The Macro Group

Liquidators' Third Report to Creditors

Hayden White and Matthew Woods
Joint and several Liquidators
3 August 2018

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TO THE CREDITOR ADDRESSED

3 August 2018

Dear Sir/Madam,

Macro Group of Companies (Refer to attached schedule of entities) (In Liquidation) ("Macro Group" or "the Group")

Third Report to Creditors

This is our third report to creditors of the Macro Group and should be read in conjunction with our previous reports issued to creditors. Copies of these reports are available for download from our website (www.kpmg.com/au/macro).

The purpose of this document is to provide creditors with an update on the matters disclosed in our previous reports, and also the conduct of the liquidations generally.

We report under the following headings:

1. Executive Summary
2. Declaration of Independence, Relevant Relationships and Indemnities
3. Conduct of the Liquidations
4. Property Realisations & Strategy
5. Liquidators' Investigations
6. Estimated Statement of Position
7. Liquidators' Receipts & Payments
8. Liquidators' Remuneration
9. Next steps

A further update will be provided within the next six months or following any material developments on the above matters. In the meantime, if you have any queries please contact one of our staff by email at macro@kpmg.com.au .

Yours faithfully

Hayden White
Liquidator

Contents

Glossary

511 GTN	511 GTN Pty Ltd (Receivers and Managers Appointed) (In Liquidation)
AAFA	Assetless Administration Funding Agreement between ASIC, Hayden Leigh White and Matthew David Woods dated 6 December 2017
ACN	Australian Company Number
the Act	*Corporations Act 2001 (Cth)*
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities
Effective	Effective Legal Pty Ltd
Endeavour	Endeavour Holdings Group Pty Ltd (In Liquidation)
FY	Financial Year
IMF	IMF Bentham Limited
Kurra Estate	Third party property development of 192 residential lots in Newman, Western Australia
La Trobe	La Trobe Financial Asset Management Limited
Liquidators	Hayden White and Matthew Woods of KPMG
Macro Group	78 companies within the Macro Group subject to the appointment of Hayden White and Matthew Woods as Liquidators
MAFSL	Macro Realty Developments AFSL Pty Ltd (In Liquidation)
MASI	Macro All State Investments & Securities Ltd (In Liquidation)
Mercia	Mercia Taxation and Accounting Pty Ltd
MIP	Mortgagee In Possession
MR	Macro Realty Pty Ltd (In Liquidation)
MRD	Macro Realty Developments Pty Ltd (In Liquidation)
Mr Macpherson	Graeme Sutherland Macpherson
Ms Macpherson	Veronica Desiree Macpherson
NEPT	Newman Estate Project Trust
Newman Estate Project	511 GTN 's development of 244 lots at 511 Great Northern Highway, Neman WA
Opteon	Opteon Property Group Pty Ltd
Opteon Valuation	Opteon Valuation dated 15 February 2018
PPD	Pilbara Property Developments Pty Ltd (In Liquidation)
Preliminary Funding	$50,000 funding provided by IMF for specific investigations

Prequin	Prequin Securities Pty Ltd (In Liquidation)
Quickbooks	Quickbooks accounting software
Receivers	Ian Charles Francis and Michael Joseph Ryan of FTI Consulting (Australia) Pty Ltd, joint and several Receivers and Managers of 511 GTN
Second Report	Liquidators' second report to creditors dated 30 January 2018
SPV	Special Purpose Vehicle

1 Executive Summary

Our key observations are set out below:

Conduct of the liquidations	Since the issue of our second report to creditors on 30 January 2018, we have progressed all aspects of the 78 liquidations including: ▪ Progressing our statutory investigations into the Macro Group's financial position and affairs, in order to identify possible contraventions of the *Corporations Act 2001* and filing a report of our findings with the Australian Securities and Investments Commission. ▪ Completing our specific investigations into the Macro Group and reporting our detailed findings to ASIC pursuant to an Assetless Administration Funding Agreement between ASIC, Hayden Leigh White and Matthew David Woods. ▪ Completing required investigations and providing a preliminary report of our findings to IMF Bentham Limited ("IMF"), pursuant to a funding agreement between the Liquidators and IMF dated 11 April 2018. ▪ Engaging a valuer to value the Macro Group's unsold vacant lots in the Kurra and Newman Estates in Newman WA. ▪ Meeting with Ms Macpherson to discuss the general conduct of the liquidations.	Page 9
Property realisations and strategy	We still hold and continue to incur associated costs for 26 vacant residential properties in Newman and Port Hedland, owned by entities within the Group. All 26 properties are available for immediate sale. However, poor market conditions and oversupply in the market have resulted in no expressions of interest for the properties since our appointment.	Page 12
Liquidators' investigations	We have reviewed the Group's physical and electronic records in our possession and used those records to complete a thorough investigation of the Group's financial position and affairs prior to our appointment. Section 5 of this report outlines our investigations and findings of matters including: ▪ Financial records analysis ▪ Consolidated cashflow analysis ▪ MRD expenditure analysis	Page 17

	▪ Director and management conduct ▪ Insolvency ▪ Payments and transactions which may be recoverable by a liquidator On 30 April 2018, we provided ASIC with a detailed report of our findings into the Group's affairs and Ms Macpherson's conduct and management of the Group, pursuant to Section 533(2) of the *Corporations Act 2001.*	
Estimated statement of position	Across the Group, we have estimated a total shortfall to unsecured creditors and investors to exceed $200m, plus any shortfall to secured creditors, who we estimate to be owed $85m. We note that as time passes, this number will continue to rise, as interest continues to accrue on the majority of the debt, and additional costs are incurred in the winding up and enforcement processes currently underway All secured lenders are expected to suffer significant deficiencies on their exposures, with any shortfalls ranking alongside other creditors in the winding up of the companies Whilst there have been small recoveries within MRD and MR, once priority costs associated with the liquidation and enforcement processes are considered, it is clear that there will be no asset recoveries available to pay any form of distribution to unsecured creditors	Page 35
Liquidators' remuneration	The liquidations of MRD and MR have funds available, which we will be seeking to apply towards our outstanding remuneration incurred as Provisional Liquidators and subsequently as Liquidators, of those entities. We intend on filing an application with the Federal Court for consideration and approval of part of our outstanding remuneration for MRD and MR. Further details of our proposed fee applications and our outstanding remuneration for the whole Group, are provided in section 8 of this report.	Page 39

2 Declaration of independence, relevant relationships and indemnities

Creditors are referred to our Declaration of Independence, Relevant Relationships and Indemnities dated 12 September 2017, for details of any relationships that we have identified and any indemnities or upfront payments that have been provided. We confirm that this position remains unchanged.

A copy of this document is also available for download from our website: (http://www.kpmg.com/au/macro).

3 Conduct of the liquidations

Since the issue of our second report to creditors on 30 January 2018 (“Second Report”), we have progressed all aspects of the 78 liquidations listed on Annexure A (“Macro Group”). We discuss some of the key matters attended to in further detail below.

3.1 Liquidators’ Statutory Investigations

We progressed our statutory investigations into the Macro Group’s financial position and affairs, in order to identify possible contraventions of the *Corporations Act 2001* (“the Act”) and any transactions which may be voidable and recoverable by a Liquidator.

Confidential reports have been lodged with the Australian Securities and Investments Commission (“ASIC”) pursuant to Section 533(1) of the Act.

We refer creditors to our report dated 12 September 2017 for details of the various potential contraventions identified, and to section 5 of this report which expands on our findings from the work undertaken since the date of that report.

3.2 Australian Securities and Investments Commission

As reported in the Second Report, we were approached by the ASIC to conduct bespoke investigations to assist with their enquiries into the affairs and conduct of the Macro Group and directors. We entered into an Assetless Administration Funding Agreement between ASIC, Hayden Leigh White and Matthew David Woods on 6 December 2017 (“AAFA”).

We completed the necessary investigations and provided ASIC with a detailed report of our findings pursuant to section 533(2) of the Act on 30 April 2018. The terms of the AAFA engagement and contents of our report to ASIC are confidential as between the Liquidators and ASIC, so we are unable to provide specific details at this stage.

3.3 IMF Bentham Limited

On 11 April 2018 we entered into a funding agreement with IMF Bentham Limited (“IMF”), a third party litigation funder, to undertake specific investigations. The key terms of the funding agreement did not change from those previously set out in our last report to creditors.

As per the terms of the funding arrangement, we completed our required investigations and provided IMF with a preliminary report of our findings on 15 June 2018. At the time of writing this report, IMF was still considering the contents of our report. Accordingly, in order to avoid potential prejudice to any future claims or recoveries which may arise in respect of these investigations, we will not be providing any further details on our investigations and report to IMF at this time.

To the extent matters identified are pursued, we will update creditors accordingly in our future reports.

3.4 Property Realisation and Strategy

The Macro Group's remaining tangible assets at the time of writing this report, consist of 262 vacant lots of land situated in the Newman Estate and Kurra Estate developments in Newman, Western Australia and an additional 12 properties in Port Hedland, Western Australia. All of the properties are subject to the control of either:

- ourselves as Liquidators of the Macro Group
- Ian Francis and Michael Ryan of FTI Consulting as Receivers and Managers ("the Receivers") of 511 GTN Pty Ltd (In Liquidation) (Receivers and Managers Appointed) ("511 GTN"); or
- other secured financiers acting as Controllers or Mortgagees in Possession ("MIP")

Despite efforts made by all of the above parties to realise these assets, to the best of our knowledge none of the 262 vacant lots in Newman have been sold. We discuss this in further detail in section 4 of this report.

3.5 Meeting with Ms Veronica Macpherson

We met with Ms Macpherson on 8 May 2018 to discuss the conduct of the Macro Group liquidations generally. Ms Macpherson indicated during that meeting that she had held recent discussions with parties potentially interested in acquiring some or all of the Macro Group's vacant lots in Newman. We encouraged Ms Macpherson to liaise with these parties and request they submit details of their interest to the Liquidators or contact our office to discuss further. We have not received any expressions of interest or communications from Ms Macpherson since that time.

Ms Macpherson and Mr Graeme Macpherson were declared bankrupt by a Sequestration Order made by the Federal Circuit Court of Australia on 20 March 2018. The Trustee of their bankrupt estates, Mr Daniel Juratowitch of Cor Cordis, issued a first report to creditors of the bankrupt estates on 12 June 2018. Any queries regarding the bankruptcies, including claims against Ms Macpherson personally, should be directed to:

Cor Cordis

PO Box 232

Collins Street West

MELBOURNE VIC 8007

Attention: Mr Joel Beck

(03) 8320 5630

mailto:jbeck@corcordis.com.au

KPMG

4 Property Realisations & Strategy

4.1 Property Summary

We summarise below, the parties controlling 274 properties owned by the Macro Group as at the date of our appointment:

Controlling Party	Controlling Capacity	Newman Estate	Kurra Estate	Port Hedland	Total # Properties
Hayden White and Matthew Woods	Liquidators	10	16	-	26
Michael Ryan and Ian Francis	Receivers	213	-	-	213
Prequin Securities Pty Ltd (In Liquidation)	MIP	-	23	1	24
La Trobe Financial Asset Management Ltd	MIP	-	-	10	10
C2 Property Group Pty Ltd	MIP	-	-	1	1
Total		**223**	**39**	**12**	**274**

There has been no material development from the Second Report in respect of the 26 lots subject to our control as Liquidators. In the Second Report, creditors were invited to submit an expression of interest for the purchase of one or more lots. However, no expressions of interest have been received at the time of writing this report. A listing of the 26 remaining lots subject to our control is attached at Annexure B.

On 16 December 2017, La Trobe Financial Asset Management Ltd ("La Trobe") executed a sale contract for the 10 properties subject to its control as MIP at 2 McKay Street, Port Hedland, which settled on 25 July 2018. The total sale price of $1.5m for the 10 units will be applied to La Trobe's outstanding debt, which we understand to be at least $4m plus interest and costs.

We understand from appointment notices filed with ASIC, that Prequin Securities Pty Ltd (In Liquidation) ("Prequin") was placed into liquidation on 7 June 2018. We are not aware of Prequin's Liquidators' intentions with respect to the 24 properties subject to Prequin's control as MIP.

4.2 Opteon Valuation

We engaged Opteon Property Group Pty Ltd ("Opteon") to value the Group's unsold lots in the Newman Estate and 16 unsold lots subject to our control in the Kurra Estate.

Whilst we are unable to provide details of the valuation for commercial reasons, we note that the valuations and commentary do support our previous position that the market for vacant land in and around Newman WA remains challenging, and a realisation of the assets in the current environment based on valuation evidence will be insufficient to allow for a return to investors or unsecured creditors, having regard to secured (mortgage) interests, and costs.

4.3 Property Market Analysis

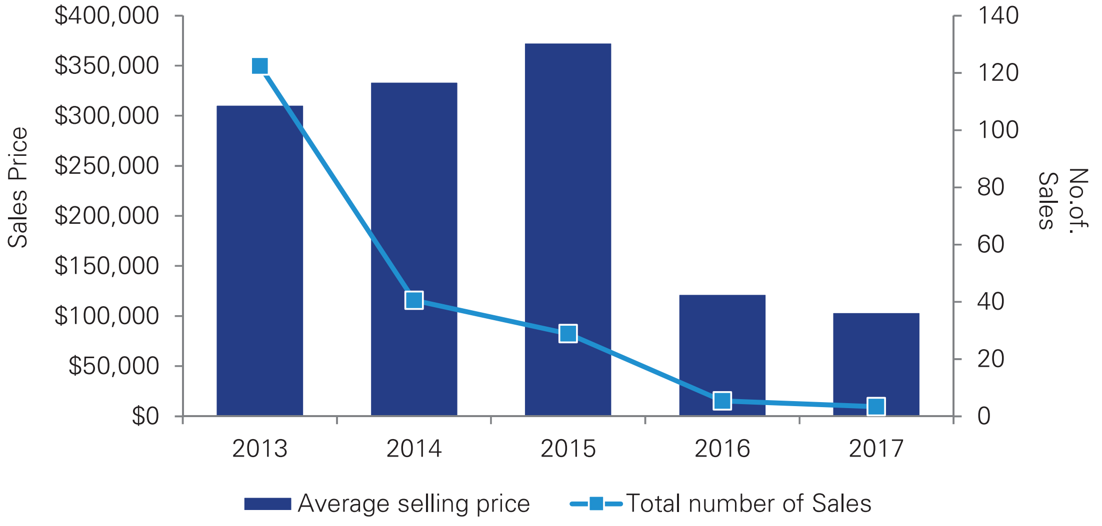
We set out below our observations on the prevailing market conditions for vacant land in Newman, with specific regard to the Macro Group's property holdings:

- Current oversupply of stock coupled with low levels of demand
- The market has an abnormally high degree of volatility due to the nature of the local economy and reliance on the success or downturn within the resource industry and in particular major mining company employer BHP Billiton
- Marketability is poor with the ability to achieve a sale of all properties a potential issue.
- Depressed market conditions with mortgagees in possession for similar properties
- Recent market direction has been falling slightly
- Sales of established residential properties are indicating price levels well below replacement cost of new construction. Therefore land value needs to be reduced accordingly to entice prospective purchasers
- Newman Estate is located within the East Newman locality which is poorly perceived within the market place as current owner occupier purchasers prefer the south and north west precincts of the town site
- Kurra Estate has been experiencing constant reticulated water pipe leakage problems resulting in on-going maintenance and frequent power outages and water supply cut off during repairs
- The majority of the lots within both the Newman and Kurra Estates are between 200m2 to 300m, which is considered very small and in low demand for an owner occupier purchaser within the Pilbara Region, where yard area and storage is highly sought after. The small nature of the lot sizes suggests the planning was more for investors who have left the market place.

Vacant Land Sales

As seen in the graph below, activity in the vacant land market remained relatively strong from 2013 to 2015, with the average selling price per lot increasing from $312,790 in 2013 to a peak of $372,282 in 2015.

Figure 1: Newman vacant land average selling price 2013 – 2017



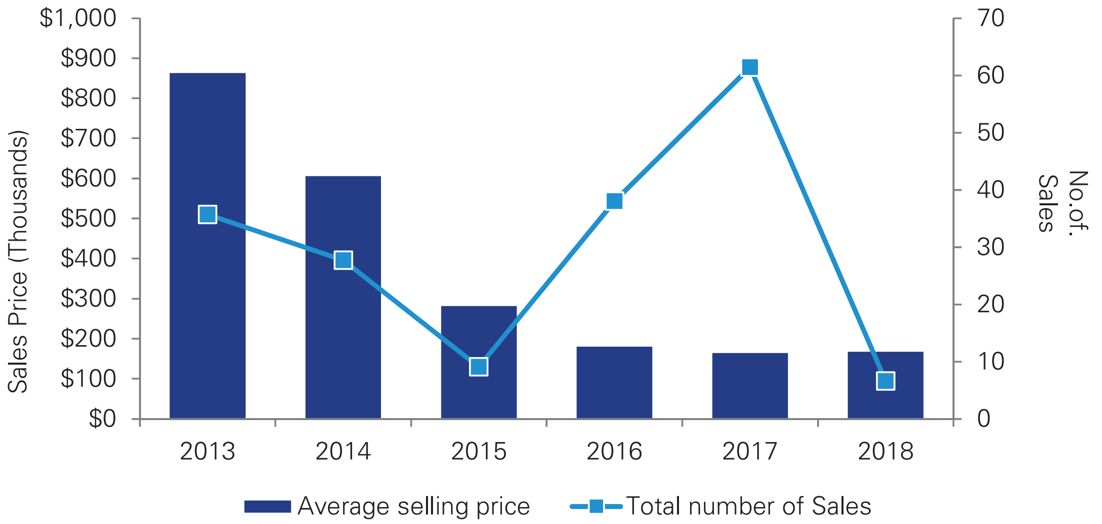
Source: RP Data and Landgate

From 2016 to 2017, completed sales and prices fell significantly, with the average sale price decreasing to $103,500 and an average lot size of 229m2. There were only two sales of vacant lots in 2017, one of which sold for $12,000 and the other sold for $195,000.

Housing Sales

In 2013, there were 36 sales with an average sale price of $867,675. The average lot size for 2013 was 644m

Figure 2: Newman residential housing market average selling price and number of sales 2013 – 2018



Source: RP Data and Landgate

Similar to the vacant land market, from 2014 house prices began to decrease sharply to an average sale price of $174,995 in 2016. This rapid devaluation slowed from 2016 to 2017, with the average selling price falling by $13,000. Average sale prices in 2018 so far have slightly increased to $163,333.

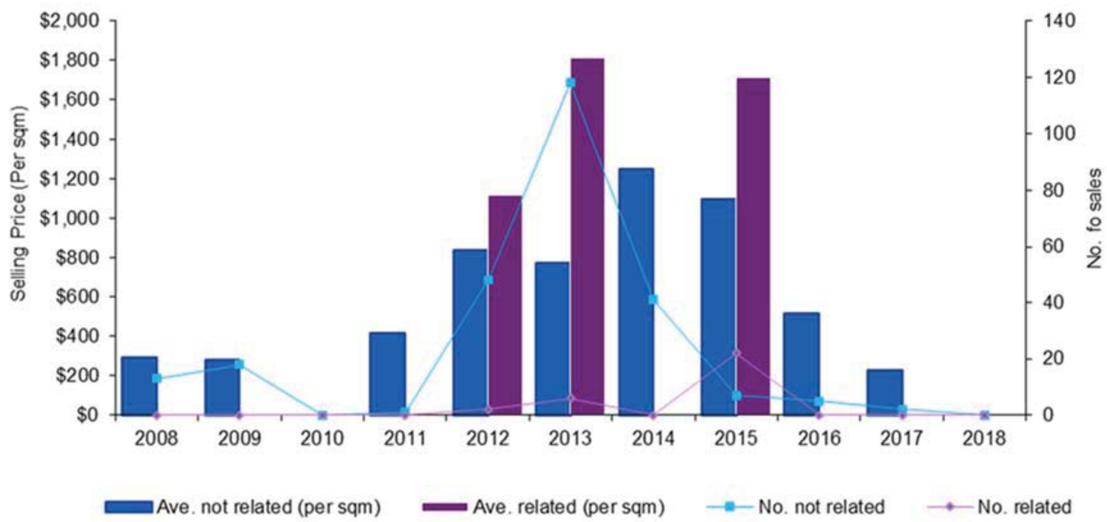
Sales volume also fell sharply in 2015, likely in response to the rapid devaluation in the market as owners chose to hold onto their assets in an attempt to weather the downturn. However, this changed in 2016 and 2017 with sales volume reaching a high of 62 transactions in 2017. Based on the low sale prices this was likely due to mortgagee repossessions and sales. As at April 2018 when we conducted our analysis of property sales, only six housing sales had been completed in the Newman region in 2018.

The average per square metre price dropped from a peak of $1,455 in 2013 to $323 in 2017.

Impact of Related Party Sales

The graph below provides a comparison of vacant land transactions from 2008 to 2018, which we have separated between those involving related parties of the Macro Group and those transactions we believe do not involve related parties.

Figure 3: Related v unrelated sales of vacant land in Newman on a per square metre basis 2008 – 2018



Source: RP Data and Landgate

As the graph highlights, the Newman market was experiencing an upward cycle between 2012 and 2014, largely as a result of the mining resource boom. However, market growth was also being generated by the prices of Macro Group sales. The graph highlights that from 2012 to 2015, related party sale prices on a per square metre basis were significantly higher than unrelated sales.

We discuss our detailed investigation of Macro Group property transactions further in section 5 of this report.

4.4 Property Holding Costs

Since our appointment, we have and continue to incur holding costs associated with the 26 properties subject to our control, which are owned by 19 of the Special Purpose Vehicle ("SPV") Macro Group entities in liquidation.

	Indicative Annual Cost (Ex. GST) $
Incurred and paid by the Liquidators:	
Public Liability insurance	24,453
Accruing against the properties:	
Council rates	17,238
Water Corporation rates and interest	34,320
Total annual holding costs	**76,011**

4.5 Property Strategy

We refer to our above comments regarding the difficulties experienced with selling the 26 Newman properties subject to our control and the absence of funds in the liquidations, required to meet the ongoing holding costs detailed in section 4.4.

We again invite creditors to promptly contact our office via email on macro@kpmg.com.au should they wish to submit an expression of interest for the purchase of these properties.

5 Liquidators' Investigations

Part of a liquidator's role is to undertake detailed investigations into the affairs of the Company and its officers, for the purpose of identifying any potential recoveries available to the liquidators, coupled with reporting any contraventions of relevant laws.

We refer creditors to our previous reports disclosing possible breaches of relevant laws, and set out our further findings in this regard below.

5.1 Financial Records

5.1.1 Review of Financial Records and Controls

Our investigations and financial analysis outlined in this report were prepared predominantly using the Macro Group's QuickBooks management accounts. During our review of the books and records, we identified the following financial statements only:

- financial statements for 511 GTN as Trustee for the Newman Estate Project Trust ("NEPT") for the financial year ended 30 June 2012 ("FY12")
- draft financial statements for 511 GTN as Trustee for the NEPT for the financial year ended 30 June 2015 ("FY15")
- financial statements for Macro Realty Pty Ltd (In Liquidation) ("MR") for FY12

Due to the limited supporting documentation and information contained within the above financial statements, we have relied primarily on the QuickBooks management accounts for our financial analysis and investigations. However, we have also had regard to our knowledge of certain financial aspects of the Macro Group which have been obtained during the course of our appointments.

5.1.2 Reliability of Financial Records

Our review of the Macro Group's financial records indicate they are incomplete and inaccurate in many respects, with identified deficiencies in all of the QuickBooks files we have reviewed.

We have based our financial analysis on the available records and have attempted to reconcile or verify figures between individual QuickBooks files where possible.

A major limitation throughout the Group's financial accounting records are the use of loan accounts to record many transactions. Over 230 intercompany loan accounts have been identified. Our review of the loan accounts indicates they do not reconcile, and are generally not supported by source documentation to verify the purpose of the underlying transactions.

5.1.3 Inadequate Internal Controls and Procedures

We identified several deficiencies with respect to the Group's internal controls and procedures, or lack thereof. Our observations include the following:

i. There is an apparent lack of separation of finances between individual Macro Group entities and between Ms Macpherson's personal finances. It appears as though the Group and its Directors transferred funds within the Group at their own discretion, without regard to intended purposes and generally without documentation to support or explain the transactions. This is most evident when looking at the management accounts in QuickBooks for Macro Realty Developments Pty Ltd (In Liquidation) ("MRD"), which show MRD had 230 intercompany loan account balances as at 30 June 2016.

ii. We have not seen any evidence of any authorisation matrix or protocols for the approval of invoices and payments from any entity in the Macro Group.

iii. The accounting for intercompany loan accounts and Director Loan accounts is inadequate and does not reconcile between separate management accounts. We are unable to determine the true financial position of individual companies without a full reconciliation to source documents, which in many respects, does not exist.

iv. It appears as though Director Loan accounts have been incorrectly recorded in the management accounts. We believe that where funds have been loaned to Entity A from Entity B within the Macro Group, that loan has been recorded in Entity A's management accounts as a loan from Ms Macpherson. However, the same loan appears to be recorded in most instances in Entity B's management accounts as a loan to Entity A.

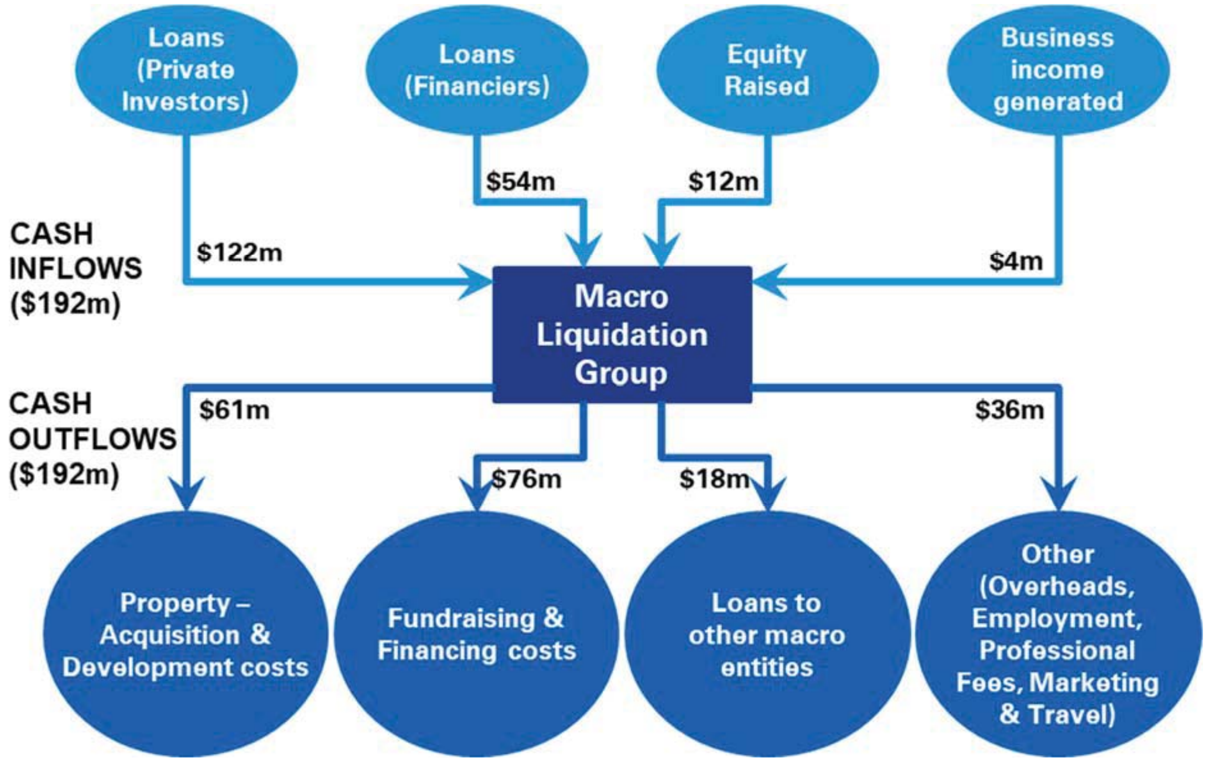
v. During our review we sighted numerous instances of double payments, overpayments and incorrect payments being made by the Macro Group to suppliers and investors. This appears to be a direct result of the Macro Group's inadequate and retrospective accounting and bookkeeping processes.

5.2 Cash-Flow Analysis

5.2.1 Indicative Cash-flow Summary

Using the available Quickbooks files identified during our review of the Group's records, we have endeavoured to determine a consolidated cash-flow position over the five year period prior to the Group's collapse around June 2016.

The intention of this summary is to provide an indicative representation of how and where total funds raised from investors and financiers were spent. We attach the indicative cash-flow analysis at Annexure C, summarised in the diagram below:



We note our previous comments regarding the reliability and accuracy of the Group's financial records. ***The above summary and analysis at Annexure C should be considered preliminary and subject to further refinement as our work continues, having regard to the noted deficiencies in the Group's records.***

The summary is based on our analysis of each of the 78 Macro Group entities' management accounts, and our best attempts at reconstructing cash-flow statements and eliminating the myriad of intercompany transactions. A complete and reliable analysis of the flow of funds within the Group, would require a complete reconstruction of the individual management accounts, with verification to source documentation, such as bank statements and supporting company records for each transaction.

We make the following comments on the indicative cash flow summary:

- The Group was entirely reliant upon third-party financing via non-traditional financiers and investors and only generated around $4m in income from property sales and bank interest earned.
- While the Group was involved in many property transactions, the majority of these were intercompany transactions which derived no outside revenue or they were transactions to third-parties, but were actually settled using funds raised by the Group (refer to section 5.6 below).
- Total cash outflow for financing costs was approximately $76m (40% of total funds raised). This is due to the Group's reliance on external financing, which in many instances, was raised using short-term, high-interest loans, with high rates of commission payable to brokers who introduced investors to the Macro Group.

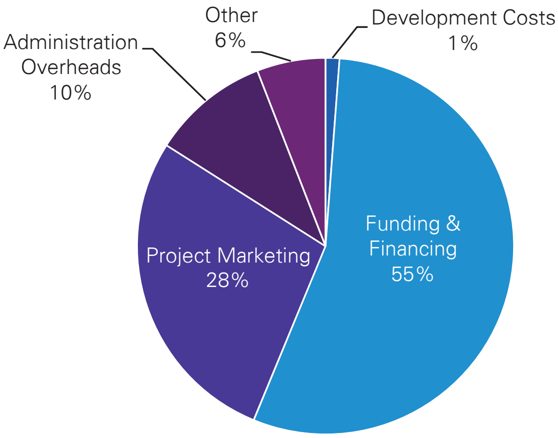
- Total spending on property acquisitions of $35m (19% of total funds raised), relates to the original land acquisition for the Newman Estate, individual housing lots acquired within the Kurra Estate and three development sites acquired in Port Hedland, WA.
- Total spending on other property costs of $26m (14% of total funds raised), primarily relates to the initial construction and development costs for the first stage and subdivision of the Newman Estate development
- At least $18m was paid to or on behalf of related parties and other entities in the Macro Group, which do not form part of the 78 entities in liquidation and subject to our control. Based on our review of the loan accounts and our understanding of the financial position of the relevant parties and the Group's directors, we do not believe these loans are recoverable.

5.2.2 Spending patterns

MRD acted as the central treasury for the Group from around 1 July 2013, and facilitated transactions for most of the Group entities through its own bank account. Our investigations revealed a large increase in MRD's expenditure as the Group grew from 2013 to 2016. While the Group as a whole and MRD specifically were continuing to borrow significant funding from overseas investors, the level and appropriateness of spending within the Group and MRD specifically raises concerns.

We provide the following summary of MRD's aggregated financial performance between FY14 to FY16 based on MRD's Quickbooks management accounts:

	FY14 - FY16 Total
MRD P&L summary	**$**
Total Income	12,065,719
Expenses	
Development Costs	(430,102)
Funding & Financing	(19,847,580)
Project Marketing	(10,014,676)
Administration Overheads	(3,643,789)
Employment	(10,662,459)
Other	(2,126,247)
Total expenses	**(46,724,853)**
Net profit/(loss) before tax	**(34,659,134)**



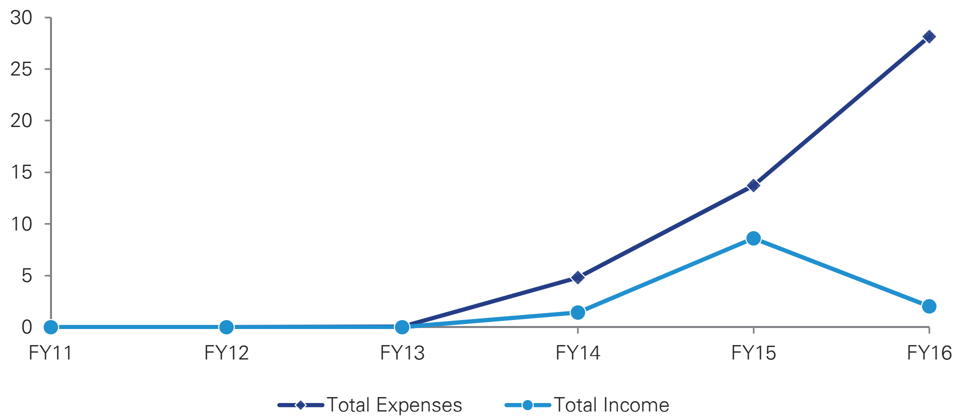
As seen in the table above, 55% of MRD's total expenditure for the period FY14 to FY16 was related to funding and financing activities and a further 28% of expenditure in relation to project marketing, predominantly to raise further funding from investors in the overseas markets.

We also note that MRD generated no income in its own right. The total income of approximately $12m shown in MRD's management accounts predominantly relates to intercompany transactions within the Group, including:

- "Discounts on Settlements" of $10.4m (see section 5.6.3 below); and
- Intercompany project management fees and reimbursements of $1.7m

The following graph depicts the substantial increase in MRD's expenditure during the period of trading between FY14 to FY16:

MRD - Total Income & Expenses ($m)



We also make the following specific observations regarding MRD's spending patterns shown above:

- MRD entered into leasing or rental agreements for serviced commercial office space in many national and international locations, in circumstances where its sole operating activities were limited to the north-west of Western Australia, including:
  - Kuala Lumpur
  - Singapore
  - Sydney
  - Melbourne
  - Hong Kong, and
  - London
- MRD spent approximately $17.4m on fundraising commissions
- MRD spent $3.4m on events and promotional expenses
- MRD spent over $4.9m for flights, travel and accommodation expenses relating to trips to destinations such as India, London, New York, Malaysia, Dubai and Singapore
- MRD spent $4.2m on "Consultants & Contractors"
- MRD spent $135,103 on rent for a residential apartment in Hong Kong
- MRD spent $3.4m on expenses accounted for as a loan to "MRD London"
- MRD spent at least $388,087 on business class flights for Mrs Macpherson, Mrs Macpherson's Executive Assistant and members of a music band "Firefly"
- MRD spent at least $133,090 on four "team building" events for MRD staff in Cairns, Singapore and Perth
- MRD spent at least $70,052 on staff trips to Bali
- MRD spent at least $202,052 on trips to Richard Branson's Nekker Island in the British Virgin Islands, for Mrs Macpherson and others, and
- MRD spent at least $73,512 on an "Awards Night" in Kuala Lumpur.

We note that this list is purely a sample of payments and is by no means an exhaustive and complete list of payments which may be considered questionable or not for a proper purpose.

As MRD's role was to undertake fundraising activities, and to act in a treasury capacity for the broader group, and in particular, the asset holding entities, consideration of the Group as a whole needs to be considered in assessing the appropriateness of spending patterns of MRD.

However, having regard to the Group as a whole and its activities, which consisted of a property development business focussed on the Pilbara region of Western Australia, the spending patterns of MRD raise concerns as to appropriateness (both in terms of quantum and nature).

5.3 Insolvency Analysis

Our key findings indicate that the Group may have been insolvent from as early as late 2011, when it failed to meet its settlement obligations under the contract to acquire the Newman Estate property. Various indicators of insolvency were prevalent in the subsequent periods, evidenced by:

- Repeated failure to meet settlement deadlines
- Taking on short term, high interest debt facilities, not aligned to the lifecycle of the project
- Restructure and extensions of debt facilities, due to the inability to meet servicing and repayment obligations as they fell due
- The cycle of replacing due debt with new debt continued throughout the Group until its ultimate collapse in 2016, throughout which, the Group generated little to no external revenue in which to meet payments as and when they fell due.

5.3.1 Definition of Insolvency

Section 95A of the Act states that "a person is solvent if, and only if, the person is able to pay all the person's debts, as and when they become due and payable". A person who cannot satisfy this definition is not solvent, and therefore is insolvent.

This definition is supported by volumes of case law that favours the "cashflow test" of insolvency, which is directed toward the commercial considerations of a business when assessing the funding sources that are available to the company to meet existing expenditure obligations as and when they fall due, rather than a balance sheet test which focuses on the value of assets and liabilities reflected in the company's books at a particular point in time.

5.3.2 Analysis approach

In assessing the solvency of a company that sits within a broader corporate group, the solvency assessment needs to be undertaken on an individual entity basis, rather than on the group as a whole.

However, in making that assessment, consideration of the broader group's financial position and solvency is relevant in determining the extent to which the broader group has the capacity to provide financial support. Accordingly, whilst our assessment relates to 511GTN, our considerations and comments relate to the Macro Group as a whole. We have chosen 511 GTN as Trustee for the NEPT as the focus for our insolvency analysis, due to it being the primary development project within the Group at the relevant time.

We have analysed 511 GTN's ability to pay its debts as and when they became due and payable having regard to the following key areas:

- Trading and cash flow losses;
- Liquidity and net asset deficiencies;
- Increasing trade creditors and payments outside of credit terms;
- Ability to raise debt or equity;
- Adverse secured creditor involvement.

The case of ASIC v Plymin (2003) 46 ACSR 126 is often referenced in considering the time a person/business becomes insolvent. The case contains a list of 14 common indicators of insolvency, which we have considered in forming our preliminary views on the solvency of the Group.

We refer to our previous comments regarding the Group's poor financial records and bookkeeping, which mainly consists of incomplete and unreliable Quickbooks management accounts coupled with a lack of supporting/source documents. Accordingly, the traditional balance sheet test and cashflow tests, whilst applicable, provide limited value, due to the unreliability of the accounts, and limited source data, and our ability to assess each of the relevant indicators set out in ASIC v Plymin has been impacted.

Accordingly, we have also focussed on non-financial (qualitative) data and information to support our findings on solvency.

5.3.3 Relevant indicators

The various indicators of insolvency, as they relate to 511 GTN and the Group more broadly is set out below:

5.3.4 Balance sheet indicators

Analysis of a company's balance sheet does not by itself determine whether the company would be able to meet its debts as and when they became due and payable. However, such an analysis does indicate by how much (if any) assets of a company exceed its liabilities, as well as the various types of assets and liabilities of the company that could be relied upon to prove solvency.

The relevant data extracted from the NEPT's Quickbooks balance sheet summaries, is as follows:

NEPT – Key Balance Sheet Data			
	As at 30/06/11 $	As at 30/06/12 $	As at 30/06/13 $
Current Assets	-	12,377,644	18,717,386
Current Liabilities	-	(6,849,253)	(12,216,868)
Working Capital	-	5,528,391	6,500,518
Current Ratio	-	1.8	1.5
Net Assets		5,528,391	6,500,518

The above table suggests that during the relevant period, the NEPT had adequate working capital and net assets of $5.5m to $6.5m and a Current Ratio of 1.5 to 1.8.

The Current Ratio is a liquidity and efficiency ratio, which measures a company's ability to pay off its short-term or current liabilities with its current assets. Generally a Current Ratio of 1.5 or more is viewed as acceptable, while anything below 1.0 indicates a liquidity problem may exist and the company may be unable to pay its debts as and when they fall due.

The NEPT property is treated as Land Inventory in the QB accounts and is included in the total Current Assets figure. While accounting for property assets as inventory may be appropriate for property development businesses, our understanding is that it is usually only appropriate for developments that are complete or almost complete and the value is expected to be converted to cash within twelve months.

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The NEPT development was not expected to complete within twelve months and it achieved no sales during the first two years. Accordingly, for the purposes of a solvency assessment, land holdings are better classified as non-current.

Accordingly, we have set out below an adjusted working capital and current ratio analysis.

NEPT – Adjusted Key Balance Sheet Data	As at 30/06/11 $	As at 30/06/12 $	As at 30/06/13 $
Current Assets	-	443,668	994,655
Current Liabilities	-	(6,849,253)	(12,216,868)
Working Capital	-	(6,405,585)	(11,222,213)
Current Ratio	-	0.1	0.1
Net Assets		(6,405,585)	(11,222,213)

Excluding land inventory, the only liquid asset available to meet development and operating costs and short term finance obligations was cash at bank of $327,668 and $874,255 at 30 June 2012 and 30 June 2013 respectively. Therefore at those dates, the NEPT had a large working capital deficiency and was completely reliant upon new debt and equity to pay its existing debts and ongoing operating costs as and when they became due and payable.

5.3.5 Cashflow and commercial indicators

Whilst the state of the Group's accounts do not allow for a typical financial analysis of aged creditors, cash flow forecasts and relevant financial trends, from the information available to us (including non-financial data), we have identified the following further indicators of insolvency. In this regard, we note that right from the outset of the development there is evidence of 511 GTN's inability to pay its debts as and when they fell due.

Such indicators include:

- 511 GTN entered into the original Offer and Acceptance contract for the Newman Estate, despite having insufficient funding and finance approvals in place and was unable to pay the $11m purchase price by the original settlement date of 3 October 2011
- 511 GTN delayed settlement three times while it sought to secure the necessary finance
- 511 GTN finally settled the acquisition on 12 February 2012 by obtaining several short-term, high interest loans and negotiating vendor finance of $1m
- 511 GTN never generated sufficient income in its own right in order to meet interest and debt commitments arising from the acquisition and development of the property
- A number of the loans were restructured, and extended as a result of 511 GTN not having the financial capacity to meet obligations arising under the facilities as they fell due. A number of these were restructured on more onerous terms
- Evidence of various email correspondence in the Group's books and records with regard to the late payment of creditor claims
- Evidence of various failed attempts to raise finance for the project

- The Group's external accountants, raised direct concerns in writing to Mrs Macpherson regarding the NEPT's solvency and recommended she seek professional advice regarding possible insolvent trading. It repeated its solvency concerns in several monthly reports issued to Mrs Macpherson and 511 GTN.

5.3.6 Conclusions on Solvency

From the initial property acquisition, the NEPT relied upon loans obtained on terms that were not favourable and terms that were arguably not viable for financing a long term property development project such as the Newman Estate.

Most of the initial loans were on terms of 1-4 months at interest rates of up to 84%. The loans were obtained on such onerous terms due to the urgency of the funding need, initially associated with the property settlement, and later to retire existing debt falling due. It should have been apparent at the time that the NEPT generated no income and had no ability to service and repay these loans at maturity. Accordingly, these loans were rolled over and in some cases increased, until eventually being replaced by new debt facilities.

Whilst an ability to raise debt to ultimately meet obligations could be considered a defence to insolvency, or an indicator of solvency, the relevant facts as they relate to 511 GTN is that due debt was simply being replaced by new debt, again on terms that were incapable of being met as and when they fell due, resulting in an extended period of debt obligations being replaced by more debt obligations, right up until the point that the Group collapsed in 2016.

In forming our view, we have had regard to our investigations into the Group, and our understanding of the broader Macro Group at the relevant points in time to consider the capacity of the Group, or related parties to provide financial assistance to 511 GTN. In this regard, we note the following:

- The Newman Estate land was the primary asset of substance within the broader group. Accordingly, it does not appear that there was a capacity to sell or pledge other assets

- With the exception of MR, which generated revenue and profit (albeit insufficient to discharge 511 GTN's obligations), we have not identified any other sources of revenue within the broader Group to provide financial assistance to 511 GTN during the relevant period

Whilst a definitive conclusion on solvency would require a detailed solvency review of the group as a whole, our initial observations are that the Group may have been insolvent from the point in time when 511 GTN first failed to settle on the property acquisition in late 2011.

5.4 Forgery Allegations

We have been made aware of various allegations of documents being forged by Ms Macpherson or by someone within the Macro Group at Ms Macpherson's request. The forgery claims or allegations we are aware of include:

- A claim by Effective Legal Pty Ltd ("Effective") that documents purportedly sent from its office were not genuine and the signatures of Effective staff on those documents had been fabricated or used without their knowledge.

- Investors in the NEPT claiming their signatures had been fabricated or used without their knowledge, on transfer documents in relation to their Class-A unit holdings.

- We were contacted on 1 November 2017 by a Class-A unitholder in the NEPT. The unitholder initiated claims against Anquan Securities Ltd with the Financial Ombudsman Service Australia ("FOS") on 5 January 2017 for claims including misleading and deceptive conduct. The unitholder claims he believed he was acquiring a property lot in the NEPT and was not aware he was to receive a unit in the NEPT instead. The unitholder also alleges in an email to FOS on 12 September 2017, that signatures purported to be his and his wife's on a letter dated 15 August 2012, were forgeries witnessed by Ms Macpherson.

5.5 Manipulation of Financial Records

We are aware of an instance where it appears as though the financial records of MR have been manipulated or altered at Mrs Macpherson's request, for the purpose of misrepresenting MR's true financial position as part of MR's financial reporting obligations to Bankwest.

Bankwest provided a commercial loan to MR of $200,000 on or around 28 June 2013, which was then loaned by MR to the Amazon Trust and the Von's Trust for the purchase of office premises at 931 Albany Highway, Victoria Park. Pursuant to the terms of Bankwest's loan to MR, MR was required to provide annual financial reports to Bankwest and ensure MR did not breach the covenants specified in Bankwest's loan and security documentation.

From around January 2014, numerous accounting entries and payments were transferred from MR to MRD that had the impact of improving MR's reportable financial position.

5.6 Property Transactions

During our review and investigations we identified several irregularities in relation to property sales or transactions involving Ms Macpherson and entities within the Liquidation Group.

We provide further details on each of these below.

5.6.1 Intercompany Sales

We have identified ten property transactions involving the sale of Newman Estate lots from 511 GTN to the Group SPV's. These intercompany sales occurred between 3 June 2015 and 13 October 2015 at prices between $400,000 and $420,000 for each lot.

It is relevant to note that Mrs Macpherson controlled all sides of these transactions in her capacity as Director of 511 GTN, Director of each SPV and as Director of MR which acted as selling agent and charged a commission for each transaction.

We have not identified any examples where sworn valuations were obtained and relied upon to support these sale prices, by either 511 GTN as the seller or by the SPV's as purchasers. It is unclear how Mrs Macpherson and the contracting parties determined the price of the transactions. Based on our investigations and analysis, it appears as though the sale prices were inflated and not reflective of current market values, at that time.

We have obtained and analysed the available Landgate data for vacant lot sales in the Newman region during 2014 and 2015, which did not involve parties related to the Macro Group. Our analysis indicates that during 2014 to 2015, the average market value of unimproved lots in the region was around $604 per square metre.

In light of the above, the ten intercompany sales appear to have transacted at prices approximately double that of market values for the region at the time. Using $604 per square metre as a benchmark of market value, the relevant SPV's collectively paid around $2,609,900 above market value.

5.6.2 Third Party Sales

We have identified 15 property sales of Newman Estate lots, from 511 GTN to third parties. The property sales occurred between 9 May 2013 to 18 August 2015 at prices between $400,000 and $425,000.

Our review of the Group's records revealed document folders and records relating to 12 of the 15 property transactions. Our review of each of these folders, suggests that similar arrangements or deals were made for each of the 12 transactions, whereby:

- Mrs Macpherson facilitated the sale of the lots to parties known to her
- Mrs Macpherson arranged and paid for new companies to be established and registered with the 'known parties' listed as the directors and shareholders of the new entity
- Mrs Macpherson agreed to pay a monthly fee to the 'known party' to act as director and shareholder of the entity
- The new entity executed a sale contract to purchase one or more Newman Estate lots
- The purchase consideration for the property was paid by MRD rather than the purchaser
- Deeds or contracts were entered into between the 'known parties' the purchaser, Macro Capital Enterprises Pty Ltd (In Liquidation) ("MCE") and Mrs Macpherson, whereby after a fixed period, the directorship and shareholding of the new entity would revert to Mrs Macpherson and she would regain control of the entity, and therefore the property for a nominal sum

The effect of these transactions is that they ultimately enabled Mrs Macpherson to:

i. Report Newman Estate lot sales at inflated prices, which was also done with the intercompany sales discussed above
ii. Apply purchase monies (paid by MRD and not the buyer), to reduce debt
iii. Report the transactions as achieved pre-sales to 511 GTN's secured creditors, as well as potential future investors and financiers
iv. At a later date gain control and ownership of the established company (including the transferred Newman Estate lots), which would be freehold and outside the reach of the Macro Group's financiers and creditors, and
v. Charge agency and referral commissions via MR of up to $20,000 for each of the sales.

For the other three properties, we have been unable to locate similar folders or any supporting sale documentation. However, for each transaction, we have been able to identify payments made by MRD to 511 GTN for the purchase and settlement of those properties.

Accordingly, we consider all 15 third party property sales were designed to appear as genuine third party sales. However, our investigation indicates that they were paid from investor funds raised in the SPV's and held by MRD as treasury. The total consideration paid by MRD, using funds raised from investors, for the 15 property transactions was $6,346,095.

5.6.3 Discount Deeds

We have identified a further 20 property transactions involving the acquisition of Kurra Estate lots in Newman by the Group SPV's from third party vendors.

Our investigations have revealed 20 accompanying Deeds of Discount ("the Deeds"), executed between the SPV's and the vendors, wherein the actual amount paid for each transaction was agreed to be heavily discounted (42% to 51%) from the contracted sale price, and the price reported to the Landgate. The terms of the Deeds, however, are primarily focused around the confidentiality restrictions prohibiting the disclosure of the discount provided and the actual price paid.

The discounted purchase price and settlement costs for each property were paid by MRD as the central treasury for the Group and then allocated to the respective SPV's by way of intercompany loan accounts. However, while MRD only paid the discounted price for each property, the full amount was reported to Landgate, and we have identified many instances where the intercompany loan accounts between MRD and the SPV's also accounted for the transactions at the higher reported sale price.

5.7 Insurance Policies

We conducted investigations into the existence of any Directors' and Officers' liability insurance or Professional Indemnity insurance in place prior to our appointment, for the purpose of determining whether claims could be made against those policies following losses suffered by investors.

We were unable to locate any insurance policies or correspondence in the Group's physical and electronic records in our possession. However, we identified a number of possible insurers from reviewing each of the Group's 2016 management accounts.

Our investigations revealed that while some key Group entities, such as MRD and MR, had limited business and liability insurance coverage prior to our appointment, claims can only be made against those policies while the policies remain active. Therefore, as the Group had no known active insurance policies in place at the date of our appointment, we have not identified any possible recoveries from the Group's pre-appointment insurers.

5.8 Statutory Taxation Obligations

The Group has consistently failed to meet its reporting and payment obligations to the ATO since at least FY14. As at the date of our appointment, the ATO's total claim against the Liquidation Group was $1,269,896, as summarised below:

Macro Group of Companies | Australian Taxation Office - Outstanding Lodgement Obligations

Group Entity	No. Outstanding Income Tax Returns	No. Outstanding BAS's	No. Outstanding PAYG Returns	ATO Debt Outstanding $
MRD	4	4	1	164,784
MR	3	4	4	215,742
MASI	3	4	-	-
511 GTN	3	3	-	889,370

Macro Group of Companies | Australian Taxation Office - Outstanding Lodgement Obligations				
Group Entity	**No. Outstanding Income Tax Returns**	**No. Outstanding BAS's**	**No. Outstanding PAYG Returns**	**ATO Debt Outstanding $**
PPD	3	-	-	-
MCE	2	-	-	-
HPPL	3	1	-	-
Macro Projects	3	5	-	-
Prime	3	-	-	-
Total	**27**	**21**	**5**	**1,269,896**

Having regard to the state of the Group's records, and the lack of reporting to the ATO in later years, we consider the actual claim against the Group could be substantially higher.

5.9 Potential Liquidator Recoveries

Set out below are our comments on the potential recoveries available to the liquidators having regard to our investigations and findings to date.

5.9.1 Voidable Transactions

A liquidator has the ability to apply to Court to seek orders to void certain transactions should they be detrimental to a company and/or its creditors under the provisions of the Act.

We set out below, based on our review of the Group's books and records, our views as to whether there are any transactions that may be considered voidable.

Unfair Preferences

Section 588FA of the Act states that a transaction is an unfair preference given to a creditor of a company, if, and only if:

- The company and the creditor are parties to the transaction (even if someone else is also party to the transaction); and
- The transaction results in the creditor receiving from the company, in respect of an unsecured debt that the company owed to the creditor, more than the creditor would receive from the company in respect of the debt if the transaction were set aside and the creditor were to prove for the debt in a winding up of the company, even if the transaction is entered into, is given effect to, or is required to be given effect to, because of an order of an Australian Court or direction by an agency.

The provisions of the Act provide that an unfair preference is void against a Liquidator if:

- It is an insolvent transaction (i.e. the company was or becomes insolvent at the time it was entered into); and
- If the other party to the transaction is a non-related entity, the transaction occurred in the six months ended on the 'relation-back' day; or

- If the other party to the transaction is a related entity, the transaction occurred in the four years ended on the 'relation-back' day.

The relation-back day is taken to be the date the winding-up application was filed with the Court for each liquidation. This date varies slightly among the Group, however for this report we will use the relation-back day for the three main liquidations, being 511 GTN, MRD and MR, which was 17 February 2017. Accordingly, unfair preference transactions could occur in the six months prior to 17 February 2017 for non-related entities or four years prior for related entities.

In order to prove a creditor received an unfair preference payment, the Liquidator must first show that the company was insolvent at the time of the payment. This is discussed in section 5.3 above.

The creditor has a defence to an unfair preference claim by a liquidator if it proves that it entered into the transaction in good faith and, at the time the benefit was received, the creditor had no reasonable grounds for suspecting that the company was insolvent or would become insolvent through entering into the transaction and valuable consideration was given, nor would a reasonable person in the creditor's position have suspected that the company was insolvent or would become insolvent.

A creditor being placed on a payment arrangement is generally considered an indicator to the creditor that the Company may be experiencing financial difficulty.

As reported to creditors previously, the Macro Group ultimately collapsed when investor funds ceased, and the Group was unable to meet its financial obligations under the various financing agreements. Its collapse in 2016 broadly coincided with:

- The appointment of BDO as supervisor to MR by the DOC on 16 May 2016 to, amongst other things, review its accounts and assume control of trust funds, and
- The appointment of Receivers and Managers to 511 GTN on 14 April 2016, to take control of the remaining lots in the Newman Estate

Accordingly, due to the timing of the Group's collapse we have not identified any unfair preference payments in the six months prior to 17 February 2018.

However, with regard to related party payments, in the 4 years preceding the appointment of Liquidators, we have identified numerous transactions which require further consideration.

Our comments on the recoverability of payments from related parties is set out at section 5.9.3 below.

Uncommercial Transactions

A transaction of a company is an uncommercial transaction if the following elements are established by a Liquidator:

- The transaction was entered into or given effect to within two (2) years of the date of appointment of the liquidator; and
- At the time the transaction was entered into, or when given effect to, the company was insolvent or became insolvent as a result of the transaction; and
- A reasonable person in the company's circumstances would not have entered into the transaction having regard to the benefits and detriments to the company in entering into the transaction and the respective benefits to other parties.

The defences available to a party involved in an uncommercial transaction claim are, in effect, the same as those for an unfair preference.

Our preliminary investigations have revealed numerous potential uncommercial transactions, including those which relate to some of the Group's property transactions involving the Newman Estate, which are discussed above at section 5.6.

Our comments on the recoverability of uncommercial transactions, is set out at section 5.9.3 below.

Unfair Loans

An unfair loan is a loan made by a creditor to the Company where, upon analysis, the interest, charges or other terms with respect to the loan are extortionate, or become extortionate because of a variation. Unfair loans made to the Company any time prior to the appointment of the Administrators may potentially be overturned by a subsequently appointed Liquidator.

Unlike other Liquidator recoveries, there is no need to prove insolvency for the purpose of pursing unfair loan recoveries

Our investigations have revealed many loans made to the group on terms that may be considered onerous or extortionate.

In assessing the loans and the reasonableness of the terms, due consideration needs to be given to prevailing commercial circumstances and risks to the lender at the relevant points in time.

This remains an area of investigation.

Unreasonable director-related transactions

Pursuant to Section 588FDA of the Act, a transaction is an unreasonable director-related transaction if there is a payment by the Company to a director or close associate of the director, where a reasonable person in the company's circumstances would not make the payment.

Our investigations have revealed numerous director-related transactions, which may be voidable by a liquidator.

Our comments on recoverability from the directors and related parties is set out at section 5.9.3 below.

5.9.2 Insolvent Trading

Pursuant to section 588G of the Act, the directors of a Company may be held personally liable for debts incurred whilst a company is insolvent (or result in its insolvency) if they:

- fail to prevent the debt from being incurred; and
- there were reasonable grounds to suspect that the company was or would become insolvent; and
- the debt remains unpaid when the company enters liquidation.

The quantum of a claim for insolvent trading is equal to the total value of debts incurred whilst the company was insolvent that remained unpaid as at the date of liquidation.

Accordingly, to estimate the quantum of an insolvent trading claim it is necessary to determine when the claims against the Company were incurred. Any amounts incurred whilst the company was solvent are excluded from an insolvent trading claim.

As set out in section 5.3 above, we have determined that the group may have been insolvent from as early as late 2011. Accordingly, and for the purpose of this preliminary analysis, it is reasonable to assume that all debts outstanding at the date of our appointment could form the basis for an insolvent trading claim against the respective companies' directors, noting that Ms Macpherson was a director of all relevant entities within the Group.

5.9.3 Recoverability

In determining whether to pursue such claims, a liquidator will have regard to:

- further investigations into the exact nature of each of these payments;
- the date of insolvency of the Company and the recipients knowledge of insolvency;
- any valuable consideration that may have been provided;
- the ability of the parties to rely on any statutory or common law defences;
- obtaining a legal opinion that supports the strength (or otherwise) of each claim
- the ability of the parties involved to meet any eventual order of the Court; and

Whilst we have identified a number of related party transactions, that warrant further investigations, coupled with potential claims for insolvent trading and other breaches of director duties, our preliminary conclusions are that even if proved, the counter parties (being bankrupts, or entities in liquidation) do not have the financial capacity to satisfy any successful claim.

6 Estimated statement of position

6.1 Key findings

Our key findings in relation to our analysis of the estimated statement of position of the key entities, and the Group as a whole is set out below:

- Across the Group, we have estimated a total shortfall to unsecured creditors and investors to exceed $200m, plus any shortfall to secured creditors, who we estimate to be owed $85m. We note that as time passes, this number will continue to rise, as interest continues to accrue on the majority of the debt, and additional costs are incurred in the winding up and enforcement processes currently underway
- Whilst MR and MRD show modest shortfalls as compared to 511 GTN and the SPV's, we note that both entities have guaranteed a number of exposures. Accordingly, total shortfalls to those entities will increase as losses crystallise and claims against guarantors are made. In this regard, we note that MRD guaranteed the majority (if not all) of the international investors claims
- All secured lenders are expected to suffer significant deficiencies on their exposures, with any shortfalls ranking alongside other creditors in the winding up of the companies
- Whilst small recoveries within MRD and MR sit outside the securities of debt providers, once priority costs associated with the liquidation and enforcement processes are considered, it is clear that there will be no asset recoveries available to pay any form of distribution to unsecured creditors

6.2 Estimated Statement of Position

We summarise the estimated consolidated statement of position for the Group as at 27 July 2018.

Having regard to the state of the financial records maintained by the Group, our analysis has necessarily considered other sources of information (including investor/financier correspondence, our internal calculations and assumptions) to determine various elements of the outcome statement.

Liquidation group	Notes	Liquidators' Estimated Value $
Non-circulating assets		
Land	6.3	Withheld – Commercially Sensitive
Less:		
Secured Creditors	6.4	(85,000,000)
Non-circulating assets available		**Nil**
Circulating Assets		
Cash	6.5	337,543
Related party loans	6.6	-
Liquidator Recoveries	6.7	Unknown
Less:		
Priority Claims	6.8	(390,000)
Circulating assets available		**Nil**
Total assets available to unsecured creditors		**Nil**
Est. Shortfall to Secured Creditors		**Unknown**
Investor Loans	6.9	(170,000,000)
Other Unsecured Creditors[1]	6.10	(33,481,323)
Total estimated deficiency		**Unknown**

We note the above table reflects estimated net asset surplus or deficiency, subject to realisation costs, the Liquidators' fees and costs, and all costs incurred by secured creditors in the enforcement of their securities.

6.3 Land

We refer to our comments in Section 4 regarding the Group's remaining unsold properties. For commercial reasons, we are unable to disclose the values contained within Opteon's valuation dated 15 February 2018.

6.4 Secured Creditors

Due to the ongoing realisation of properties by Receivers, Controllers and Mortgagees in Possession, including the accruing interest at default rates, the total claims by secured creditors is unknown at this time.

[1] Excluding Intercompany Loans and Director Loans

Having regard to the most recent information available (principle amounts owing, amounts repaid, accrued interest), and our discussions with secured creditors, we have applied the following estimates of secured exposures for the purposes of our estimated statement of position:

- Prominent - $50m
- Prequin - $15m
- La Trobe - $10m
- C2 - $10m

We note that MR and MRD guaranteed a number debt facilities across the Group. However for the purpose of our analysis above, guarantee claims have not been included, to avoid duplication of liabilities

6.5 Cash

Following our appointment as Liquidators, we identified funds held as follows:

- MRD bank account of $34,418,
- MR credit card account surplus of $7,988
- Effective Legal's Trust account in respect of MR and MRD of $15,000 and $275,514 respectively
- Endeavour Holdings Pty Ltd (In Liquidation)'s bank account of $4,630.

We applied to Court on 12 January 2018 to have the trust funds, previously held by Effective Legal, treated as assets of MR and MRD's liquidations respectively. Our application was granted by the Court on 23 January 2018.

6.6 Related Party Loans

We have identified at least 231 separate intercompany loan accounts within the various QuickBooks management accounts of the Group. These intercompany loan accounts do not reconcile between the relevant entities own QuickBooks accounts and the treatment and recording of loan account transactions vary greatly in each entity's accounts. In many instances, loan accounts in the name of Mrs Macpherson are used as a "dumping ground" for any and all related party transactions with no particular method or consistency. Accordingly, we place little reliance on the accuracy of the various loan accounts carried in the books of the entities.

However, we note that while there are a number of large related party loans owing to individual entities within the Group, based on our understanding of the financial position of these related parties and the position of the Macro Group as a whole, we believe these loans are all non-recoverable.

6.7 Liquidator Recoveries

Whilst we have identified a number of related party transactions, that warrant further investigations, coupled with potential claims for insolvent trading and other breaches of director duties, our preliminary conclusions are that even if proved, the counter parties (being bankrupts, or entities in liquidation) do not have the financial capacity to satisfy any successful claim.

Accordingly, at this stage, we have not included any liquidator recoveries in our estimated statement of position.

Should our ongoing investigations determine that recoverable claims may exist, we will update our estimated statement of position in our next report

6.8 Priority Claims

Priority claims relate to petitioning creditor costs incurred in the winding up of the various Group entities through the Federal Courts, payment of which receives a priority against asset realisations in the various liquidations. Whilst actual costs per entity vary, we have applied a flat $5k per entity for the purpose of our analysis above.

We have not received and are not aware of any priority claims by former employees in respect of outstanding employee entitlements. However, we note that MR and MRD employed staff up until around June 2016 and such claims by former employees of these entities may exist.

Whilst our analysis does not take into consideration the various costs associated with enforcement proceedings and realisation costs, we note that such amounts would be considerable, and would also receive a priority out of asset realisations, further increasing the shortfall to the creditors.

6.9 Investor Loans

We have estimated total outstanding investor loans in respect of the SPV's to be approximately $170,000,000, across over 1,800 investors.

Whist we are yet to receive claims from all investors to verify this number, we have estimated this amount based on a schedule of total outstanding investor loans at 28 February 2016 of $128,551,567 and have added an estimate of accrued interest since that time.

6.10 Other Creditors

The total for all other creditors, including trade creditors and statutory liability claims of $33,481,323 has been calculated based on the QuickBooks book values available and proofs of debt received in the liquidations to date.

This total does not include any intercompany claims from within the Group.

6.11 Estimated Return to Creditors

Subject to finalising our review of potential liquidator recoveries, we maintain the view that there will be insufficient funds available to allow for a return to unsecured creditors and investors of the Macro Group, based on the following key considerations:

- The substantial deterioration of property values and lack of demand in the market for the Group's property holdings,
- The extent of the Group's outstanding liabilities to secured financiers, which continue grow with accrued penalty interest;
- The bankruptcy and liquidation of relevant individuals and entities within the Group

7 Liquidators' receipts and payments

We provide a summary of the Liquidators' receipts and payments (including GST) for the liquidation period 30 May 2017 to 27 July 2018 below:

Liquidators' Receipts and Payments during the period 30 May 2017 to 27 July 2018				
	Macro Realty Developments Pty Ltd	**Macro Realty Pty Ltd**	**Endeavour Holdings Pty Ltd**	**Total**
Receipts				
ASIC AAF Funding	532,030	-	-	532,030
Cash Recovered	309,932	22,981	4,630	337,543
	841,962	**22,981**	**4,630**	**869,573**
Payments				
Bank Charges	(39)	(57)	(18)	(114)
Legal Fees	(59,644)	-	-	(59,644)
Liquidators Fees & Costs – AAF Funded	(521,580)	-	-	(521,580)
Petitioning Creditor Costs	-	-	(4,612)	(4,612)
Valuations	(10,450)	-	-	(10,450)
	(591,713)	**(57)**	**(4,630)**	**(596,400)**
Cash at Bank	**250,249**	**22,924**	**-**	**273,173**

We also note that our solicitors, Lavan Legal, are holding $53,000 received from Symons Legal in their trust account. These funds represent a part payment of an indemnity provided by Symons Legal in respect of the Liquidators' fees and costs associated with 53 of the SPV liquidations. The indemnity terms agreed with Symons Legal was for $2,000 for each of the 53 SPV liquidations.

8 Liquidators' remuneration

As shown above, the liquidations of MRD and MR have funds available, which we will be seeking to apply towards our outstanding remuneration incurred as Provisional Liquidators and subsequently as Liquidators, of those entities.

As reported in our previous reports to creditors, our remuneration cannot be drawn without approval from creditors or the Court. We are currently preparing applications to the Federal Court of Australia seeking approval of our remuneration for work undertaken in our capacity as Provisional Liquidators and Liquidators of MRD and MR only, summarised as follows:

Proposed Court application for approval of Provisional Liquidators' and Liquidators' remuneration

Macro Entity	Engagement	Remuneration Period	Total Remuneration Sought $ (Ex GST)
MR	Provisional Liquidation	17 March 2017 to 30 May 2017	54,762
MRD	Provisional Liquidation	17 March 2017 to 30 May 2017	122,470
MRD	(Court) Liquidation	31 May 2017 to 26 January 2018	164,047
Total			**341,279**

We note that the Act requires an Official Liquidator to firstly seek creditor approval of his/her remuneration, before making an application to Court in instances where creditor approval was sought but not obtained. However, for our remuneration incurred during the Court Liquidation of MRD of $164,047 (excluding GST), we intend to make a fee application directly to Court without firstly seeking creditor approval, due to complicating and unique factors of MRD's liquidation including:

- We understand the total number of creditors with claims against MRD to be at least 1,800
- We do not have a reliable or complete database of creditor contact details in order to contact creditors. We have mailing or email addresses for only around 720 creditors of MRD
- The geographical spread of MRD's creditors means there is no obvious location to hold the meeting, which is convenient to the majority of creditors:
- The vast majority of MRD creditors are located in Singapore and Malaysia and this may require any creditors' meeting to be held at one of those locations and incur additional fees and costs as a result.
- Based on the available records, it will be difficult, if not impossible at this stage to accurately distinguish MRD creditors from those creditors with claims against other Group entities.
- The Liquidators would incur substantial fees and costs for the preliminary adjudication of MRD claims for voting purposes at any creditors' meeting. Some claims may only be received on the day of the meeting and the Liquidators will have very limited time to deal with the adjudication of those claims for voting purposes.

- Many of the creditor claims submitted against the Group to date have insufficient supporting documentation to substantiate those claims. Accordingly, considerable time costs would be incurred by the Liquidators liaising with investors, attending to their queries and obtaining sufficient supporting documentation, before claims could be admitted for voting purposes.

A detailed summary of our work undertaken for the respective provisional liquidations and liquidations is provided in Annexure E. In accordance with our statutory requirements, a notice of our intention to apply for remuneration will be served on the shareholders and the five largest creditors of MRD and MR in due course.

If creditors have any comments or objections in respect to our proposed fee applications, please provide them to our office by 5pm [AEST] on 15 August 2018. Any creditor comments or objections received by the due date, will be provided to the Court together with our application.

Our intention to file fee applications with the Court just in respect of MRD and MR is due to the availability of funds in those liquidations only. While we do not intend to make fee applications to the Court for the rest of the liquidations, we do have unpaid remuneration for the entire Group, as summarised below:

Provisional Liquidators and Liquidators' Outstanding Fees and Costs to 20 July 2018

Liquidation	Fees (Ex GST) $	Costs (Ex GST) $	Total Fees & Costs (Ex GST) $
511 GTN	106,440	-	106,440
Macro All State Investments & Securities Ltd	43,911	-	43,911
MRD	383,554	2,387	385,941
Macro Realty Developments AFSL Pty Ltd	30,520	44	30,564
MR	98,529	101	98,630
Pilbara Property Developments Pty Ltd	55,080	44	55,124
Other SPV's (x 72)	349,708	24,963	374,671
Total	**1,067,742**	**27,539**	**1,095,281**

8.1 Other remuneration

In addition to our outstanding remuneration for the Macro Group liquidations as shown above, we have incurred further fees and costs in relation to the AAFA with ASIC as discussed in section 3.2 of this report. Our remuneration in respect of the AAFA was paid by ASIC directly and did not require creditor or court approval. Accordingly, any fees and costs associated with the AAFA have not been charged to the Group liquidations and have been excluded from the above table.

9 Next steps

Our key steps for the liquidations include:

- Exploring any expressions of interest or proposals received from interested parties regarding the 26 properties subject to our control.
- Attending to any further investigations as agreed with IMF, to identify and potentially pursue any potential claims or recoveries identified
- Attending to any further investigations required by the ASIC, pursuant to our engagement and our statutory obligations under the Act.

A further update will be provided within the next six months or following any material developments on the above matters. In the meantime, if you have any queries please contact one of our staff by email at macro@kpmg.com.au

Yours faithfully

Hayden White
Liquidator

Enclosed:

Annexure A – Schedule of 78 Macro Group entities in liquidation

Annexure B – Schedule of properties subject to Liquidators' control and available for sale

Annexure C – Macro Group cash flow analysis FY12 to FY16

Annexure D – MRD and MR Remuneration Reports for proposed Court application

KPMG

Annexure A - Schedule of 78 Macro Group entities in liquidation

Macro Group of Companies

Macro Group of Companies

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

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

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

Annexure B – List of properties subject to the Liquidators' control

Macro Group of Companies

Properties controlled by the Liquidators			
#	Company name	Property address	Area
1	AGKM Green Pty Ltd	2 Caldera Road, Newman	Newman Estate
2	Ferrous Ferric Pty Ltd	15 Talbot Road, Newman	Newman Estate
3	Hendry Estate Pty Ltd	14 May Road, Newman	Newman Estate
4	Hendry Estate Pty Ltd	12 May Road, Newman	Newman Estate
5	Newhale Pty Ltd	12 Talbot Road, Newman	Newman Estate
6	Newhale Pty Ltd	12 Cotton Road, Newman	Newman Estate
7	Newmine Pty Ltd	20 Talbot Road, Newman	Newman Estate
8	Newmine Pty Ltd	31 Talbot Road, Newman	Newman Estate
9	Splendiferous Enterprises Pty Ltd	3 Caldera Road, Newman	Newman Estate
10	Splendiferous Enterprises Pty Ltd	31 Fletcher Loop, Newman	Newman Estate
11	59 Kurra at Newman Pty Ltd	37 Kingsmillii Loop, Newman	Kurra Estate
12	73KAN Pty Ltd	9 Kingsmillii Loop, Newman	Kurra Estate
13	BA Sullivan Pty Ltd	43 Kingsmillii Loop, Newman	Kurra Estate
14	Christians Holdings WA Pty Ltd	48 Kingsmillii Loop, Newman	Kurra Estate
15	Crimson Chat Pty Ltd	29 Kingsmillii Loop, Newman	Kurra Estate
16	East Pilbara Holdings Pty Ltd	19 Kingsmillii Loop, Newman	Kurra Estate
17	Fortescue Falls Pty Ltd	21 Kingsmilli Loop, Newman	Kurra Estate
18	Newman 57K Pty Ltd	41 Kingsmillii Loop, Newman	Kurra Estate
19	Newman 57K Pty Ltd	31 Kingsmillii Loop, Newman	Kurra Estate
20	Northern Quoll Pty Ltd	7 Kingsmillii Loop, Newman	Kurra Estate
21	Python Pool Pty Ltd	13 Snappygum Street, Newman	Kurra Estate
22	Python Pool Pty Ltd	56 Kingsmillii Loop, Newman	Kurra Estate
23	Spinifex Mallee Pty Ltd	12 Kingsmillii Loop, Newman	Kurra Estate
24	Sweet Boronia Pty Ltd	51 Kingsmillii Loop, Newman	Kurra Estate
25	WA Pilbara Property Options Pty Ltd	57 Kingsmillii Loop, Newman	Kurra Estate
26	WA Pilbara Property Options Pty Ltd	49 Kingsmillii Loop, Newman	Kurra Estate

Annexure C - Estimated consolidated cash flow (FY12 to FY16)

Macro Group of Companies

MACRO GROUP
(IN LIQUIDATION)

ESTIMATED CONSOLIDATED CASHFLOW (FY12 to FY16)

	$(m)	% OF INFLOWS
CASH INFLOWS		
Equity (A-Class investors 511 GTN)	12	6%
Loans - Financiers	54	28%
Loans - Private Investors	122	64%
Other	4	2%
TOTAL INFLOWS	**191**	**100%**
CASH OUTFLOWS		**% OF OUTFLOWS**
Administration Overheads	(10)	5%
Advisors, Consultants & Legal Fees	(7)	3%
Employment Costs	(8)	4%
Fundraising Fees & Commissions	(21)	11%
Loans to other Macro entities	(18)	9%
Loan Payments - Financiers	(34)	18%
Loan Payments - Investors	(21)	11%
Marketing & Promotional Materials	(6)	3%
Property Acquisitions	(35)	18%
Property - Construction, Development, Holding & Selling Costs	(26)	14%
Travel & Accommodation	(5)	3%
	(191)	**100%**

Annexure D - MRD and MR remuneration reports

Macro Group of Companies

Provisional Liquidators' Remuneration Report

for the period 14 March 2017 to 30 May 2017

Macro Realty Pty Ltd (In Liquidation)

ACN 143 381 060 ("the Company")

18 April 2018

1 Declaration

We, Hayden White and Matthew Woods of KPMG, were appointed as Provisional Liquidators of Macro Realty Pty Ltd (In Liquidation) ("the Company") by order of the Federal Court of Australia, for the period 14 March 2017 to 30 May 2017 ("the Provisional Liquidation Period"), after which we were appointed as Liquidators of the Company. We have undertaken a proper assessment of this remuneration claim for the Provisional Liquidation Period in accordance with the law and applicable professional standards. We are satisfied that the remuneration claimed is in respect of necessary work, properly performed, in the conduct of the administration.

2 Executive Summary

To date, no remuneration has been approved and paid in this administration.

This remuneration report details approval sought for the Provisional Liquidation Period as follows:

Remuneration approval sought	Report Reference	Amount ($ excl. GST)
Provisional Liquidation		
Retrospective fees incurred: for the period 14 March 2017 to 30 May 2017	3	54,762.50
Total - Provisional Liquidation		**54,762.50**
**The retrospective fees being sought encapsulates the necessary work undertaken from the date of our appointment to the completion of the administration in our role as Provisional Liquidators.*		

Please refer to section 3.1 of this report for full details of the calculation and composition of the remuneration approval sought.

3 Description of work completed

Retrospective fees incurred: from _14 March 2017 to 30 May 2017_

Task Area	General Description	Includes
Assets 3.5 hours $1,212.50 (excl. GST)	Cash assets	Review available books and records Conduct bank account searches Correspondence with banks and other parties to recover cash balances Receive and account for cash balances
	Motor vehicles and vessels	Review available books and records Conduct motor vehicle and vessel searches
	Debtors	Review available books and records Consider and assess recoverability of loan accounts
	Real property	Review available books and records Conduct relevant land title searches Reconcile search results to any available records
	Other assets	Tasks associated with locating rent roll Reviewing asset listing extracted from company management accounts All tasks necessary to identify any available assets

Task Area	General Description	Includes
Creditors **13.6 hours** **$3,355.00** **(excl. GST)**	Creditor enquiries	Review of documentation received from creditors and investors Receive and follow up creditor and investor enquiries via telephone Review and respond to creditor and investor correspondence Maintaining creditor/investor register Updating internal insolvency software with creditor claims received Notifying government agencies of appointment
	Secured creditor	Search of Personal Properties and Securities Register Review of registered security interest Notifying PPSR registrant of appointment Summarise PPSR information Responding to queries of PPSR registrant
Investigations **140.5 hours** **$49,167.50** **(excl. GST)**	Conducting investigations	Collection of any available Company books and records Reviewing company's books and records Preparation of an itemised books and records listing Maintaining asset schedule to assist with identifying and investigating potential company assets Conducting preliminary investigations of potential voidable transactions Conducting statutory searches Reviewing and extracting management account reports from the Company's QuickBooks file Liaising with various stakeholders with respect to company books and records, and its affairs under their control Consider and assess all available avenues of recovery Conduct preliminary analysis and summarise information regarding Company's income and expenses Conduct preliminary investigations in respect to assets and liabilities recorded in the management accounts Conduct search for potential AFSL licence held by the Company Conducting preliminary investigations in respect to inter-company transactions Review of company bank statements Reviewing company books and records in respect to solvency, forming an opinion as to solvency Identify and consider areas requiring further investigation during the liquidation process Consideration of the nature and history of the Company Preparation of comparative financial statements Preparation of deficiency statement, including consideration of estimated realisable values of company assets and liabilities Reviewing company records and formulating an assessment of the estimated return to creditors of the Company Preparation and meeting with director and key stakeholders to understand Company's affairs Liaising with the director regarding certain transactions including but not limited to related-party transactions identified Internal meetings to discuss status/progress of investigations Preparation of report in accordance with the order of the Federal Court Lodgement of report with ASIC and the Court
	ASIC reporting	Liaising with ASIC regarding progress of investigation

Task Area	General Description	Includes
Administration **4.0 hours** **$1,027.50** **(excl. GST)**	Correspondence	As necessary
	Document maintenance/file review/checklist	Filing of documents Updating appointment checklists and schedules
	Insurance	Correspondence with insurer regarding initial open cover insurance requirements
	Lodgement of ASIC forms	Preparing and lodging ASIC forms, including Form 505 Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	Notification of appointment Preparing Business Activity Statements Correspondence with ATO regarding Freedom of Information request and to change GST reporting period
	Finalisation	Notifying ATO of finalisation Completing checklists Finalising WIP reports
	Planning / review	Discussions with staff regarding status of administration
	Books and records / storage	Maintaining a books and records listing Organising records in storage

3.1 Retrospective fees incurred – Calculation of Remuneration

Retrospective Fees | For the period 14 March 2017 to 30 May 2017					Assets		Creditors		Investigations		Administration	
Employee	Position	$/hour (ex GST)	Total actual hours	Total ($)	Hrs	$	Hrs	$	Hrs	$	Hrs	$
H White	Appointee	550	20.3	11,165.00	-	-	-	-	20.3	11,165.00	-	-
M Woods	Appointee	550	1.0	550.00	-	-	-	-	1.0	550.00	-	-
C Joseph	Director	475	3.3	1,567.50	-	-	-	-	3.2	1,520.00	0.1	47.50
S McCabe	Director	475	0.5	237.50	-	-	-	-	0.5	237.50	-	-
A Singh	Manager	400	29.4	11,760.00	1.0	400.00	0.3	120.00	28.1	11,240.00	-	-
N Ekladious	Executive	325	64.5	20,962.50	2.5	812.50	4.6	1,495.00	55.8	18,135.00	1.6	520.00
L Parker	Analyst	200	8.6	1,720.00	-	-	-	-	8.6	1,720.00	-	-
V Del Borrello	Analyst	200	34.0	6,800.00	-	-	8.7	1,740.00	23.0	4,600.00	2.3	460.00
Total (Excl. GST)			**161.6**	**54,762.50**	**3.5**	**1,212.50**	**13.6**	**3,355.00**	**140.5**	**49,167.50**	**4.0**	**1,027.50**
GST				5,476.25		121.25		335.50		4,916.75		102.75
Total (Incl. GST)				**60,238.75**		**1,333.75**		**3,690.50**		**54,084.25**		**1,130.25**
Average hourly rate				*338.88*		*346.43*		*246.69*		*349.95*		*256.88*

4 Advice on remuneration

4.1 Remuneration methods

The four basic methods that can be used to calculate the remuneration charged by an insolvency practitioner are:

4.1.1 Time based / hourly rates

This is the most common method. The total fee charged is based on the hourly rate charged for each person who carried out the work multiplied by the number of hours spent by each person on each of the tasks performed.

4.1.2 Fixed Fee

The total fee charged is normally quoted at the commencement of the liquidation and is the total cost for the administration. Sometimes, a practitioner will finalise the liquidation for a fixed fee.

4.1.3 Percentage

The total fee charged is based on a percentage of a particular variable, such as the gross proceeds of asset realisations.

4.1.4 Contingency

The insolvency practitioner's fee is structured to be contingent on a particular outcome being achieved.

4.2 Remuneration method chosen

The Court Orders handed down in Proceeding No. WAD73/2017 required the Provisional Liquidators to investigate and report on various Company matters. At the date of our appointment, we held very limited knowledge as to the Company's affairs. Considering that a provisional liquidator's usual mandate is that of asset identification and preservation, it is our opinion that the time based remuneration method is the most appropriate in this case, for the following reasons:

- It ensures actual time is billed at an hourly rate applicable to staff experience.
- It ensures that remuneration claimed is only for necessary work that is properly performed in the provisional liquidation.
- It covers tasks of an administrative and statutory nature including reporting requirements and obligations that were the primary tasks required to be undertaken during the provisional liquidation period.

4.3 Explanation of hourly rates

The rates for our remuneration calculation are set out in the following table together with a general guide of the qualifications and the experience required at each staffing level. The hourly rates charged encompass the total cost of providing professional services and should not be compared to an hourly wage.

KPMG Guide to Hourly Rates		
Title	**Description**	**Hourly Rate (excl. GST)**
Appointee / Partner	Registered Liquidator. Appointee bringing his or her specialist skills to the administration or insolvency task.	$550
Director	Minimum of twelve years insolvency experience, at least five years at manager level, qualified accountant and capable of controlling all aspects of an administration. May be appropriately qualified to take appointments in his/her own right.	$475
Associate Director	More than 7 years insolvency experience, more than 3 years as a manager, qualified accountant. Answerable to the appointee but otherwise responsible for all aspects of administration. Experienced at all levels and considered very competent. Control staff and their training.	$450
Manager	5 – 7 years, qualified accountant, with well-developed technical and commercial skills. Generally manages/controls engagements, of a small to medium scale, reporting to the appointee. Manages/controls elements of larger engagements and assists with the planning control of the remaining elements. Controls 2-4 staff.	$400
Executive	2 - 5 years. Post graduate qualification (or equivalent) would normally be completed within this period. Assists planning and control of small to medium sized jobs as well as performing some of the more difficult work on larger jobs.	$325
Analyst	0-2 years. Completed an undergraduate degree. Post graduate qualification (or equivalent) will be commenced in this period. Assists senior staff members on aspects of the administration and completes administrative and statutory tasks independently.	$200
Team Administrator	Appropriately experienced and undertakes support activities.	$150

5 Remuneration recoverable from external sources

We have not received any funding from external sources for our remuneration for the Provisional Liquidation period.

6 Disbursements

Disbursements are divided into three types:

- Externally provided professional services – these are recovered at cost. An example of an externally provided professional service disbursement is legal fees.
- Externally provided non-professional costs – these are recovered at cost. Example costs include travel, accommodation and search fees.
- Internal disbursements – these disbursements, if charged to the administration, would generally be charged at cost. Example costs include expenses such as telephone calls, photocopying and printing may be charged at a rate which recoups both variable and fixed costs. The recovery of these costs must be on a reasonable commercial basis.

We are not required to seek approval for external disbursements, but must account for disbursements incurred. KPMG has not re-charged the administration for internal disbursements.

We have undertaken a proper assessment of disbursements claimed for the Company, in accordance with the law and applicable professional standards. We are satisfied that the disbursements claimed are necessary and proper, and are disclosed as follows:

Disbursements | For the period 14 March 2017 to 30 May 2017		
	Recovery basis	**Total ($ incl. GST)**
Externally provided non-professional services		
Company-related searches	At cost	100.56
Total		**100.56**

7 Summary of receipts and payments

Our receipts and payments (including GST) during 14 March 2017 to 18 April 2018 is as follows:

Receipts and payments summary	
	Total ($)
Receipts	
Collection of cash balances	15,000.00
Payments	
Bank charges	(63.85)
Cash at bank	**14,936.15**

8 Queries

If you have any queries regarding this report, please contact myself or Brendon Rew on (08) 9263 7171.

Yours faithfully

Hayden White
Liquidator &
Former Provisional Liquidator

Provisional Liquidators' Remuneration Report

for the period 14 March 2017 to 30 May 2017

Macro Realty Developments Pty Ltd (In Liquidation)
ACN 159 678 930 ("the Company")
18 April 2018

1 Declaration

We, Hayden White and Matthew Woods of KPMG, were appointed as Provisional Liquidators of Macro Realty Developments Pty Ltd (In Liquidation) ("the Company") by order of the Federal Court of Australia, for the period 14 March 2017 to 30 May 2017 ("the Provisional Liquidation Period"), after which we were appointed as Liquidators of the Company. We have undertaken a proper assessment of this remuneration claim for the Provisional Liquidation Period in accordance with the law and applicable professional standards. We are satisfied that the remuneration claimed is in respect of necessary work, properly performed, in the conduct of the administration.

2 Executive Summary

To date, no remuneration has been approved and paid in this administration.

This remuneration report details approval sought for the Provisional Liquidation Period as follows:

Remuneration approval sought	Report Reference	Amount ($ excl. GST)
Provisional Liquidation		
Retrospective fees incurred: for the period 14 March 2017 to 30 May 2017	3	122,470.00
Total - Provisional Liquidation		**122,470.00**
**The retrospective fees being sought encapsulates the necessary work undertaken from the date of our appointment to the completion of the administration in our role as Provisional Liquidators.*		

Please refer to section 3.1 of this report for full details of the calculation and composition of the remuneration approval sought.

3 Description of work completed

Retrospective fees incurred: from *14 March 2017 to 30 May 2017*

Task Area	General Description	Includes
Assets 7.6 hours $2,757.50 (excl. GST)	Cash assets	Review available books and records Conduct bank account searches Correspondence with banks and other parties to recover cash balances
	Motor vehicles and vessels	Review available books and records Conduct motor vehicle and vessel searches
	Debtors	Review available books and records Consider and assess recoverability of loan accounts
	Real property	Review available books and records Conduct relevant land title searches Reconcile search results to any available records
	Other assets	Tasks associated with locating potential rent rolls Reviewing asset listing extracted from company management accounts All tasks necessary to identify any available assets

Task Area	General Description	Includes
Creditors 19.2 hours $5,342.50 (excl. GST)	Creditor enquiries	Review of documentation received from creditors and investors Receive and follow up creditor and investor enquiries via telephone Review and respond to creditor and investor correspondence Maintaining creditor/investor register Notifying government agencies of appointment
	Secured creditor	Search of Personal Properties and Securities Register Review of registered security interests Notifying PPSR registrants of appointment Summarise PPSR information Responding to queries of PPSR registrants
Investigations 327.9 hours $107,885.00 (excl. GST)	Access to information	Extraction of information from Macro Group virtual servers Extraction of information from Macro Group computers Forensically copy information stored on entity computers and hard drives to maintain the integrity of the data Create physical backup of Macro Group servers Upload information to internal server to assist the document discovery process Updating internal server with latest data
	Conducting investigations	Collection of any available Company books and records Reviewing company's books and records Maintaining an asset schedule to assist in identifying and investigating potential assets Conducting preliminary investigations of potential voidable transactions identified Conducting statutory searches Reviewing and extracting management account reports from the Company's QuickBooks file Liaising with various stakeholders with respect to company books and records, and its affairs under their control Consider and assess all available avenues of recovery Conduct preliminary analysis and summarise information regarding Company's income and expenses Conduct preliminary investigations in respect to assets and liabilities recorded in the management accounts Conduct search for potential AFSL licence held by the Company Conducting preliminary investigations in respect to inter-company transactions Review of company bank statements Consider suspected contraventions under the Corporations Act 2001 Reviewing company books and records in respect to solvency, forming an opinion as to solvency Identify and consider areas requiring further investigation during the liquidation process Consideration of the nature and history of the Company Preparation of comparative financial statements Preparation of deficiency statement, including consideration of estimated realisable values of company assets and liabilities Reviewing company records and formulating an assessment of the estimated return to creditors of the Company Preparation and meeting with director and key stakeholders to understand Company's affairs

Task Area	General Description	Includes
		Liaising with the director regarding certain transactions including but not limited to related-party transactions identified Internal meetings to discuss status/progress of investigations Preparation of report in accordance with the order of the Federal Court Lodgement of report with ASIC and the Court
	ASIC reporting	Liaising with ASIC regarding progress of investigation
Administration **20.2 hours** **$6,485.00** **(excl. GST)**	Document maintenance/file review/checklist	Filing of documents Updating appointment checklists and schedules
	Insurance	Correspondence with insurer regarding initial open cover insurance requirements
	Lodgement of ASIC forms	Preparing and lodging ASIC forms, including Form 505 Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	Notification of appointment Preparing Business Activity Statements Correspondence with ATO regarding Freedom of Information request and to change GST reporting period
	Finalisation	Notifying ATO of finalisation Completing checklists Finalising WIP reports
	Planning / review	Discussions with staff regarding status of administration
	Books and records / storage	Maintaining a books and records listing Organising records in storage

3.1 Retrospective fees incurred – Calculation of Remuneration

Remuneration breakdown | For the period 14 March 2017 to 30 May 2017

					Assets		Creditors		Investigations		Administration	
Employee	**Position**	**$/hour (excl. GST)**	**Total hours**	**Total ($)**	**Hrs**	**$**	**Hrs**	**$**	**Hrs**	**$**	**Hrs**	**$**
H White	Appointee	550	43.1	23,705.00	1.6	880.00	0.4	220.00	35.3	19,415.00	5.8	3,190.00
S Gallo	Partner	550	2.4	1,320.00	-	-	-	-	2.4	1,320.00	-	-
C Joseph	Director	475	20.4	9,690.00	0.1	47.50	0.1	47.50	20	9,500.00	0.2	95.00
S McCabe	Director	475	0.5	237.50	-	-	-	-	0.5	237.50	-	-
A Singh	Manager	400	95.9	38,360.00	3.0	1,200.00	2.8	1,120.00	88.3	35,320.00	1.8	720.00
N Ekladious	Executive	325	53.1	17,257.50	0.4	130.00	6.2	2,015.00	46.5	15,112.50	-	-
J Sligh	Analyst	200	91.0	18,200.00	-	-	-	-	91	18,200.00	-	-
L Parker	Analyst	200	9.3	1,860.00	-	-	-	-	9.3	1,860.00	-	-
V Del Borrello	Analyst	200	59.2	11,840.00	2.5	500.00	9.7	1,940.00	34.6	6,920.00	12.4	2,480.00
Total (excl. GST)			**374.9**	**122,470.00**	**7.6**	**2,757.50**	**19.2**	**5,342.50**	**327.9**	**107,885.00**	**20.2**	**6,485.00**
GST				12,247.00		275.75		534.25		10,788.50		648.50
Total (incl. GST)				**134,717.00**		**3,033.25**		**5,876.75**		**118,673.50**		**7,133.50**
Average hourly rate				*326.67*		*362.83*		*278.26*		*329.02*		*321.04*

4 Advice on remuneration

4.1 Remuneration methods

The four basic methods that can be used to calculate the remuneration charged by an insolvency practitioner are:

4.1.1 Time based / hourly rates

This is the most common method. The total fee charged is based on the hourly rate charged for each person who carried out the work multiplied by the number of hours spent by each person on each of the tasks performed.

4.1.2 Fixed Fee

The total fee charged is normally quoted at the commencement of the liquidation and is the total cost for the administration. Sometimes, a practitioner will finalise the liquidation for a fixed fee.

4.1.3 Percentage

The total fee charged is based on a percentage of a particular variable, such as the gross proceeds of asset realisations.

4.1.4 Contingency

The insolvency practitioner's fee is structured to be contingent on a particular outcome being achieved.

4.2 Remuneration method chosen

The Court Orders handed down in Proceeding No. WAD73/2017 required the Provisional Liquidators to investigate and report on various Company matters. At the date of our appointment, we held very limited knowledge as to the Company's affairs. Considering that a provisional liquidator's usual mandate is that of asset identification and preservation, it is our opinion that the time based remuneration method is the most appropriate in this case, for the following reasons:

- It ensures actual time is billed at an hourly rate applicable to staff experience.
- It ensures that remuneration claimed is only for necessary work that is properly performed in the provisional liquidation.
- It covers tasks of an administrative and statutory nature including reporting requirements and obligations that were the primary tasks required to be undertaken during the provisional liquidation period.

4.3 Explanation of hourly rates

The rates for our remuneration calculation are set out in the following table together with a general guide of the qualifications and the experience required at each staffing level. The hourly rates charged encompass the total cost of providing professional services and should not be compared to an hourly wage.

KPMG Guide to Hourly Rates		
Title	**Description**	**Hourly Rate (excl. GST)**
Appointee / Partner	Registered Liquidator. Appointee bringing his or her specialist skills to the administration or insolvency task.	$550
Director	Minimum of twelve years insolvency experience, at least five years at manager level, qualified accountant and capable of controlling all aspects of an administration. May be appropriately qualified to take appointments in his/her own right.	$475
Associate Director	More than 7 years insolvency experience, more than 3 years as a manager, qualified accountant. Answerable to the appointee but otherwise responsible for all aspects of administration. Experienced at all levels and considered very competent. Control staff and their training.	$450
Manager	5 – 7 years, qualified accountant, with well-developed technical and commercial skills. Generally manages/controls engagements, of a small to medium scale, reporting to the appointee. Manages/controls elements of larger engagements and assists with the planning control of the remaining elements. Controls 2-4 staff.	$400
Executive	2 - 5 years. Post graduate qualification (or equivalent) would normally be completed within this period. Assists planning and control of small to medium sized jobs as well as performing some of the more difficult work on larger jobs.	$325
Analyst	0-2 years. Completed an undergraduate degree. Post graduate qualification (or equivalent) will be commenced in this period. Assists senior staff members on aspects of the administration and completes administrative and statutory tasks independently.	$200
Team Administrator	Appropriately experienced and undertakes support activities.	$150

5 Remuneration recoverable from external sources

We have not received any funding from external sources for our remuneration for the Provisional Liquidation period.

6 Disbursements

Disbursements are divided into three types:

- Externally provided professional services – these are recovered at cost. An example of an externally provided professional service disbursement is legal fees.
- Externally provided non-professional costs – these are recovered at cost. Example costs include travel, accommodation and search fees.
- Internal disbursements – these disbursements, if charged to the administration, would generally be charged at cost. Example costs include expenses such as telephone calls, photocopying and printing may be charged at a rate which recoups both variable and fixed costs. The recovery of these costs must be on a reasonable commercial basis.

We are not required to seek approval for external disbursements, but must account for disbursements incurred. KPMG has not re-charged the administration for internal disbursements.

We have undertaken a proper assessment of disbursements claimed for the Company, in accordance with the law and applicable professional standards. We are satisfied that the disbursements claimed are necessary and proper, and are disclosed as follows:

Disbursements | For the period 14 March 2017 to 30 May 2017		
	Recovery basis	**Total ($ incl. GST)**
Externally provided non-professional Services		
Courier services	At cost	23.60
Company searches	At cost	41.85
Total		**65.45**

7 Summary of receipts and payments

Our receipts and payments (including GST) during 14 March 2017 to 18 April 2018 is as follows:

Receipts and payments summary	
	Total ($)
Receipts	
Collection of cash balances	309,931.80
Payments	
Bank charges	(39.00)
Cash at bank	**309,892.80**

8 Queries

If you have any queries regarding this report, please contact myself or Brendon Rew on (08) 9263 7171.

Yours faithfully

Hayden White

Hayden White
Liquidator &
Former Provisional Liquidator

KPMG

Liquidators' Remuneration Report

for the period 30 May 2017 to 26 January 2018

Macro Realty Developments Pty Ltd (In Liquidation)
ACN 159 678 930 ("the Company")
18 April 2018

1 Declaration

We, Hayden White and Matthew Woods of KPMG, were appointed as Liquidators of Macro Realty Developments Pty Ltd (In Liquidation) ("the Company") by order of the Federal Court of Australia on 30 May 2017. We have undertaken a proper assessment of this remuneration claim for the Liquidation Period to date in accordance with the law and applicable professional standards. We are satisfied that the remuneration claimed is in respect of necessary work, properly performed, in the conduct of the administration.

2 Executive Summary

To date, no remuneration has been approved and paid in this administration.

This remuneration report details approval sought for the Liquidation period as follows:

Remuneration approval sought		
	Report Reference	**Amount ($ excl. GST)**
Liquidation		
Retrospective fees incurred: for the period 30 May 2017 to 26 January 2018	3	164,047.5
Total - Liquidation		
**The retrospective fees being sought encapsulates the necessary work undertaken from the date of our appointment to date in our role as Liquidators.*		

Please refer to section 3.1 of this report for full details of the calculation and composition of the remuneration approval sought.

3 Description of work completed

Retrospective fees incurred: from *30 May 2017 to 26 January 2018*

Task Area	General Description	Includes
Assets 33.1 hours $12,365.00 (excl. GST)	Debtors	Consider and assess recoverability of loan accounts
	Creditor enquiries	Review of documentation received from creditors and investors Receive and follow up creditor and investor enquiries via telephone Review and respond to creditor and investor correspondence Maintaining creditor/investor register Updating internal insolvency software with creditor claims received Notifying government agencies of appointment
	Dealing with proofs of debt	Receipting and filing of PODs

Task Area	General Description	Includes
Creditors **94.3 hours** **$30,097.50** **(excl. GST)**	Creditor enquiries	Review of documentation received from creditors and investors Receive and follow up creditor and investor enquiries via telephone Review and respond to creditor and investor correspondence Maintaining creditor/investor register Updating internal insolvency software with creditor claims received Notifying government agencies of appointment
	Secured creditor	Search of Personal Properties and Securities Register Review of registered security interests Notifying PPSR registrants of appointment Summarise PPSR information Responding to queries of PPSR registrants
Employees **0.5 hours** **$140.00** **(excl. GST)**	Employees	Review for outstanding employee entitlements
Investigations **151.2 hours** **$58,547.50** **(excl. GST)**	Access to information	Extraction of information from Macro Group computers Copy information stored on entity computers and hard drives to maintain the integrity of the data Create physical backup of Macro Group servers Upload information to internal server to assist the document review process
	Conducting investigations	Collection of any available Company books and records Reviewing company's books and records Drafting a books and records listing Maintaining an asset list schedule to assist in identifying and investigating potential company assets Conducting preliminary investigations of potential voidable transactions identified Conducting statutory searches Reviewing and extracting management account reports from the Company's QuickBooks file Liaising with various stakeholders with respect to company books and records, and its affairs under their control Consider and assess all available avenues of recovery Conduct preliminary analysis and summarise information regarding Company's income and expenses Conduct preliminary investigations in respect to assets and liabilities recorded in the management accounts Conduct search for potential AFSL licence held by the Company Conducting preliminary investigations in respect to inter-company transactions Review of company bank statements Consider suspected contraventions under the Corporations Act 2001 Reviewing company books and records in respect to solvency, forming an opinion as to solvency Identify and consider areas requiring further investigation during the liquidation process Consideration of the nature and history of the Company Preparation of comparative financial statements Preparation of deficiency statement, including consideration of estimated realisable values of company assets and liabilities Reviewing company records and formulating an assessment of the estimated return to creditors of the Company Preparation and meeting with director and key stakeholders to understand Company's affairs Liaising with the director regarding certain transactions including but not limited to related-party transactions identified

Task Area	General Description	Includes
		Internal meetings to discuss status/progress of investigations
	ASIC reporting	Prepare suspected contraventions report to ASIC Lodge ASIC report
Administration **137.6 hours** **$49,697.50** **(excl. GST)**	Correspondence	As necessary
	Document maintenance/file review/checklist	Filing of documents File reviews Updating appointment checklists and schedules
	Insurance	Correspondence with insurer regarding open cover insurance requirements
	Bank account administration	Preparing correspondence regarding opening bank account Bank account reconciliations
	Lodgement of ASIC forms	Preparing and lodging ASIC forms, including Form 505 Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	Notification of appointment Preparing Business Activity Statements Correspondence with ATO regarding Freedom of Information request and to change GST reporting period
	Planning / review	Discussions with staff regarding status of administration
	Books and records / storage	Maintaining a books and records listing Organising records in storage

3.1 Retrospective fees incurred – Calculation of Remuneration

Remuneration breakdown | For the period 30 May 2017 to 26 January 2018

					Task Area									
					Assets		Creditors		Employees		Investigation		Administration	
Employee	Position	$/hour (ex GST)	Total hours	Total ($)	Hrs	$	Hrs	$	Hrs	$	Hrs	$	Hrs	$
Matthew Woods	Appointee / Partner	550	1.5	825.00	-	-	-	-	-	-	1.00	550.00	0.50	275.00
Hayden White	Appointee / Partner	550	55.7	30,635.00	2.70	1,485.00	8.10	4,455.00	-	-	25.50	14,025.00	16.90	9,295.00
Brendon Rew	Director	475	12.4	5,890.00	0.20	95.00	1.40	665.00	-	-	8.00	3,800.00	2.80	1,330.00
Clint Joseph	Director	475	25.6	12,160.00	1.70	807.50	4.10	1,947.50	-	-	12.70	6,032.50	5.50	2,612.50
Amar Singh	Manager	400	165.0	66,000.00	19.20	7,680.00	23.70	9,480.00	0.20	80.00	57.20	22,880.00	42.40	16,960.00
Niany Ekladious	Executive	325	82.7	26,877.50	3.50	1,137.50	17.20	5,590.00	-	-	15.20	4,940.00	42.60	13,845.00
Veronica Del Borrello	Analyst	200	99.9	19,980.00	5.80	1,160.00	37.60	7,520.00	0.30	60.00	30.80	6,160.00	21.50	4,300.00
Luke Parker	Analyst	200	8.4	1,680.00	-	-	2.20	440.00	-	-	0.80	160.00	5.40	1,080.00
Total			**451.2**	**164,047.50**	**33.1**	**12,365.00**	**94.3**	**30,097.50**	**0.5**	**140.00**	**151.2**	**58,547.50**	**137.6**	**49,697.50**
GST				16,404.75		1,236.50		3,009.75		14.00		5,854.75		4,969.75
Total (Incl GST)				**180,452.25**		**13,601.50**		**33,107.25**		**154.00**		**64,402.25**		**54,667.25**
Average hourly rate				363.58		373.56		319.17				387.22		361.17

4 Advice on remuneration

4.1 Remuneration methods

The four basic methods that can be used to calculate the remuneration charged by an insolvency practitioner are:

4.1.1 Time based / hourly rates

This is the most common method. The total fee charged is based on the hourly rate charged for each person who carried out the work multiplied by the number of hours spent by each person on each of the tasks performed.

4.1.2 Fixed Fee

The total fee charged is normally quoted at the commencement of the liquidation and is the total cost for the administration. Sometimes, a practitioner will finalise the liquidation for a fixed fee.

4.1.3 Percentage

The total fee charged is based on a percentage of a particular variable, such as the gross proceeds of asset realisations.

4.1.4 Contingency

The insolvency practitioner's fee is structured to be contingent on a particular outcome being achieved.

4.2 Remuneration method chosen

It is our opinion that the time based remuneration method is the most appropriate, for the following reasons:

- It ensures actual time is billed at an hourly rate applicable to staff experience.
- It ensures that remuneration claimed is only for necessary work that is properly performed in the provisional liquidation.
- It covers tasks of an administrative and statutory nature including reporting requirements and obligations that were the primary tasks required to be undertaken during the provisional liquidation period.

4.3 Explanation of hourly rates

The rates for our remuneration calculation are set out in the following table together with a general guide of the qualifications and the experience required at each staffing level. The hourly rates charged encompass the total cost of providing professional services and should not be compared to an hourly wage.

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Title	**Description**	**Hourly Rate (excl. GST)**
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Associate Director	More than 7 years insolvency experience, more than 3 years as a manager, qualified accountant. Answerable to the appointee but otherwise responsible for all aspects of administration. Experienced at all levels and considered very competent. Control staff and their training.	$450
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Executive	2 - 5 years. Post graduate qualification (or equivalent) would normally be completed within this period. Assists planning and control of small to medium sized jobs as well as performing some of the more difficult work on larger jobs.	$325
Analyst	0-2 years. Completed an undergraduate degree. Post graduate qualification (or equivalent) will be commenced in this period. Assists senior staff members on aspects of the administration and completes administrative and statutory tasks independently.	$200
Team Administrator	Appropriately experienced and undertakes support activities.	$150

5 Remuneration recoverable from external sources

We have not received any funding from external sources for our remuneration for the Liquidation period.

6 Disbursements

Disbursements are divided into three types:

- Externally provided professional services – these are recovered at cost. An example of an externally provided professional service disbursement is legal fees.
- Externally provided non-professional costs – these are recovered at cost. Example costs include travel, accommodation and search fees.
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We are not required to seek approval for external disbursements, but must account for disbursements incurred. KPMG has not re-charged the administration for internal disbursements.

We have undertaken a proper assessment of disbursements claimed for the Company, in accordance with the law and applicable professional standards. We are satisfied that the disbursements claimed are necessary and proper, and are disclosed as follows:

Disbursements | For the period 30 May 2017 to 26 January 2018		
	Recovery basis	**Total ($ incl. GST)**
Externally provided non-professional services		
Bank charges – to acquire bank statements	At cost	135.00
Cost of publications	At cost	43.83
Staff travel	At cost	884.82
Total		**1,063.65**

7 Summary of receipts and payments

Our receipts and payments (including GST) during 14 March 2017 to 18 April 2018 is as follows:

Receipts and payments summary	
	Total ($)
Receipts	
Collection of cash balances	309,931.80
Payments	
Bank charges	(39.00)
Cash at bank	**309,892.80**

8 Queries

If you have any queries regarding this report, please contact myself or Brendon Rew on (08) 9263 7171.

Yours faithfully

Hayden White

Hayden White
Liquidator