

It was apparent immediately upon our appointment that the Company had insufficient funds to continue trading. Given the Administrators' personal liability for expenses incurred, and no indemnity had been provided for our appointment, a decision not to immediately cease operations represented an unacceptable risk absent guaranteed funding for ongoing trading costs (primarily staff salaries and wages costs).

Administrators are not required to assume any personal risk of operating a business.

Accordingly, we held urgent discussions with the HOA party, who was also a debtor of the Company, requesting them to provide funding by part payment of a debtor amount claimed by the Company, to enable the Company to continue to trade to maximise the prospects of the HOA proposal being implemented for the following reasons:

1. Our assessment was that the HOA proposal represented the best outcome for creditors as well as enabling the business of the Company to continue in existence, being one of the objectives of Part 5.3A of the Act.
2. Compared to a sale of the assets after the cessation of the Company's business:
  - 2.1 The HOA proposal provided for market value of the plant and equipment as opposed to auction value.

- 2.2 Approximately 90 employees were nominated to be transferred to the HOA party together with all their accrued entitlements, including leave (without any reduction to the purchase price).
- 2.3 Replacement bank guarantees were to be provided for the contracts to be novated that should have resulted in the Company's relevant bank guarantees being returned.
- 2.4 Further, if the work on those projects continued without interruption via a novated contract, that would limit or remove unsecured claims, including damages claims, against the Company and thus enable pre-appointment debtor amounts to be collected on those projects. As such, the Administrators should be able to invoice customers for the work done on their projects prior to and during the voluntary administration period.
- 2.5 The Company's lease liability in respect of its head office operating premises at Regency Park, South Australia and certain interstate offices would also be assumed.

Following negotiations, the HOA party ultimately agreed to provide funding in two initial tranches equivalent to the estimated cost of one week's trading, with the first tranche paid immediately (to meet the wages cost for that week) and the second tranche payable only if the HOA party remained interested in acquiring the business of the Company and the Company was still trading. If trading was to continue into the second week of the voluntary administration, the HOA party would need to make a further agreed payment or payments to allow the business to continue trading while the terms of the business sale could be documented and completed.

Had it not been for the HOA party agreeing to provide limited funding for ongoing trading costs of the business and their interest in effecting a sale of the Company's business which would significantly reduce employee related liabilities (and ensure ongoing employment for approximately 90 staff) the Administrators, faced with the Company's daily operating costs and lack of funds, would have ceased the business immediately upon appointment.

During the period between the first tranche being received and the second tranche being due we assisted the HOA party (in accordance with the HOA) with its due diligence including attending meetings with certain Company clients when requested.

Ultimately the second tranche was not received by the Administrators but in good faith negotiations and due diligence continued and there were numerous correspondences between our respective lawyers through to the end of the first week of trading.

At that point in time, we advised the HOA party that without further funding from them we would have no option but to cease trading and terminate employees because there was a lack of realisable circulating assets such as debtors as they were tied to projects. In our experience, debtors of construction companies in voluntary administration generally refuse to make payment pending the crystallisation of any claims that may be able to be made against the insolvent company. This was the situation with the Company's administration.

Over the weekend of 11 and 12 August 2018, discussions with the HOA party continued with the HOA party's lawyers indicating we could expect a further revised proposal in the form of an ASA in respect of certain of the Company's assets, reflecting an unconditional sale transaction (subject to the release of Bank security and the consent of clients for novation of specified contracts), the payment of a non-refundable deposit and a settlement within a matter of days. Our main concern was that what was being proposed would be difficult to achieve in the short term and absent further funding from the HOA party.

We also instructed our lawyers to continue to draft an application to Court seeking approval for the transaction as had been our intention from the outset if the deal was to proceed.

At approximately 6pm on Sunday, 12 August 2018, we were advised by the HOA party's lawyers that an offer that would be capable of acceptance in the form of a draft ASA was still being prepared but that offer would not include the assumption of any of the employees or of the employee liabilities whatsoever. It appears the HOA party considered taking on employee liabilities too much of a risk without confirmation that customer contracts were to be novated.

This was a significant change to the HOA as the employment of 90 people and the assumption of their employee entitlements was a key plank to the deal and a major factor in our decision to continue to pursue the HOA deal. This development, coupled with the fact we had insufficient cash resources available to continue to trade the business, meant the business ceased trading on Monday, 13 August 2018.

At around 10am on Monday, 13 August 2018, we received an offer from the HOA party which was significantly different to what was anticipated by the HOA. Insofar as that offer was for certain plant and equipment items, a decision was made that all plant and equipment would be sold on the open market given the business had closed.

Since that time, negotiations with the HOA party continued and an offer was accepted for the sale of the Company's rights to continue the four contracts (subject to clients' consent) of the Company and transfer of the business name. An ASA was executed on Friday, 17 August 2018, with settlement occurring on Tuesday, 21 August 2018. Whilst the terms of the ASA are confidential, we confirm that the net sale proceeds received at settlement totalled \$258,970 (including a further part payment of a debtor amount claimed by the Company). The HOA party now has 45 days from settlement to negotiate a novation or new contract with those four clients. If the HOA party is successful, a further payment will be made to the Administrators. Other benefits to the Company of entering into the ASA included:

1. Minimisation of claims/damages against the Company given the proposed continuity of the specified contracts;
2. Potential for payment of outstanding amounts due to subcontractors under certain specified contracts;
3. Potential for recovery of pre-appointment work undertaken and debtor amounts; and
4. Possible replacement of bank guarantees and performance bonds.

### 6.3 Plant and equipment sale

Following the Company ceasing to trade on 13 August 2018, MGS and Slattery's attended to the security and collection of the plant and equipment in preparation for sale through a public auction process. This included the following:

#### SA

- Repatriation of the assets from the Bolivar project and Barker Inlet Power Station project.
- Repatriation of the plant associated with T2T and Adelaide Light Rail Extension JV projects.
- Liaising with NRW Pty Ltd regarding two watercarts at the Carapateena Mine.
- Collection of containers and a fuel truck from Millicent/Nangwarry.
- Collection of a crane at Renmark.
- Inspection of a crane at a site at Burton.
- Inspection of assets (largely parts and scrap) at a site at Dry Creek.
- Inspection of plant (including office equipment) at the Company's head office at Regency Park.
- Relocation of plant (including parts and office equipment) from a site at Wingfield.

#### NSW

- Relocation of the Dignam's Creek plant to Slattery's premises at Nowra.
- Relocation of plant at Northern Beaches JV and instructed Slattery's to negotiate an in-situ sale of a large two storey portable office complex.
- Relocation of plant at North Richmond and Schofield Road JV (light vehicles) to Slattery's premises at Villawood.
- Relocation of the Pacific Highway JV (Coffs Harbour) assets to Slattery's premises at Newcastle.
- Collection of IT equipment and vehicles from the Company's former Sydney office.

#### WA

- Collection of IT equipment and vehicles from the Company's former Belmont office.
- Collection of the Swan River Pedestrian Bridge JV assets.
- Liaising with Australian Wide Haulage regarding three vehicles and two sea containers being held pursuant to a lien for unpaid monies.

## QLD

- Relocation of vehicles to Slattery's Brisbane premises.
- Liaising with the Company's landlord in relation to office equipment at that premises.

Initial advertising has commenced with auction details appearing on both MGS and Slattery's websites, with auctions commencing on Tuesday, 11 September 2018. The websites will be updated as further details are confirmed:

<https://www.mgs.net.au/>

<https://www.slatteryauctions.com.au/major-civil-pant-mining-clearance-auction>

### 6.4 Trading results/receipts and payments

As outlined at Section 6.2, we continued to trade the business for a period of one week while the HOA sale was pursued. In addition, we have continued to employ a number of staff relating to repatriation of equipment and to assist us with our Administrators' obligations, including reporting to creditors and calculation of employee entitlements. A copy of our receipts and payments for the period 6 August 2018 to 30 August 2018 is attached as **Annexure A** and summarised as follows:

Receipts and payments	Note/Report Ref	Total (exc GST) \$000s
Trading/circulating		
Pre-appointment debtors	5.1.2	975
Sale of rights to continue specified contracts	6.2	60
Labour and equipment recharge	3.4	233
Insurance settlement	Annexure A	6
Travel expenses	Annexure A	(4)
Wages and salaries (net)	Annexure A	(343)
GST payable	Annexure A	23
<b>Net trading position</b>		<b>950</b>
Non-trading/non-circulating		
Security – Dignams Creek assets	Annexure A	(2)
Rent – Regency Park premises	Annexure A	(33)
Insurance	Annexure A	(77)
GST receivable	Annexure A	3
<b>Total non-trading/non-circulating</b>		<b>(109)</b>
<b>Cash at bank as at 30 August 2018</b>		<b>841</b>

We note that we estimate the trading position, including receipts and payments to date (refer above) and costs incurred but still to be paid, to be as follows:

	\$000s
Labour and equipment recharge received	233
Insurance settlement received	6
Travel expenses paid	(4)
Net wages and salaries paid	(343)
PAYG withholding on wages paid	(135)
On costs in relation to wages paid	(130)
Wages and on costs incurred/to be incurred	(32)
Recovery of wages and on costs from plant and equipment proceeds <sup>(1)</sup>	60
Utilities (telephone, electricity and interest)	(40)
Contingency	(10)
<b>Total costs of trading</b>	<b>(395)</b>

(1) Relating to ongoing maintenance and repatriation of plant and equipment



## 7 Statutory investigations

This section provides creditors with information on the preliminary investigations undertaken by the Administrators to date, and whether there have been any potential actions identified that may be pursued by a liquidator, if appointed.

### 7.1 Nature and scope of review

The Act requires an administrator to carry out preliminary investigations into a company's business, property, affairs and financial circumstances.

We reiterate that the investigations are preliminary and have been limited for the following reasons:

- A large volume of transactions requiring processing before up to date financial reports can be produced.
- A lack of detailed reporting in respect of JV projects where that information is provided by the JV partner.
- Incomplete analysis of individual project status.

Investigations centre on transactions entered into by the Company that a liquidator might seek to void or otherwise challenge where the Company is wound up. Investigations allow an administrator to advise creditors what funds might become available to a liquidator such that creditors can properly assess whether to accept a DOCA proposal (if applicable) or resolve to wind up the Company. We have investigated matters to the extent possible in the time available.

A liquidator may recover funds from certain voidable transactions or through other avenues; for example, through action seeking compensation for insolvent trading or breach of director duties. Funds recovered would be available to the general body of unsecured creditors including secured creditors but only to the extent of any shortfall incurred after realising their security.

A deed administrator does not have recourse to voidable transactions.

The Administrators' knowledge of the Company's affairs comes principally from the following sources:

- Discussions with the Directors, their advisors and key staff members.
- The Directors' RATA and questionnaire.
- Management accounts, books and records, board reports and financial statements.
- The Company's internal accounting system.
- Correspondence and discussions with the Company's creditors.
- An independent valuation of the Company's assets.
- Searches obtained from relevant statutory authorities.
- Records maintained by the ATO.
- Publicly available information.

### 7.2 Director and officers' responsibilities

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

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

Based on our investigations to date, we have not identified any offences the Directors may have committed under the provisions of the Act. However, our investigations in respect of any breaches committed by the Directors will continue if the Company is placed into liquidation at the Second Meeting.

### 7.3 Administrators' opinions as to the reasons for failure

The Administrators consider that the underlying causes of the Company's failure include:

- A number of JV projects (including four with international JV partners) placing a strain on the Company's financial position and Director, senior management and administration time;
- An inability to generate increased project margins from revenue growth and to meet the overhead costs associated with the larger business footprint;
- Resultant trading losses of \$14.6 million for FY18 (in addition to losses of \$1.7 million for FY17) culminating in net assets deteriorating from net assets of \$21.2 million as at 30 June 2017 to net assets of \$6.5 million as at 30 June 2018;
- A deterioration of the Company's cash position from an overdraft of \$2.6 million as at 30 June 2017 to an overdraft of \$10.0 million as at the date of our appointment;
- The Company was subject to cash calls in recent months for two JV projects for around \$5 million to \$7 million which could not be met; and
- A dispute with a major client in relation to a \$11.0 million debt which is due to go to arbitration later this year, with that claim being strongly defended by the debtor.

### 7.4 The Company's solvency

In order for a liquidator to recover funds through the voiding of certain transactions or through other legal action, such as seeking compensation from directors for insolvent trading, the Company's insolvency must be established at the relevant time.

There are two primary tests used in determining a company's solvency, at a particular date, namely:

- Balance sheet test; and
- Cash flow or commercial test.

The Courts have widely used the cash flow or commercial test in determining a company's solvency at a particular date along with several other indicators.

We have summarised below the insolvency indicators adopted by the Courts and the ASIC together with our comments in relation to the Company:

Insolvency indicator	Administrators' comments
Endemic shortage of working capital - balance sheet test	
Working capital deficiency	The audited financial statements for FY16 and FY17 indicate the Company had a surplus of current assets over current liabilities of \$10 million and \$3.5 million respectively. The decline in the surplus was largely due to the reclassification of the \$7.8 million DP World debtor from a current to non-current asset. By 31 March 2018 the position had deteriorated to a deficiency of \$14.1 million. Due to the inadequacies in preparation of monthly accounts (particularly the lag in receiving current JV information) the exact timing of the fall into a deficiency is not evident.
Net asset deficiency	The FY17 audited financial statements indicate the Company had net assets of \$21.2 million as at 30 June 2017. The management accounts to 30 June 2018 indicate net assets remained positive at \$6.5 million. However, the FY17 accounts noted material uncertainty related to going concern based on uncertainty in the recoverable value of claims outstanding and receivables.
Ageing of creditors	Aged creditors are summarised as follows:

Insolvency indicator	Administrators' comments
Cash flow difficulties	<p>The Company has had negative cash flows since 30 June 2016 with total cash outflow of \$15 million up to the date of our appointment.</p> <p>In response to the Company's losses and negative cash flows the Directors took the following steps:</p> <ul style="list-style-type: none"> <li>– Engaged in negotiation for the sale of the business as a going concern.</li> <li>– Began planning and implementing reductions in overheads.</li> <li>– Entered into negotiations to exit onerous JV projects on terms more favourable than remaining in those JVs until conclusion of the project.</li> </ul>
Access to alternative sources of finance (including equity capital)	The Company did not actively seek finance from other lenders, or to engage in equity raising initiatives.
Inability to dispose non-core assets	The Company sold \$252,000 in redundant assets to free up working capital in FY18.
Dishonoured payments	A review of the Company's banking records reflect no dishonoured payments.
Overdue Commonwealth and State taxes	The Company had no overdue Commonwealth or State taxes or amounts due for superannuation with the exception of July amounts that were not paid as a consequence of the appointment of administrators.
No forbearance from creditors/legal action threatened or commenced by creditors	We have not become aware of any statutory demands, writs or winding up applications. The Company had not entered into payment plans with any creditors other than in the normal course of business.

## 7.5 Preliminary conclusion as to solvency

In light of the insolvency indicators discussed above, we are of the opinion that the Company may have been insolvent from 31 May 2018. Based on the material uncertainty in the FY17 accounts for outstanding claims and receivables and the trading losses of \$17.2 million to 31 March 2018 (completed in May 2018) it is possible the Company was insolvent from an earlier date. Further investigations are required to determine a date of insolvency due to the lack of project information (particularly for JV projects) in the monthly management accounts.

A liquidator, if appointed, would need to conduct further investigations to ultimately determine whether or not the Company became insolvent at that time or earlier.

## 7.6 Potential liquidator recoveries – insolvent trading

### 7.6.1 Directors' liability

Section 588G of the Act imposes a positive duty upon company directors to prevent insolvent trading. If a director is found guilty of an offence in contravening Section 588G, the Court may order him or her to pay compensation to the company equal to the amount of loss or damage suffered by its creditors.

The Court may also impose upon the directors one of two types of civil penalty orders, the first can include a fine or an order prohibiting the directors from participating in the management of a company. The second, where there is criminal intent and conviction, a director could also be imprisoned for up to five years.

This action is not a right that is available to an administrator or a deed administrator. Applications for compensation payable to the company are usually made by a liquidator, or in specified circumstances, a creditor.

The substantive elements of Section 588G are:

- A person must be a director of a company at a time when the company incurs a debt;
- The company must be insolvent at the time or becomes insolvent by incurring the debt; and
- The director must have reasonable grounds for suspecting that the company is insolvent or would become insolvent.

### **7.6.2 Directors' defences**

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

- The directors 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 directors relied on another competent and reliable person to provide information about whether or not the company was insolvent;
- The directors were ill or for some other good reason did not take part in the management of the company; and
- The directors took reasonable steps to prevent the incurring of debt.

### **7.6.3 Pursuing an insolvent trading claim**

A liquidator must form an opinion as to the date of insolvency and determine the debts incurred from that date; thereby quantifying any loss to the company.

The costs of proceeding with an insolvent trading action (if any) must be considered.

Total trade creditors have increased by \$5.5 million from \$9.4 million as at 31 May 2018 to \$14.9 million as at the date of our appointment. Given the complexity of the Company's business it would be necessary for the future Liquidators to reconstruct the status and circumstances of each creditor's debt (on an individual basis) in order to better determine the amount of any claim for insolvent trading.

The management accounts for the nine months to 31 March 2018 were completed by mid May 2018. Accordingly, the Directors were aware at that time of the magnitude of the Company's losses. Around this time the Company also prepared a cash flow forecast indicating that funding of approximately \$2.2 million was required by June 2018 to maintain payment to creditors. The Directors were also aware of the problems with certain JV and company projects that could potentially cause further losses to be incurred. However, the Directors were actively seeking to exit onerous JV projects.

There is no evidence that the Directors have failed to provide information or failed to authorise the release of information.

The Directors' capacity to meet any claims is discussed in Section 8.8.

### **7.6.4 Holding company liability**

Section 588V of the Act provides that a holding company may be held liable for the debts of a subsidiary in certain circumstances.

The substantive elements of Section 588V are:

- The corporation is the holding company at the time when the company incurs a debt;
- The subsidiary is insolvent at that time, or becomes insolvent by incurring that debt;
- The holding company, or one or more of its directors, is aware at that time that there are grounds for suspecting the subsidiary is insolvent; or
- Having regard to the nature and extent of the holding company's control of the subsidiary's affairs, then it would be reasonable to expect that:
  - The holding company would be aware of the subsidiary's financial position; or
  - The holding company's directors would also be aware of the subsidiary's financial position.

The defences the holding company may rely upon are set out in Section 588X and are essentially the same as those a director may rely upon under Section 588H.

Furthermore, the Courts have held that, as a defence to such proceedings, a holding company can off-set any claim by a liquidator under Section 588W against monies owing under an intercompany loan account.

## **7.7 Adequacy of books and records**

Section 286 of the Act requires a company to keep written financial records that correctly record and explain the company's transactions, financial position and performance and would enable true and fair financial statements to be prepared. The financial records must be retained for a period of seven years after the transactions covered by the records are completed.

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 our review of the books and records received, we are of the opinion that the Company's books and records were maintained in accordance with Section 286 of the Act to 6 August 2018.

## **7.8 Other matters arising from investigations**

### **7.8.1 Falsification of books**

Pursuant to Section 1307 of the Act, it is an offence for a person to engage in conduct that results in the concealment, destruction, mutilation or falsification of any securities of or belonging to the company or any books affecting or relating to affairs of the company.

If a breach is proven, Part 9.4 of the Act provides for criminal penalties only. Therefore, any breaches of Section 1307 will not result in recovery of funds by a liquidator.

Our preliminary investigations do not reveal any evidence of falsification of books.

### **7.8.2 False or misleading statements**

Pursuant to Section 1308 of the Act, a company must not advertise or publish a misleading statement regarding the amount of its capital. It is an offence for a person to make or authorise a statement that, to the person's knowledge is false or misleading in a material particular.

Our preliminary investigations do not reveal any evidence of any false or misleading statements.

### **7.8.3 False information**

Pursuant to Section 1309 of the Act, it is an offence for an officer or employee to make available or give information to a director, auditor, member, debenture holder, or trustee for debenture holders of the company that is to the knowledge of the officer or employee:

- False or misleading in a particular matter; or
- Has omitted from it a matter the omission of which renders the information misleading in a material respect.

Our preliminary investigations do not reveal any evidence of any false information.

## 8 Voidable transactions

This section informs creditors about potential voidable transactions that occurred prior to the appointment of the Administrators, and where the property of the Company was disposed of or dealt with, may be recovered by a liquidator.

A liquidator has the power to void certain transactions which are either not beneficial, or are detrimental, to a company. An administrator must identify any transactions that appear to be voidable by a liquidator.

Enclosed at **Annexure E** is a creditor information sheet published by ARITA. This information sheet details the types of transactions which a liquidator can seek to void, which include:

- Unfair preference payments;
- Uncommercial transactions;
- Unfair loans;
- Unreasonable director related transactions;
- Inappropriate related party transactions
- Creation of circulating security interests within 6 months of commencement of Administration; and
- Transactions for the purpose of defeating creditors

For the purposes of examining voidable transactions, the Liquidator would review transactions that occurred during the relevant time period (as prescribed under the Act), taking into consideration the “relation back day”. The relation back day for the Company is 6 August 2018 being the date the Directors resolved to appoint the Voluntary Administrators as determined by Section 91 of the Act.

### 8.1 Unfair preferences

An unfair preference payment is a transaction, generally occurring in the six months prior to the relation back day, between the company and a creditor, resulting in the creditor receiving from the company, in relation to an unsecured debt owed to the creditor, a greater amount than it would have received in relation to the debt in a winding up of the company. This period is extended up to four years for transactions entered into with a related entity.

A transaction can only be considered an unfair preference if the company was insolvent at the time the transaction took place, or the company became insolvent as a result of the transaction.

Unfair preference payments are voidable against a liquidator, and further investigations will be undertaken in the liquidation to determine the likelihood of action for the recovery of unfair preference payments being successful. We note that successful action for unfair preference payments includes establishing the date of insolvency, and the costs of pursuing an unfair preference payment can sometimes outweigh the potential returns.

There are various defences under the Act that may be available to a party that may have received the benefit of a voidable transaction.

Our review of possible unfair preference payments in the six months prior to our appointment is continuing. However, further investigation is required to determine a date of insolvency and to consider the defences available to creditors receiving payments in order to determine the merits of pursuing recovery from the creditors who may have received potential unfair preference payments.

### 8.2 Uncommercial transactions

An uncommercial transaction is a transaction which a reasonable person in the place of the company would not have entered into, taking into account the benefits and the detriment to the company, the respective benefits to the other parties involved and any other related matters.

A liquidator must investigate transactions deemed to be uncommercial, in the period two years prior to the date of administration.

Based on the books and records in our possession, we have not identified any transactions which would constitute uncommercial transactions. However, a liquidator, if appointed, would need to conduct further investigations following their appointment.

### 8.3 Unfair loans

A liquidator must investigate loans to the company which may be considered unfair due to extortionate interest rates or charges.

Based on the books and records in our possession, we have not identified any transactions which would constitute unfair loans to the Company.

### 8.4 Unreasonable director-related transactions

Section 588FDA of the Act refers to “unreasonable director-related transactions” and requires the liquidator to investigate such transactions, having regard to the detriment to the Company (if any) suffered as a consequence of the transaction.

The transaction must have been unreasonable and entered into during the four years prior to the relation back day, regardless of the solvency at the time the transaction occurred. These can include remuneration, bonuses, loans, loan forgiveness and asset transfers to company officers with the four-year period ending on the relation-back date

Based on the books and records in our possession, we have not identified any transactions which would constitute unreasonable director-related transactions. However, a liquidator, if appointed, would need to conduct further investigations following their appointment.

### 8.5 Voidable charges

A circulating security interest is voidable if the security interest was created during the six months ending on the relation back day, and the security interest was created to secure borrowings that were advanced prior to the creation of the security interest. There are no circulating security interests that were created in the six months ending on the relation back day.

### 8.6 Arrangements to avoid employee entitlements

Part 5.8A of the Act aims to protect the entitlements of a company’s employees from agreements that deliberately defeat the recovery of those entitlements upon insolvency.

Under Section 596AB(1) of the Act, it is an offence for a person to enter into a transaction or relevant agreement with the intention of, or with intentions that include:

- Preventing recovery of employee entitlements; or
- Significantly reducing the amount of employee entitlements recoverable.

We have not identified any contraventions of Part 5.8A of the Act.

### 8.7 Directors’ ability to pay potential Liquidators’ claims

The Administrators’ assessment of the Directors’ financial position has been limited to:

- Searches of the Lands Titles Office in South Australia which has not located any real property held in the names of the Directors.
- A search for the Directors shareholdings on the ASIC database. Those searches revealed the following interests:



<b>Ian Tarbotton</b>	<b>Dominic Viecei</b>
York Properties Pty Ltd	York Properties Pty Ltd
Australian Aged Care & Health (Export Services) Pty Ltd	Australian Aged Care & Health (Export Services) Pty Ltd
Tari No 2 Pty Ltd	
Tari Pty Ltd	
Swan Reach Properties Pty Ltd	

We have not undertaken any investigation into the financial position of any of the entities in which the Directors are shareholders except to note that a search of the LTO in South Australia indicates ownership of the following properties:

<b>Entity</b>	<b>Land Titles Owned</b>
York Properties Pty Ltd	2
Tari No 2 Pty Ltd	3
Tari Pty Ltd	9
Swan Reach Properties Pty Ltd	1

The Company holds a directors and officers insurance policy. We are seeking advice as to whether that policy would respond to a claim for insolvent trading, if any claim was to be brought.

## 8.8 Reports to the ASIC

Section 438D of the Act requires us to lodge a report with the ASIC should we become aware of:

- Any offences committed by a past or present officer of the Company;
- Evidence that money or property has been misapplied or retained;
- Evidence that a party is guilty of negligence, default, breach of duty or breach of trust in relation to the Company.

At this stage, we have not identified any offences that require reporting to the ASIC pursuant to Section 438D of the Act.

## 9 Return to creditors

This section provides creditors with information on the estimated financial outcome to creditors.

### 9.1 Return to creditors

At the date of this Report, no proposal had been received for a DOCA. Accordingly, the table below sets out an estimated High and Low in a liquidation scenario:

\$000s	Note/ Report Ref	Liquidators' ERV	
		High	Low
Circulating assets			
Cash and cash equivalents	5.1.1	3	3
Trade debtors	5.1.2	Unknown	975
Inventory/Work In Progress	5.1.3	40	20
Less: PMSI claims	3.7 / 5.1.9	-	(10)
Interests in JV's	5.1.5	Unknown	-
Other assets	5.1.6	Unknown	-
Sale of rights to continue specified contracts per ASA	6.2	Unknown	60
Costs of trading	6.4	(375)	(395)
Administrators' fees and disbursements			
- 6 August 2018 to 24 August 2018	2.8	(296)	(296)
- 25 August 2018 to 10 September 2018	2.8	(150)	(175)
Liquidators' fees and disbursements to 31 December 2018	2.8	(250)	(300)
Legal fees to 31 December 2018		(70)	(90)
Other professional costs (Creditors Meeting, public relations, etc)		(70)	(90)
Net proceeds from circulating assets		Unknown	(298)
Less: Priority employee entitlements	5.1.8	(7,221)	(7,221)
Funds available to the Bank from circulating assets		Unknown	Nil
Non-circulating assets			
Plant and equipment	5.1.4	12,500	6,778
Less: Direct costs of realisation (valuation, advertising costs, auctioneers commission, transport costs, insurance, security, etc)		(920)	(790)
Less: Administrators' fees and disbursements			
- 6 August 2018 to 24 August 2018	2.8	(204)	(204)
- 25 August 2018 to 10 September 2018	2.8	(50)	(75)
Less: Liquidators' fees and disbursements to 31 December 2018	2.8	(50)	(100)
Less: Legal fees to 31 December 2018		(80)	(100)

\$000s	Note/ Report Ref	Liquidators' ERV	
		High	Low
Less: Bank debt	3.7	(16,327)	(20,549)
<b>Shortfall to the Bank from non-circulating assets</b>		<b>(5,131)</b>	<b>(15,040)</b>
<b>Estimated circulating assets available for unsecured creditors</b>		<b>Unknown</b>	<b>Nil</b>
Add: potential voidable transactions		Unknown	Unknown
<b>Estimated funds available to unsecured creditors</b>		<b>Unknown</b>	<b>Nil</b>

The above calculation is an estimate only. The return to unsecured creditors (including employee priorities) will depend upon:

- The recovery from the Company's pre-appointment debtors/progress claims;
- The outcome of the arbitration process with a major client for an \$11.0 million disputed debt;
- The extent of statutory recoveries from claims identified in a liquidation, including unfair preferences and insolvent trading (if any);
- Changes in the estimated realisation costs resulting from issues not presently known;
- The final amount claimed by unsecured creditors once any shortfall to the Bank (after realising the plant and equipment) is crystallised, the extent of bank guarantees called by the Company's customers is known and proof of debt forms are received and adjudicated upon (including contingent claims).

## 10 Statement by Administrators

As no DOCA has been proposed at the date of this Report, we recommend that it would be in creditors' best interests that the Company be wound up (liquidation).

Pursuant to IPR 75-225(3)(b), we are required to provide creditors with a statement setting out our opinion on whether it is in creditors' interests for the:

- That the Company should execute a DOCA (should a DOCA be proposed); or
- That the administration should end and control of the Company revert back to its directors; or
- That the Company should be wound up.

Each of these options is considered below. In forming our opinion, it is necessary to consider an estimate of the dividend creditors might expect and the likely costs under each option.

### 10.1 DOCA

As no DOCA has been proposed at this point in time, this option is not available to creditors.

### 10.2 Administration to End

The Company is insolvent and unable to pay its debts as and when they fall due. Accordingly, returning control of the Company to its Directors would be inappropriate and is not recommended.

### 10.3 Winding up of the Company

**In the absence of a DOCA proposal, it is our opinion that the Company should be placed into liquidation.**

The Liquidators would be in a position to conduct detailed investigations into the conduct of the Directors and the financial affairs of the Company. The Liquidators would also be empowered to:

- Complete the sale of the plant and equipment assets in an orderly manner;
- Assist employees in applying for FEG for the payment of certain employee entitlements that cannot otherwise be funded by the Company;
- Determine the final debtor positions and the Company's interest in its contracts (including JVs);
- Finalise investigations into any potential recoveries under the Act;
- Pursue any potential recoveries identified and make any distributions in accordance with the priority provisions of the Act; and
- Report to the ASIC on the results of investigations into the Company's affairs.

## 11 Further information and enquiries

The ASIC has released several insolvency information sheets to assist creditors, employees and shareholders with their understanding of the insolvency process. You can access the relevant ASIC information sheets at [www.asic.gov.au](http://www.asic.gov.au).

We will advise creditors in writing of any additional matter that comes to our attention after the release of this Report, which in our view is material to creditors' consideration.

Questions relating to the administration should be directed by telephone to Link Market Services on 1300 420 208 or via email to [yorkcivil@linkmarketservices.com.au](mailto:yorkcivil@linkmarketservices.com.au).

Dated this 30th day of August 2018

Handwritten signatures of MD Lewis and TD Mablesen in black ink.

**MD Lewis and TD Mablesen**  
Joint and Several Administrators





**Receipts and Payments Summary By Account: YO6002 York Civil - ACN 050 019 960 Pty Ltd**

Bank, Cash and Cash Investment Accounts: All Dates (Gross Method)

Type	Account	GST	Total
<b>TRADING RECEIPTS</b>			
	Insurance Settlement		6,384.65
	Labour and Equipment Recharge	23,334.69	256,681.59
		23,334.69	263,066.24
<b>TRADING PAYMENTS</b>			
	After Tax Deductions: Child Support		144.68
	After Tax Deductions: Extra Tax		229.00
	After Tax Deductions: Novated Lease		854.18
	After Tax Deductions: Super		40.00
	Before Tax Allowances: Workcover Recovery		82.17
	Before Tax Deductions: Novated Lease		539.58
	Before Tax Deductions: Salary Sacrifice Super		640.00
	Wages & Salaries: RDO Accrual		3,088.16
	After Tax Allowances: Living Away		(2,014.28)
	After Tax Allowances: Meals		(510.00)
	Before Tax Allowances: Car		(9,661.51)
	Before Tax Allowances: Fares/Transport		(3,554.00)
	Before Tax Allowances: First Aid		(42.00)
	Before Tax Allowances: Night Shift		(2,258.74)
	Before Tax Allowances: Site Allowance		(9,248.82)
	Employee Reimbursement	(11.78)	(129.60)
	PAYG Control (Trading): PAYG Withheld		135,322.49
	Postage	(48.05)	(528.60)
	Superannuation		(44,890.03)
	Superannuation Control (Trading): Superannuation Withheld		44,890.03
	Travel Expense	(360.04)	(3,960.56)
	Travel Expense: Accommodation	(122.91)	(1,352.00)
	Travel Expense: Booking Fees	(5.94)	(65.34)
	Wages & Salaries: Annual Leave		(8,557.70)
	Wages & Salaries: Double		(4,844.87)
	Wages & Salaries: Normal		(431,347.74)
	Wages & Salaries: Other Hours		(1,565.58)
	Wages & Salaries: Time & Half		(10,167.12)
		(548.72)	(348,868.20)
	Net Trading Receipts and Payments	22,785.97	(85,801.96)
<b>NON-TRADING RECEIPTS</b>			
	Accounts Receivable (Pre-Appointment)		975,305.45
	Other Current Assets	6,000.00	66,000.00
	Petty Cash		41.45
		6,000.00	1,041,346.90
<b>NON-TRADING PAYMENTS</b>			
	ASIC Fees		(40.00)
	Insurance		(77,002.11)
	Rent (for Auction)	(3,318.18)	(36,500.00)
	Security Services		(1,872.40)
		(3,318.18)	(115,414.51)
	Net Non-Trading Receipts and Payments	2,681.82	925,932.39
	Net Receipts (Payments)	25,467.79	840,130.43



## B – Notice of meeting of creditors

### Notice of meeting of creditors

*Insolvency Practice Rules (Corporations) 2016 (IPR), Section 75-225*

**ACN 050 019 960 Pty Ltd (Administrators Appointed) (the Company)**

**ACN 050 019 960**

**Formerly York Civil Pty Ltd**

NOTICE is given that a meeting of creditors of the Company will be held on Monday, 10 September 2018 at 2:00pm (ACST) at the Hilton Adelaide (Victoria Room, Ground Floor), 233 Victoria Square, Adelaide SA 5000.

### Agenda

1. To consider a Statement by the Directors about the Company's business, property, affairs and financial circumstances.
2. To consider the circumstances leading to the appointment of the Administrators to the Company and the various options available to creditors.
3. To consider the report of the Administrators.
4. To consider and if thought appropriate approve a resolution:  
  
*"That the remuneration of the Administrators, as set out in the Remuneration Approval Request dated 30 August 2018, for the period from 25 August 2018 to 10 September 2018 inclusive be fixed and may be paid up to a maximum amount of \$250,000.00, plus any applicable GST, but if the actual remuneration amount incurred is less than the maximum amount then the lesser amount will be charged."*
5. To resolve that:
  - The Administration should end (and control of the Company revert back to its Directors); or
  - The ACN 050 019 960 Pty Ltd (Administrators Appointed) (formerly York Civil Pty Ltd) be wound up.
6. To consider and if thought appropriate approve a resolution:  
  
*"That the future remuneration of the Liquidators, as set out in the Remuneration Approval Request dated 30 August 2018, for the period from commencement of the liquidation to 31 December 2018 be fixed up to a maximum amount of \$400,000.00, plus any applicable GST, but subject to upward revision by resolution of creditors, or the Committee of Inspection should one be appointed, and that the Liquidators be authorised to make periodic payments on account of such accruing remuneration as incurred."*
7. To consider and if thought appropriate approve a resolution:  
  
*"That the future internal disbursements (excluding the disbursements recovered at cost) of the Liquidators, as set out in the Remuneration Approval Request dated 30 August 2018, for the period from commencement of the liquidation to 31 December 2018 be fixed in the amount of \$625.00, plus any applicable GST, and may be paid."*
8. If it is resolved that the Company be wound up, consider whether a Committee of Inspection is to be appointed, and if so, the members of that Committee.
9. Any other business that may be lawfully brought forward.

For a person to be eligible to attend and vote at the meeting on your behalf, a Form 532, Appointment of proxy, is to be completed and submitted by no later than 11:00am on Friday, 7 September 2018, to:

Link Market Services Limited  
PO Box 3184, Rhodes NSW 2138  
Facsimile: +61 2 9287 0309  
Client Code: YCPI  
Email: yorkcivil@linkmarketservices.com.au  
Creditor Queries: +61 1300 420 208

*Note:*

*A company may only be represented by proxy or by an attorney appointed pursuant to IPR Sections 75-25 and 75-150 or, by a representative appointed under Section 250D of the Act.*

Dated this 30<sup>th</sup> day of August 2018

Two handwritten signatures in black ink. The first signature on the left is 'MD Lewis' and the second signature on the right is 'TD Mableson'.

**MD Lewis and TD Mableson**  
Joint and Several Voluntary Administrators

Note: In accordance with IPR Section 75-15(1)(c) please see effect of IPR Section 75-85 Entitlement to vote at meetings of creditors on the following page.

## Effect of IPR Section 75-85 – Entitlement to vote at meetings of creditors

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; andthe person is not an insolvent under administration or a person against whom a winding up order is in force.

## **C – Declaration of independence, relevant relationships and indemnities**

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**Ferrier  
Hodgson**

*Corporations Act 2001  
Sections 436DA, 449CA*

**York Civil Pty Ltd (Administrators Appointed) (the Company)**  
**ACN 050 019 960**

**Declaration of Independence, Relevant Relationships and Indemnities**

This document requires the practitioner(s) appointed to an insolvent entity to make declarations as to:

- A. Their independence generally;
- B. Relationships, including
  - (i) The circumstances of the appointment;
  - (ii) Any relationships with the Company and others within the previous two years;
  - (iii) Any prior professional services for the Company within the previous two years;
  - (iv) That there are no other relationships to declare; and
- C. Any indemnities given or upfront payments made to the practitioner(s).

This declaration is made in respect of ourselves, our partners, and entities in connection with Ferrier Hodgson (including Azurium, DealDocs, Ferrier Hodgson Corporate Advisory, Ferrier Hodgson Forensics, Ferrier Hodgson Management Consulting, National Consulting Group, SecuriSearch and Shield Docs) (collectively **Ferrier Hodgson**).

**A. Declaration of independence**

We, Martin David Lewis and Timothy David Mableson, and Ferrier Hodgson, have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as Joint and Several Voluntary Administrators of the Company in accordance with the Corporations Act 2001 (Cth) (**the Act**), the Australian Restructuring Insolvency & Turnaround Association (**ARITA**) Code of Professional Practice (**the Code**) and applicable professional standards. This assessment identified no real or potential risks to our independence. We are not aware of any reasons that would prevent us from accepting this appointment.

**B. Declaration of relationships**

- (i) Circumstances of appointment

This appointment was referred to us by Mansueto Legal on behalf of the Directors of the Company.

We believe that this relationship does not result in a conflict of interest or duty because referrals from solicitors, business advisors and accountants are commonplace and do not impact on our independence in carrying out our duties as Joint and Several Voluntary Administrators.

Prior to our appointment we had two meetings with the Company on 27 July 2018 and 5 August 2018, attended by the two Directors and Ray Mansueto of Mansueto Legal, for the purpose of explaining the various options available to the Company and the nature and consequences of an insolvency appointment.

We received no remuneration for our attendance at these meetings.

These meetings do not affect our independence for the following reasons:

- Ferrier Hodgson's input was limited to assessing the Company's financial position, the consequences of insolvency and restructuring options.
- Ferrier Hodgson's input was directed to the Company only. We did not advise the Directors personally or others.
- The Courts and the Code specifically recognise the need for practitioners to discuss the insolvency process and the options available and do not consider that such discussions result in a conflict or an impediment to accepting the appointment.
- The nature of the discussions is such that it would not be subject to review and challenge during the administration.
- The pre-appointment discussions will not influence our ability to fully comply with the statutory and fiduciary obligations associated with the administration in an objective and impartial manner.

We have provided no other information or advice to the Company, its Directors and its advisors prior to our appointment beyond that outlined in this DIRRI.

(ii) Relevant relationships (excluding professional services to the Company)

We, or Ferrier Hodgson, have had **within** the preceding two years, a relationship with BankSA, a division of Westpac Banking Corporation (**Westpac**), who holds a security interest on the whole of or substantially the whole of the Company's property as follows:

Name	Nature of relationship	Reasons why we believe that this relationship is not an impediment or conflict of interest or duty
Westpac	From time to time, Ferrier Hodgson undertakes assignments for various financiers including Westpac.	<p>Ferrier Hodgson has undertaken work for Westpac in respect of the Company (see comments at (iii) below).</p> <p>The work that Ferrier Hodgson undertakes for Westpac, including the work below, will not influence our ability to fully comply with the statutory and fiduciary obligations associated with the Company's administration in an objective and impartial manner.</p>

(iii) Prior professional services

We, or Ferrier Hodgson, have undertaken the following engagement prior to the acceptance of this appointment as follows:

Name	Nature of relationship	Reasons why we believe that this relationship is not an impediment or conflict of interest or duty
Westpac	Ferrier Hodgson prepared an Independent Business Review ( <b>the Review</b> ) for Westpac.	We believe that this relationship does not result in a conflict of interest or duty because:

Name	Nature of relationship	Reasons why we believe that this relationship is not an impediment or conflict of interest or duty
	<p>The purpose of the Review was to report to Westpac on various aspects of the Company as required by Westpac.</p> <p>The engagement lasted approximately 2 months and was completed on 6 June 2018. Ferrier Hodgson was paid \$60,000 (excluding GST) for the Review.</p>	<ul style="list-style-type: none"> <li>- The Review did not provide any advice to the Company.</li> <li>- The ARITA Code does not prohibit practitioners who have undertaken a review for a financier later accepting an appointment as voluntary administrators.</li> <li>- The Review does not influence our ability to comply with the statutory obligations associated with the voluntary administration of the Company in an orderly and impartial matter.</li> </ul>

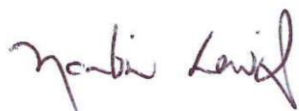
(iii) No other relevant relationships to disclose

Other than as detailed above, there are no other known relevant relationships, including personal, business and professional relationships, within the previous two years with the Company, an associate of the Company, a former insolvency practitioner appointed to the Company or any person or entity that has a security interest on the whole of or substantially the whole of the Company's property that should be disclosed.

### C. Indemnities and up-front payments

We have not been indemnified in relation to this administration, other than any indemnities that we may be entitled to under statute and we have not received any upfront payments in respect of our remuneration or disbursements.

Dated this 7<sup>th</sup> day of August 2018



**MD Lewis**  
Joint and Several Voluntary Administrator



**TD Mablesen**  
Joint and Several Voluntary Administrator

### Note:

*If circumstances change, or new information is identified, we are required under Subsection 436DA(5) and 449CA(5) of the Act and the Code to update this declaration and provide a copy to creditors with our next communication as well as table a copy of any replacement declaration at the next meeting of the Company's creditors.*

*Any relationships, indemnities or up-front payments disclosed in the declaration must not be such that the practitioner is no longer independent. The purpose of components B and C of the declaration is to disclose relationships that, while they do not result in the practitioner having a conflict of interest or duty, ensure that creditors are aware of those relationships and understand why the practitioner nevertheless remains independent.*

## D – Remuneration approval request

*Schedule 2 to the Corporations Act 2001, Section 70-50  
Insolvency Practice Rules (Corporations) 2016, Section 70-45*

**ACN 050 019 960 Pty Ltd (Administrators Appointed) (formerly York Civil Pty Ltd)**  
**ACN 050 019 960 Pty Ltd (the Company)**

### Remuneration Approval Request

This report contains the following information:

- Part 1: Declaration
- Part 2: Executive summary
- Part 3: Resolutions
- Part 4: Remuneration
- Part 5: Disbursements
- Part 6: Report on progress of the administration
- Part 7: Summary of receipts and payments
- Part 8: Approval of remuneration and internal disbursements
- Part 9: Questions
- Schedule A: Resolution 1 details
- Schedule B: Resolution 2 details

Next steps for creditors:

- Please review the contents of this report, which sets out the resolutions that approval will be sought from creditors at the second meeting of creditors to be held on 10 September 2018.
- Refer to Section 2.7 of the Voluntary Administrators' Report dated 30 August 2018 for details as to how you can attend the second meeting of creditors in person or by proxy to vote on the resolutions contained in this report.

## 1 Declaration

We, Martin David Lewis and Timothy David Mableson, of Ferrier Hodgson, have undertaken a proper assessment of this remuneration claim for our appointment as Joint and Several Voluntary Administrators (**Administrators**) of the Company in accordance with the Corporations Act 2001 (Cth) (**the Act**), the Australian Restructuring Insolvency & Turnaround Association (**ARITA**) Code of Professional Practice (**the Code**) and applicable professional standards.

We are satisfied that the remuneration claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of the administration.

## 2 Executive summary

### 2.1 Summary of remuneration approval sought for the Company

To date, remuneration totalling \$500,466.00 (excluding GST) for the period from 6 August 2018 to 24 August 2018 inclusive was approved by the Committee of Inspection (**COI**) at a meeting held on 29 August 2018. No remuneration has been paid in the administration of the Company at the date of this report.

This report details approval sought for the following remuneration:



Period	Amount (excl. GST) \$
<b>Voluntary administration</b>	
<i>Resolution 1: 25 August 2018 – 10 September 2018 inclusive*</i>	250,000.00
<b>Total approval sought – voluntary administration</b>	<b>250,000.00</b>
<b>Future Liquidation</b>	
<i>Resolution 4: Commencement of the liquidation to 31 December 2018**</i>	400,000.00
<b>Total approval sought – future liquidation</b>	<b>400,000.00</b>

\* This resolution is for a maximum amount, however, if the actual remuneration for the period specified is less than the maximum amount then payment is limited to the lesser actual amount.

\*\* Approval for the future remuneration sought is based on an estimate of the work considered necessary in the liquidation for the period specified. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors or the COI (if a COI in the liquidation is formed).

Please refer to Part 4 for details of the calculation and composition of the remuneration approval being sought.

## 2.2 Summary of disbursement approval sought for the Company

To date, internal disbursements totalling \$625.00 (excluding GST) for the period of the voluntary administration from 6 August 2018 to 10 September 2018 inclusive have been approved by the COI. No disbursements have been paid in the administration of the Company at the date of this report.

This report details approval sought for the following internal disbursements:

Period	Amount (excl. GST) \$
<b>Future Liquidation</b>	
<i>Resolution 5: Commencement of the liquidation to 31 December 2018</i>	625.00
<b>Total internal disbursements approval sought – future liquidation</b>	<b>625.00</b>

Please refer to Part 5 for details of the calculation and composition of the internal disbursements approval being sought.

## 3 Resolutions

We will be seeking approval at the Second Meeting of Creditors of the following resolutions with respect to our remuneration and disbursements. Details to support these resolutions are included in Parts 4 and 5.

### First remuneration resolution (Resolution 1):

"That the remuneration of the Administrators, as set out in the Remuneration Approval Request dated 30 August 2018, for the period from 25 August 2018 to 10 September 2018 inclusive be fixed and may be paid up to a maximum amount of \$250,000.00, plus any applicable GST, but if the actual remuneration amount incurred is less than the maximum amount then the lesser amount will be charged."

### Second remuneration resolution (Resolution 4):

"That the remuneration of the Liquidators, as set out in the Remuneration Approval Request dated 30 August 2018, for the period from commencement of the liquidation to 31 December 2018 be fixed up to a maximum amount of \$400,000.00, plus any applicable GST, but subject to upward revision by resolution of creditors, or the Committee of Inspection should one be appointed, and that the Liquidators be authorised to make periodic payments on account of such accruing remuneration as incurred."

### Disbursement resolution (Resolution 5):

"That the future internal disbursements (excluding the disbursements recovered at cost) of the Liquidators, as set out in the Remuneration Approval Request dated 30 August 2018, for the period from commencement of the liquidation to 31 December 2018 be fixed in the amount of \$625.00, plus any applicable GST, and may be paid."

## 4 Remuneration

The basis of calculating the remuneration claims are set out below, including the details of the major tasks performed and the costs associated with each of those major tasks.

### 4.1.1 Resolution 1: 25 August 2018 to 10 September 2018 inclusive

The below table sets out the expected costs for the major tasks performed or to be performed by the Administrators and their staff for the period 25 August 2018 to 10 September 2018 inclusive. Please refer to Schedule A for further details with respect to the tasks.

Task	Hours	Amount (excl. GST) \$
Assets	250	105,000.00
Creditors	200	80,000.00
Employees	20	7,500.00
Trade on	50	20,000.00
Investigation	50	20,000.00
Administration	30	10,000.00
Forensic IT	20	7,500.00
<b>Total</b>	<b>620</b>	<b>250,000.00</b>

It should be noted that whilst the estimated fee for this period is \$250,000.00 (excluding GST) the actual fee drawn will be limited to the actual work undertaken by the Administrators and their staff at the hourly rates contained in the Circular to Creditors dated 7 August 2018.

### 4.1.2 Resolution 4: Commencement of the liquidation to 31 December 2018 inclusive

The below table sets out the expected costs for the major tasks likely to be performed by the future Liquidators and their staff for the period from commencement of the liquidation to 31 December 2018 inclusive. Please refer to Schedule B for further details with respect to the tasks.

Task	Hours	Amount (excl. GST) \$
Assets	475	192,500.00
Creditors	100	40,000.00
Employees	100	40,000.00
Trade on	15	5,000.00
Investigation	250	100,000.00
Administration	40	15,000.00
Forensic IT	20	7,500.00
<b>Total</b>	<b>1,000</b>	<b>400,000.00</b>

## 4.2 Total remuneration reconciliation

### 4.2.1 Comparison between current total and previous estimates

We provide the following comments with respect to the current remuneration approval sought as compared to the estimate of costs provided to creditors in our Initial Remuneration Notice dated 7 August 2018:

- The remuneration estimate provided in our Initial Remuneration Notice was “at least \$400,000 (excluding GST)”. This estimate could not contemplate all possible scenarios that could result from an insolvency process;
- A major component of the remuneration incurred involved the time spent negotiating with an ASX listed party with which the Company had signed a non-binding Heads of Agreement (HOA) prior to our appointment. The initial HOA contemplated a going concern sale including the purchase of all Company plant and equipment, certain projects (subject to client consents) and the potential employment of approximately half of the Company’s workforce. However, as negotiations progressed the structure of the HOA offer changed several times;

- The Company's ongoing operations had to be managed appropriately to facilitate the requirements of the original HOA and variations thereto;
- When the HOA party advised that its revised offer would no longer include offering employment to any employees whatsoever, it became apparent that a going concern sale was no longer achievable. As a result of this and the lack of available cash resources to continue trading, the business operations had to immediately cease, and our staff were required to manage the shut-down process. This included the closure of all remaining project sites, the securing and relocation of all plant and equipment Australia wide and the staged retrenchment of the workforce. This was not contemplated in our original estimate as our primary objective was to achieve a going concern sale; and
- Following the withdrawal of the going concern sale proposal, the HOA party submitted a further offer for certain assets only which required our staff to undertake substantial work to facilitate, negotiate and conclude a sale agreement.

#### **4.2.2 Future remuneration requests**

In preparing this report, we have made our best estimate of what we believe the future liquidation will cost to 31 December 2018. However, should the liquidation not proceed as expected, we will advise creditors or the COI (if appointed) and we may seek approval of further remuneration and provide details as to why the remuneration has changed. Matters which may affect the progress and the cost of the liquidation include:

- The amount of work required to obtain the required consents and complete the transfer of certain contracts to the HOA party;
- The extent to which PPSR claims are received and dealt with in the liquidation;
- The amount of time required to attempt recovery of the Company's debtors and JV debtors/interest, especially where counterclaims are raised with respect to disputes and damages and whether litigation is required to resolve same; and
- The extent to which further investigations are undertaken to identify claims in the liquidation and actions taken thereafter to pursue such claims (which may involve litigation).

#### **4.3 Likely impact on dividends**

The work for which the Administrators and future Liquidators are requesting remuneration is both necessary and unavoidable to ensure that the voluntary administration and future liquidation of the Company is properly conducted.

The Administrators' and future Liquidators' remuneration and disbursements are afforded a priority under the Corporations Act which ranks ahead of the payment of unsecured creditors (including employee entitlements) and, by virtue of this priority, will therefore impact the extent to which dividends are paid to unsecured creditors, if any.

## **5 Disbursements**

### **5.1 Types of disbursements**

Disbursements are divided into three types:

- Externally provided professional services. These are recovered at cost. An example is legal fees.
- Externally provided non-professional costs such as travel, accommodation and search fees. These disbursements are recovered at cost.

- Internal disbursements such as photocopying, printing and postage. These disbursements, if charged to the administration, would generally be charged at cost; although if a data room is utilised, which is not envisaged in this administration, the fee will comprise an initial setup fee and then a fee based on the duration and size of the data room or the number of users per month. Certain services provided by Ferrier Hodgson may require the processing of electronically stored information into specialist review platforms. Where these specialist resources are utilised, the fee will be based on units (e.g. number of computers), size (e.g. per gigabyte) and/or period of time (e.g. period of hosting). The relevant rates for internal disbursements are set out below:

Disbursement type	Charges (excl GST)
Advertising	At cost
ASIC industry funding model levy – metric events	\$125 per ASIC event
Couriers	At cost
Data room set-up	\$450.00
Data room hosting – Option A	Variable
Data room hosting – Option B (incl. 100GB of data)	\$84.95 per user per month
eDiscovery services	Variable
Photocopying / printing (colour)	\$0.50 per page
Photocopying / printing (mono)	\$0.20 per page
Photocopying / printing (outsourced)	At cost
Postage	At cost
Searches	At cost
Staff travel reimbursement	Up to \$100/day
Staff vehicle use	At prescribed ATO rates
Storage and storage transit	At cost
Telephone calls	At cost

*Note: Above rates are applicable for the financial year ending 30 June 2019. Disbursements charged at cost do not require creditor approval.*

## 5.2 Disbursements paid from the administration to Ferrier Hodgson to date

There have been no disbursements paid from the administration to Ferrier Hodgson to the date of this report. Future disbursements provided by Ferrier Hodgson will be charged to the administration and future liquidation on the same basis as the table in Part 5.1.

## 5.3 ASIC metric events

The ASIC industry funding model charges insolvency practitioners a fee for each ASIC metric event. ASIC has estimated that each metric event will cost approximately \$125, however, the actual cost is unknown until the invoices are calculated by ASIC at a later stage. The COI approved five ASIC metric events totalling \$625 for the voluntary administration period at the COI meeting on 29 August 2018. There may be a further five ASIC metric events between the commencement of the liquidation to 31 December 2018 in this matter. Accordingly, we are requesting that creditors approve the payment of a further five metric events based on ASIC's estimated cost of same.

## 5.4 ASIC metric events disbursement claim

Approval for the payment of five ASIC metric events (at \$125 each) for the period from the commencement of the liquidation to 31 December 2018 is being sought as follows:

Prospective internal disbursements	Basis	Total (excl GST) \$
ASIC metric events	5 ASIC metric events at \$125 each	625.00
<b>Total</b>		<b>625.00</b>

## 6 Report on progress of the administration

The Remuneration Approval Request must be read in conjunction with the Voluntary Administrators' Report to creditors dated 30 August 2018 which outlines the progress of the administration.

## 7 Summary of receipts and payments

A summary of receipts and payments for the period 6 August 2018 to 30 August 2018 is set out in **Annexure A** of the Voluntary Administrators' Report to creditors dated 30 August 2018.

## 8 Approval of remuneration and internal disbursements

For information about how approval of the resolutions for remuneration and internal disbursements will be sought, refer to Section 2.8 of the Voluntary Administrators' Report dated 30 August 2018.

## 9 Questions

If you require further information in respect of the above, or have other questions, please contact our office on 08 8100 7600.

The partners of Ferrier Hodgson are members of ARITA. Ferrier Hodgson follows the Code. A copy of the Code may be found on the ARITA website at [www.arita.com.au](http://www.arita.com.au).

An information sheet concerning approval of remuneration in external administrations can also be obtained from the Australian Securities & Investments Commission website at [www.asic.gov.au](http://www.asic.gov.au).

Dated this 30<sup>th</sup> day of August 2018



**MD Lewis & TD Mables**  
Joint & Several Voluntary Administrators

# **Schedule A – Resolution 1**

The below table contains a detailed description of the tasks performed or to be performed by the Administrators and their staff for the period from 25 August 2018 to 10 September 2018 inclusive or to be performed:

Task area	General description	Includes
<b>Assets</b>	Plant and equipment	<ul style="list-style-type: none"> <li>– Arranging the collection of motor vehicles and minor assets from the Company's former employees.</li> <li>– Liaising with Mason Gray Strange auctioneers and valuers (MGS) and Slattery Auctions and Valuations (Slatterys) to discuss the auction process and issuing detailed instructions to MGS and Slatterys with respect to same.</li> <li>– Ongoing correspondence with Slatterys and MGS regarding the collection and securing of the Company's assets.</li> <li>– Ongoing liaison with the Company's "plant team" staff regarding the identification and recovery of assets to assist with PPSR enquiries and preparation for auctions.</li> </ul>
		<ul style="list-style-type: none"> <li>– Managing auction advertising.</li> <li>– Engaging MGS and Slatterys to prepare plant hazard reports with respect to the Company's plant and equipment to be auctioned.</li> </ul>
		<ul style="list-style-type: none"> <li>– Discussing on-site equipment auctions with MGS and Slatterys and considering the logistics of same.</li> <li>– Liaising with the landlords in relation to on-site auctions and negotiating the holding of same.</li> </ul>
		<ul style="list-style-type: none"> <li>– Arranging for the realisation of office equipment with MGS and Slatterys and managing and negotiating fixture claims from landlords.</li> <li>– Preparing for multiple auctions.</li> </ul>
	Stock	<ul style="list-style-type: none"> <li>– Reviewing asset listings and isolating any items which constitute stock for the purpose of quarantining circulating asset proceeds.</li> </ul>
	Debtors and WIP	<ul style="list-style-type: none"> <li>– Issuing letters of demand to debtors and monitoring responses.</li> <li>– Conducting further reviews of related party debtors.</li> <li>– Reviewing the Company's debtor position with respect to Company and JV projects and correspondence with respect to same.</li> </ul>

Task area	General description	Includes
		<ul style="list-style-type: none"> <li>– Liaising with the Company's pre-appointment solicitor regarding recovery actions where relevant.</li> <li>– Receipting payments from debtors and accounting for same.</li> <li>– Arranging for debtor dispute information and purported set off claims for damages, etc to be provided to our lawyers for review.</li> <li>– Review of Company records for the purpose of considering any dispute or purported damages claims and discussions with the Company Directors and relevant senior management regarding same.</li> </ul>
	Other assets (includes a sale to the HOA party on terms different to HOA)	<ul style="list-style-type: none"> <li>– Correspondence with the HOA party in relation to the projects specified in the ASA.</li> <li>– Correspondence with the various clients of the projects subject to the ASA.</li> <li>– Assessing requirements for the storage, maintenance and delivery to clients of books and records relating to projects subject to the ASA and attending to the provision of same.</li> <li>– Reviewing pre-appointment insurance claims and discussing same with Arthur J Gallagher (AJG) insurance brokers.</li> <li>– Correspondence with clients holding bank guarantees and performance bonds regarding status of same and demanding the return where applicable.</li> </ul>
<b>Creditors</b>  <b>200 hours</b> <b>\$80,000.00</b> <b>(excl GST)</b>	Creditor enquiries, requests and directions	<ul style="list-style-type: none"> <li>– Directing creditor enquiries to Link Market Services (Link) where possible and dealing with other creditor enquiries as required.</li> <li>– Handling other creditor enquiries as received and providing creditors with information where requested to do so.</li> <li>– Discussing state taxation issues with state government bodies and internally.</li> <li>– Liaising with Link with respect to ongoing creditor queries, correspondence, proofs of debt and proxies.</li> <li>– Liaising with credit insurers in respect of creditor claims.</li> </ul>
	PPSR and retention of title claims	<ul style="list-style-type: none"> <li>– Correspondence with PPSR creditors and non-PPSR asset lessors.</li> </ul>

Task area	General description	Includes
		<ul style="list-style-type: none"> <li>– Maintaining a register of PPSR creditors, their responses to the Administrators' correspondence, and discharge statements received.</li> <li>– Considering claims to title of assets not subject to registered security interests and corresponding with respective creditors' solicitors regarding same.</li> <li>– Conducting detailed reviews of PPSR claims and completing internal checklists with respect to same.</li> <li>– Considering requests from third-party asset holders to collect assets.</li> <li>– Making arrangements for the collection of certain assets where security interests have been assessed as valid.</li> </ul>
	Secured creditor reporting	<ul style="list-style-type: none"> <li>– Correspondence with the Bank generally and as required.</li> </ul>
	Creditor reports	<ul style="list-style-type: none"> <li>– Preparing the Voluntary Administrators' Report (the VA Report) to creditors.</li> <li>– Reviewing various company records for the purpose of the VA Report.</li> <li>– Finalising the VA Report, including collating necessary documents and records and ensuring that all necessary and relevant information to that date is provided to creditors.</li> <li>– Issuing the VA Report to creditors to Link and creditors via an email 'blast'.</li> <li>– Uploading the VA Report to the Ferrier Hodgson website and lodgement at ASIC.</li> <li>– Preparing a circular to creditors regarding the VA Report and notice of second meeting of creditors.</li> </ul>
	Dealing with proofs of debt	<ul style="list-style-type: none"> <li>– Providing Link with proofs of debt received to ensure all proofs of debt are accounted for, especially for the second meeting of creditors.</li> <li>– Reviewing proofs of debt and proxies with respect to voting at the second meeting of creditors.</li> </ul>



Task area	General description	Includes
		<ul style="list-style-type: none"> <li>Assessing contingent claims received for the purpose of voting at the second meeting of creditors.</li> </ul>
	Meeting of creditors	<ul style="list-style-type: none"> <li>Organising and planning the second meeting of creditors.</li> <li>Considering staff and other requirements for the second meeting, including the number of Link staff required, venue set up etc.</li> <li>Responding to creditor enquiries regarding the second meeting and directing same to Link where possible.</li> <li>Liaising with Link regarding the second meeting, particularly with respect to the attendance register and voting cards.</li> <li>Reviewing the creditor attendance register maintained by Link with respect to the second meeting and assisting Link with same.</li> <li>Considering items to be tabled at the second meeting and the meeting's content.</li> <li>Preparing the PowerPoint presentation for the second meeting.</li> <li>Preparing and collating various documents for the second meeting including the running sheet.</li> <li>Conducting internal meetings in preparation for the second meeting and discussing procedural matters.</li> <li>Preparing COI nomination forms for the future liquidation.</li> <li>Making final updates to the second meeting's running sheet, presentation and slides.</li> <li>Presenting and chairing the second meeting of creditors.</li> <li>General attendance by staff at the second meeting to assist with running the meeting.</li> </ul>
	Committee of Inspection	<ul style="list-style-type: none"> <li>Convening a meeting of the COI and preparing the necessary notices and proxy forms.</li> <li>Preparing a meeting file, including agenda, for the COI meeting.</li> <li>Conducting the COI meeting on 29 August 2018.</li> <li>Preparing and lodging the minutes of the COI meeting.</li> </ul>

Task area	General description	Includes
		<ul style="list-style-type: none"> <li>– Discussing the administration with the COI generally and responding to queries as required.</li> <li>– Liaising with COI members regarding the second meeting of creditors.</li> </ul>
	Landlords	<ul style="list-style-type: none"> <li>– Managing the Company's landlords and obtaining consent for equipment auctions to be held on-site.</li> <li>– Correspondence with the Company's landlords with respect to rent payable, fixture claims and make-good claims.</li> <li>– Correspondence with the Company's landlords regarding the timing and logistics of the Company's exit from premises.</li> <li>– Discussing sub-tenant matters.</li> </ul>
	Employee enquiries	<ul style="list-style-type: none"> <li>– Responding to ongoing enquiries from employees and advising employees of the Fair Entitlements Guarantee scheme.</li> </ul>
	Fair Entitlements Guarantee (FEG)	<ul style="list-style-type: none"> <li>– Corresponding with FEG regarding meeting dates.</li> <li>– Considering information and records to be provided to FEG to facilitate the processing of FEG claims.</li> <li>– Preparing information for FEG ready for the claims process to commence upon liquidation of the Company.</li> </ul>
<b>Employees</b>		
<b>20 hours</b> <b>\$7,500.00</b> <b>(excl GST)</b>	Calculation of entitlements	<ul style="list-style-type: none"> <li>– Commencing a review of the Company's books and records with respect to employee contracts, awards and enterprise bargaining agreements.</li> <li>– Reviewing and managing post-appointment leave accruals calculated by the Company's staff.</li> <li>– Liaising with our lawyers regarding the calculation of entitlements and requirements to meet same (if required).</li> <li>– Reviewing the Company's outstanding superannuation obligations and reporting to the ATO with respect to same.</li> <li>– Calculating employees' redundancy entitlements.</li> </ul>

Task area	General description	Includes
	Preparation of separation certificates	<ul style="list-style-type: none"> <li>– Arranging for separation certificates to be prepared and distributed to employees where required.</li> </ul>
	Other employee issues	<ul style="list-style-type: none"> <li>– Liaising with the Department of Human Services in relation to child support deductions.</li> <li>– Liaising with portable long service leave bodies in relation to employees' accrued long service leave.</li> </ul>
	Unions	<ul style="list-style-type: none"> <li>– Handling queries from the CFMEU as required.</li> </ul>
<b>Trade on</b>	Trade-on management	<ul style="list-style-type: none"> <li>– Managing issues still arising following the shut-down of the Company's operations.</li> <li>– Conducting ongoing management of staff redundancies, including liaising with the Company's HR staff regarding same.</li> <li>– Preparing and issuing termination letters to employees on an ongoing basis.</li> <li>– Preparing payroll tax and WorkCover reconciliations and liaising with the relevant state bodies regarding same.</li> <li>– Preparing and issuing invoices to clients for post-appointment work.</li> <li>– Invoicing for equipment on hire to a third party.</li> <li>– Ongoing correspondence regarding the novation of various contracts and leases.</li> <li>– Dealing with utility companies and ensuring that liability is accepted only for services required for ongoing use and liaising with the Company's HR and IT staff with respect to same.</li> <li>– Assessing requirements for the storage, maintenance and delivery to clients of books and records relating to ongoing projects, including JVs.</li> <li>– Reviewing contract termination correspondence and discussing same with our lawyers.</li> <li>– Arranging for alarm codes at the Company's premises to be updated to ensure security as required.</li> </ul>
<b>50 hours</b> <b>\$20,000.00</b> <b>(excl GST)</b>		

Task area	General description	Includes
	Processing receipts and payments	<ul style="list-style-type: none"> <li>– Maintaining systems and internal controls with respect to payment processing.</li> </ul>
	Budgeting and financial reporting	<ul style="list-style-type: none"> <li>– Updating and re-assessing cash flow estimates on an ongoing basis.</li> </ul>
	Calculation and payment of wages	<ul style="list-style-type: none"> <li>– Working through deductions with employees including salary-sacrificed superannuation.</li> <li>– Liaising with the Company's staff regarding the calculation of post-appointment employee entitlement accruals and arranging payment of same where required.</li> <li>– Managing and discussing weekly payroll procedures with the Company's HR staff.</li> <li>– Reviewing weekly payroll and processing same once approved.</li> </ul>
Investigation	Conducting investigation	<ul style="list-style-type: none"> <li>– Completing an initial investigation into the Company's affairs and identifying any claims available to the future liquidators of the Company.</li> <li>– Requesting and collating various information and records required for the preparation of the VA Report.</li> <li>– Conducting a review of the Company's financial information for the preparation of the VA Report and considering relevant information to include.</li> <li>– Reviewing the Company's management accounts and aged creditor listing and comparing to previous audited accounts.</li> <li>– Instructing our lawyers to review and assess the validity of registered security interests.</li> <li>– Conducting a review of the Company's financial statements and history for the purpose of assessing whether any claims may arise in a liquidation scenario.</li> <li>– Making enquires as to the capacity of certain parties to meet claims brought against them.</li> <li>– Reviewing the Company's creditor ageing and payments to creditors for the identification of potential unfair preference payments.</li> <li>– Respond to ASIC queries as received.</li> </ul>
		<ul style="list-style-type: none"> <li>– Lodging the VA Report with ASIC.</li> </ul>

**Investigation**

**50 hours  
\$20,000.00  
(excl GST)**

Conducting investigation

ASIC reporting

Task area	General description	Includes
<b>Administration</b>  <b>30 hours</b> <b>\$10,000.00</b> <b>(excl GST)</b>	Searches	<ul style="list-style-type: none"> <li>– Conducting various investigative searches including land title searches and individual public record searches.</li> </ul>
	Correspondence	<ul style="list-style-type: none"> <li>– Arranging mail-merges for large mailouts.</li> <li>– Completing administrative tasks incidental to issuing correspondence.</li> <li>– Arranging for relevant documents and correspondence to be included on the Ferrier Hodgson online creditors' portal.</li> </ul>
	Document maintenance / file review / checklist	<ul style="list-style-type: none"> <li>– Updating and reviewing internal checklists.</li> <li>– Conducting file reviews.</li> <li>– Completing checklists.</li> </ul>
	Insurance	<ul style="list-style-type: none"> <li>– Reviewing and considering pre-appointment insurance claims with AJG and arranging for claims to be progressed and finalised as deemed appropriate.</li> <li>– Frequent correspondence regarding ongoing post-appointment insurance matters with AJG.</li> <li>– Reviewing various insurance documents and corresponding with AJG regarding same.</li> <li>– Attending to payment of insurance to maintain certain pre-appointment policies.</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>– Processing payments.</li> <li>– Performing bank account reconciliations.</li> <li>– Updating cashbooks.</li> <li>– Requesting transaction listings for the Company's pre-appointment bank account as required.</li> </ul>
	ASIC forms	<ul style="list-style-type: none"> <li>– Preparing and lodging ASIC forms as required.</li> <li>– Reviewing checklists and ASIC website to be certain all required forms lodged.</li> </ul>
	ATO and other statutory reporting	<ul style="list-style-type: none"> <li>– Liaising with the ATO regarding the administration as required.</li> </ul>
	Planning / review	<ul style="list-style-type: none"> <li>– Conducting ongoing meetings and discussions as required to assess the status and strategy of the administration.</li> </ul>

Task area	General description	Includes
		<ul style="list-style-type: none"> <li>– Conducting ongoing internal reviews of outstanding tasks and tasks undertaken to date and regularly discussing same internally.</li> </ul>
	Books and records / storage	<ul style="list-style-type: none"> <li>– Preparing a listing of the Company's books and records and sorting records not required for the administration.</li> <li>– Arranging for client and JV records to be extracted from the Company's IT system and records as required.</li> </ul>
<b>Forensic IT</b>		<ul style="list-style-type: none"> <li>– Reviewing and assessing ongoing preservation of IT systems and virtualisation.</li> </ul>
<b>20 hours</b> <b>\$7,500.00</b> <b>(excl GST)</b>	Data analysis	<ul style="list-style-type: none"> <li>– Attending the Company's property to collect IT equipment.</li> <li>– Attending to data perseveration requests for specific projects and customers.</li> </ul>

## Schedule B – Resolution 2

The below table contains a detailed description of the tasks performed by the future Liquidators and their staff for the period from commencement of the liquidation to 31 December 2018 inclusive:

Task area	General description	Includes
<b>Assets</b>  <b>475 hours</b> <b>\$192,500.00</b> <b>(excl GST)</b>	Plant and equipment	<ul style="list-style-type: none"> <li>– Liaising with MGS and Slattery's in relation to the auction process and issuing detailed instructions to MGS and Slattery's with respect to same.</li> <li>– Liaising with the Company's "plant team" staff regarding identification and recovery of assets to assist with PPSR claims and the auction process.</li> <li>– Managing auction advertising.</li> <li>– Liaising with Slattery's and MGS regarding various auctions to be held across Australia.</li> <li>– Liaising with MGS and Slattery's regarding the preparation of plant hazard reports and reviewing same.</li> <li>– Discussing on-site equipment auctions with MGS and Slattery's and considering the logistics of same.</li> <li>– Reviewing auction reports as received from MGS and Slattery's.</li> <li>– Accounting for asset sale proceeds as received and matching against PPSR creditors as required.</li> <li>– Issue reports to PPSR creditors on outcome of plant and equipment auctions.</li> </ul>
	Stock	<ul style="list-style-type: none"> <li>– Reviewing asset listings and isolating any items which constitute stock for the purpose of quarantining circulating asset proceeds.</li> <li>– Accounting for any asset sale proceeds relating to items of stock.</li> </ul>
	Debtors and WIP	<ul style="list-style-type: none"> <li>– Correspondence with related party debtors to determine debts recorded in the Company's records.</li> <li>– Reviewing the debtor position with respect to the handover of certain projects to clients and JV partners.</li> <li>– Consider correspondence from Company debtors and JV debtors regarding the outcome of projects and an accounting of same.</li> </ul>

Task area	General description	Includes
		<ul style="list-style-type: none"> <li>– Review accounting of Company and JV projects to determine the Company's entitlement to collect any funds from same.</li> <li>– Engage solicitors as required to assist with a review of an accounting for Company and JV projects and contract terms.</li> <li>– Correspondence with the Company's pre-appointment solicitor regarding recovery actions where relevant.</li> <li>– Considering correspondence regarding debtor arbitration and attending to same.</li> <li>– Receipting payments from debtors and accounting for same.</li> <li>– Arranging for debtor dispute information to be provided to our lawyers for review.</li> <li>– Arrange external funding to pursue debtor claims as deemed necessary.</li> <li>– Conducting a final reconciliation of the Company's debtors.</li> </ul>
	Other assets (includes a sale to the HOA party on terms different to HOA)	<ul style="list-style-type: none"> <li>– Liaising with the HOA party in relation to the possible novation of certain projects subject to the ASA.</li> <li>– Liaising with the various customers of the projects specified in the ASA as required.</li> <li>– Executing necessary documentation as required to novate certain projects to the HOA party.</li> <li>– Reviewing pre-appointment insurance claims and discussing and resolving same with AJG insurance brokers.</li> <li>– Reviewing the Company's pre-appointment tax position and discussing and resolving same with tax specialists.</li> <li>– Provision of information to tax specialists to facilitate review of pre appointment tax position.</li> <li>– Ongoing monitoring as to the status of bank guarantees and performance bonds with the objective of maximising the return of same.</li> </ul>
<b>Creditors</b>	Creditor enquiries, requests and directions	<ul style="list-style-type: none"> <li>– Updating the Ferrier Hodgson website to incorporate details of the outcome of the second meeting of creditors.</li> <li>– Liaising with Link Market Services (Link) with respect to ongoing creditor queries, correspondence, proofs of debt and proxies.</li> </ul>
<b>100 hours</b> <b>\$40,000.00</b> <b>(excl GST)</b>		



Task area	General description	Includes
		<ul style="list-style-type: none"> <li>– Directing creditor enquiries to Link where possible and dealing with other creditor enquiries as required.</li> <li>– Handling any other creditor enquiries as received.</li> <li>– Corresponding with the ATO in relation to the research and development grants provided to the Company and outstanding lodgements in order to determine the ATO's creditor position.</li> </ul>
	PPSR and retention of title claims	<ul style="list-style-type: none"> <li>– Maintaining a register of PPSR creditors, their responses to correspondence and discharge statements received.</li> <li>– Adjudicate PPSR claims with the assistance of lawyers where required.</li> <li>– Considering claims to title of assets not subject to registered security interests and corresponding with respective creditors' solicitors regarding same.</li> <li>– Ongoing correspondence with PPSR creditors and non-PPSR asset lessors and discussing same internally.</li> </ul>
	Secured creditor reporting	<ul style="list-style-type: none"> <li>– Providing ongoing updates to the Bank as to its estimated outcome from the administration.</li> <li>– Liaising with the Bank generally as required.</li> <li>– Preparing a final accounting of equipment sales to the Bank and remit proceeds as required.</li> </ul>
	Creditor reports	<ul style="list-style-type: none"> <li>– Reporting to creditors as required.</li> </ul>
	Dealing with proofs of debt	<ul style="list-style-type: none"> <li>– Reviewing the accounting and recording of Proofs of Debt by Link and liaising with Link as required.</li> <li>– Reviewing proofs of debt where required.</li> <li>– Adjudicating on proofs of debt where requested by creditors.</li> </ul>
	Meeting of creditors	<ul style="list-style-type: none"> <li>– Presenting and chairing the second meeting of creditors following a resolution to wind up the Company and general attendance by staff at same to assist with running the meeting.</li> </ul>

Task area	General description	Includes
		<ul style="list-style-type: none"> <li>– Reviewing minutes and audio recording of the second meeting in order to finalise second meeting minutes for lodgement with ASIC.</li> <li>– Finalising meeting matters for the second meeting, including payment of various invoices.</li> <li>– Convening creditors meetings if required.</li> </ul>
	Committee of Inspection	<ul style="list-style-type: none"> <li>– Correspondence with the COI members to complete authorisation forms for representatives of creditors to be a member of the COI.</li> <li>– Convening COI meetings as required and presenting accounts of the Liquidators' dealings and conduct in the liquidation.</li> <li>– Ongoing correspondence with the COI and responding to queries as required.</li> </ul>
	Landlords	<ul style="list-style-type: none"> <li>– Liaising with the Company's landlords in relation to equipment auctions to be held on site.</li> <li>– Liaising with the Company's landlords regarding the timing and logistics of the Company's exit from premises, including return of applicable bank guarantees.</li> <li>– Negotiating with the Company's landlords with respect to rent payable, fixture claims and make-good claims.</li> <li>– Discussing sub-tenant matters.</li> </ul>
	Employee enquiries	<ul style="list-style-type: none"> <li>– Responding to ongoing specific enquiries from employees and advising employees of the FEG scheme.</li> </ul>
<b>Employees</b>  <b>100 hours</b> <b>\$40,000.00</b> <b>(excl GST)</b>	FEG	<ul style="list-style-type: none"> <li>– Preparing notification worksheets and providing same to FEG.</li> <li>– Considering information and records to be provided to FEG to facilitate processing of FEG claims.</li> <li>– Completing FEG questionnaires.</li> <li>– Liaising with FEG regarding claims from employees and provide assistance as to the calculation and assessment of claims where required.</li> <li>– Liaising with FEG and employees regarding payments made.</li> </ul>

Task area	General description	Includes
		<ul style="list-style-type: none"> <li>– Reviewing and reconciling a proof of debt submitted by FEG.</li> </ul>
	Calculation of entitlements	<ul style="list-style-type: none"> <li>– Conducting a review of the Company's books and records with respect to employee contracts, awards and enterprise bargaining agreements.</li> <li>– Reviewing and managing post-appointment leave accruals calculated by the Company's staff.</li> <li>– Liaising with our lawyers regarding the calculation of entitlements and requirements to meet same (if required).</li> <li>– Conducting a calculation of employees' redundancy entitlements.</li> <li>– Reviewing the Company's outstanding superannuation obligations and reporting to the ATO with respect to same.</li> </ul>
	Other employee issues	<ul style="list-style-type: none"> <li>– Liaising with the Department of Human Services in relation to child support deductions.</li> <li>– Liaising with portable long service leave bodies in relation to employees' accrued long service leave.</li> </ul>
<b>Trade-on</b>	Trade-on management	<ul style="list-style-type: none"> <li>– Closing any trading accounts (such as utility accounts) and issuing final invoices as required.</li> <li>– Transferring utility supply and/or accounts to landlords as required.</li> <li>– Preparing final payroll tax and WorkCover reconciliations and liaising with state bodies regarding same.</li> <li>– Arranging for the storage, maintenance and delivery to clients of remaining books and records relating to ongoing projects as required.</li> </ul>
<b>15 hours</b>	Processing receipts and payments	<ul style="list-style-type: none"> <li>– Maintaining systems and internal controls with respect to payment processing.</li> </ul>
<b>\$5,000.00</b>	Calculation and payment of wages	<ul style="list-style-type: none"> <li>– Working through deductions with employees including salary-sacrificed superannuation.</li> <li>– Arranging final payroll to employees following a review of same.</li> </ul>
<b>(excl GST)</b>		

Task area	General description	Includes
<b>Investigation</b>  <b>250 hours</b> <b>\$100,000.00</b> <b>(excl GST)</b>	Conducting investigation	<ul style="list-style-type: none"> <li>– Complete a detailed review and investigation of the Company's books and records.</li> <li>– Investigating historical financial information in relation to related party loans and potential Part 5.7B recoveries.</li> <li>– Conducting internal meetings to discuss the status of ongoing investigations and strategies to progress same.</li> <li>– Assessing whether litigation is commercial for claims identified and any need for external funding of same.</li> <li>– Liaising with solicitors in relation to any external funding applications and/or seeking advice regarding the merits of examinations.</li> </ul>
	Litigation / recoveries	<ul style="list-style-type: none"> <li>– Preparing detailed memorandum regarding potential claims and providing same to our lawyers.</li> <li>– Liaising with and seeking advice from our lawyers with respect to claims identified.</li> <li>– Assessing and considering settlement offers, if applicable.</li> <li>– Calculating and assessing the estimated outcome and final position for creditors.</li> </ul>
	ASIC reporting	<ul style="list-style-type: none"> <li>– Reporting to ASIC as required.</li> </ul>
<b>Administration</b>  <b>40 hours</b> <b>\$15,000.00</b> <b>(excl GST)</b>	Correspondence	<ul style="list-style-type: none"> <li>– Arranging mail-merges for large mailouts.</li> <li>– Completing administrative tasks incidental to issuing correspondence.</li> <li>– Arranging for relevant documents and correspondence to be included on the Ferrier Hodgson online creditors' portal</li> </ul>
	Document maintenance / file review / checklist	<ul style="list-style-type: none"> <li>– Updating and reviewing internal checklists.</li> <li>– Conducting file reviews.</li> <li>– Completing checklists.</li> </ul>
	Insurance	<ul style="list-style-type: none"> <li>– Discussions regarding ongoing insurance matters with AJG.</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>– Processing payments.</li> <li>– Performing bank account reconciliations.</li> <li>– Updating cashbooks.</li> </ul>

Task area	General description	Includes
	ASIC forms	<ul style="list-style-type: none"> <li>– Preparing and lodging ASIC forms as required.</li> </ul>
	ATO and other statutory reporting	<ul style="list-style-type: none"> <li>– Liaising with the ATO regarding the administration as required.</li> <li>– Preparing Business Activity Statements for the liquidation period.</li> </ul>
	Planning / review	<ul style="list-style-type: none"> <li>– Conducting ongoing meetings and discussions as required to assess the status and strategy of the matter.</li> <li>– Conducting ongoing internal reviews of outstanding tasks and tasks undertaken to date and regularly discussing same internally.</li> </ul>
	Books and records / storage	<ul style="list-style-type: none"> <li>– Maintaining the Company's books and records and insolvency files.</li> <li>– Arranging the Company's books and records to be delivered from storage where required for investigation.</li> </ul>
<b>Forensic IT</b>		<ul style="list-style-type: none"> <li>– Finalising the image of the Company's IT system.</li> </ul>
<b>20 hours</b> <b>\$7,500.00</b> <b>(excl GST)</b>	Data analysis / imaging	<ul style="list-style-type: none"> <li>– Attending to data perseveration requests for specific projects and customers.</li> <li>– Attending to forensic image searches as required.</li> </ul>

### Creditor Information Sheet

#### Offences, Recoverable transactions and Insolvent Trading



##### Offences

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

Section	Offence
180	Failure by officer to exercise a reasonable degree of care and diligence in the exercise of his powers and the discharge of his duties.
181	Failure to act in good faith.
182	Making improper use of position as an officer or employee, to gain, directly or indirectly, an advantage.
183	Making improper use of information acquired by virtue of his position.
184	Reckless or intentional dishonesty in failing to exercise duties in good faith for proper purpose. Use of position or information dishonestly to gain advantage or cause detriment.
206A	Contravening an order against taking part in management of a corporation.
206A, B	Taking part in management of corporation while being an insolvent under an administration.
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 auditor.
314-7	Failure to comply with requirements for financial statement preparation.
437C	Performing or exercising a function or power as officer while a company is under administration.
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 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.

##### Voidable Transactions

##### Preferences

A preference is a transaction such as a payment between the company and one or more of its creditors, in which the creditor receiving the payment is preferred over the general body of creditors. The relevant time period is six months before the commencement of the liquidation. The company must have been insolvent at the time of the transaction, or become insolvent as a result of the transaction.

Where a creditor receives a preferred payment, 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 either 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 time period is four years and if the intention of the transaction is to defeat creditors, the time period is ten years.



The company must have been insolvent at the time of the transaction, or become insolvent as a result 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 have to have been entered into any time on or before the day when 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 transactions made to, on behalf of, or for the benefit of, a director or close associate of a director. To fall within the scope of the section, 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 are voidable by a liquidator:

- Circulating security interest created with six months of the liquidation unless it secures a subsequent advance;
- Unregistered charges; and
- Charges in favour of related parties who attempt to enforce the charge within 6 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 actually 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.