ADMINISTRATORS' REPORT TO CREDITORS

pursuant to section 439A
of the Corporations Act 2001

Village Centre At Kelvin Grove Pty Ltd
(Administrators Appointed)
ACN 105 138 467

4 May 2012

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CONTENTS

Village Centre At Kelvin Grove Pty Ltd (Administrators Appointed) ACN 105 138 467
Report to Creditors
4 May 2012

1. Introduction

1.1 Purpose of Report

This Report is designed to provide the Creditors of the Company with sufficient information to allow the Creditors to make an informed decision when voting on resolutions that will determine the future of the Company at the Second Meeting of Creditors which is convened for **10.00am** on Friday**, 11 May 2012** at Level 15, 50 Pitt Street, Sydney NSW 2000.

1.2 Executive Summary

An Executive Summary of the findings and recommendations of the Administrators as detailed in this Report appears as Table 1 below. The Executive Summary must be read in conjunction with the entire report and must not be relied on without first reading the entire report including all qualifications, limitations and comments.

Table 1: Executive Summary

Issue	Preliminary Findings & Recommendations	Analysis
Future of the Company	The Administrators recommend the Creditors resolve at the Second Meeting of Creditors that the Company executes a DOCA that conforms with the DOCA Proposal.	Paragraphs 14 and 24
DOCA	The proposed DOCA: ▪ is principally designed to restructure the Company's Secured Debt facilities with the Secured Creditor in a manner which does not prejudice the Trade, Statutory and Related Party Creditors; ▪ increases the possibility of the Trade Creditors being able to provide future goods and services to the Shopping Centre; and ▪ may result in certain Essential Creditors receiving payments of their debts in full. Following the restructure of the Company's Secured Debt facilities with the Secured Creditor, the DOCA will be terminated and the Company wound up. The liquidator will thereafter be entitled to pursue recovery actions if merited and funding allows.	
Return to Trade and Statutory Creditors	If the Company executes a DOCA that conforms with the DOCA Proposal, certain Essential Creditors may receive payment of their debts in full. The forecast return to the Creditors of the Company if the Company is immediately wound up (other than the Secured Creditor) is NIL cents in the dollar.	Paragraphs 14 and 23
Contravention of the Act	The Administrators have not identified any contravention of the Act by the Company and its officers.	Paragraph 16

Issue	Preliminary Findings & Recommendations	Analysis
Further Investigations	The Administrators have not identified any matters that warrant further investigation and which may lead to an increased dividend being paid to Creditors on the winding up of the Company.	Paragraph 15
Date of Insolvency	The Company became insolvent no later than 30 June 2011 (and possibly earlier) and remained insolvent between that date and the Appointment Date.	Paragraph 19
Unfair Preferences	The Administrators consider the prospect of Unfair Preference recoveries is poor.	Paragraph 20.1
Uncommercial Transactions	The Administrators have not identified any transactions which may constitute an Uncommercial Transaction.	Paragraph 20.2
Insolvent Trading Claim	The Administrators consider the prospect of a significant Insolvent Trading Claim recovery is poor – as the Company has paid most of the unsecured debts that it incurred whilst insolvent.	Paragraph 20.4

1.3 Glossary

A glossary of the defined terms used in this report appears as Schedule 1.

1.4 Disclaimer

This report is based on information sourced from the Company's books and documents and information provided by the Company, the External Accountant and the Secured Creditor. The Administrators have reviewed the books, documents and information and whilst limited independent verification of the information has been conducted, but no audit has been undertaken.

The Administrators have no reason to doubt the information contained in this report. The statements and opinions given in this Report are given in good faith and in the belief that such statements and opinions are not false or misleading. The Administrators reserve the right to alter any conclusions reached on the basis of any changed or additional information which may become available before the Second Meeting of Creditors.

Neither the Administrators, Taylor Woodings nor any employee thereof undertakes any responsibility in any way whatsoever to any person in respect of any errors in this Report arising from incorrect information provided to the Administrators.

This Report is not for general circulation, publication, reproduction or any other use other than to assist Creditors in evaluating their position as Creditors of the Company and must not be disclosed without the written approval of the Administrators.

The Administrators do not assume or accept any responsibility for any liability or loss sustained by any Creditor or any other party as a result of the circulation, publication, reproduction or any other use of the report.

Creditors must seek their own independent legal advice as to their rights and the options available to them at the Second Meeting of Creditors.

2. Administration Milestones

2.1 Appointment of Administrators

On the Appointment Date, the Secured Creditor appointed the Administrators as joint and several administrators of the Company pursuant to Section 436C of the Act with the intention of implementing via a DOCA the restructure of the Company's Secured Debt facilities with the Secured Creditor.

2.2 First Meeting of Creditors

On 13 April 2012, the Administrators held the First Meeting of Creditors pursuant to Section 436E of the Act. The Creditors attending the meeting had the right to propose and vote on resolutions to replace the Administrators and appoint a Committee of Creditors. The Creditors attending the meeting did not exercise those rights.

2.3 Second Meeting of Creditors

The Administrators have convened the Second Meeting of Creditors pursuant to Section 439A of the Act for **10:00AM** on **Friday, 11 May 2012** at **Taylor Woodings, Level 15, 50 Pitt Street, SYDNEY NSW 2000**.

The principal function of the Second Meeting of Creditors is to allow the Creditors to decide the future of the Company by passing one of the 3 resolutions which are explained in the following paragraph of this Report.

3. Options Available to Creditors at the Second Meeting of Creditors

3.1 Resolutions Available to Creditors

The Creditors must pass one of the following 3 resolutions at the Second Meeting of Creditors:

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

The effect of each resolution is explained below after first considering the right of Creditors to adjourn the Second Meeting of Creditors for a period not exceeding 45 business days.

The Administrators give their opinion on whether the passing of each resolution is in the Creditors' interests at paragraph 24 of this Report.

3.2 Adjournment of the Second Meeting of Creditors

As an alternative to passing one of the above 3 resolutions on 11 May 2012, Creditors may adjourn the Second Meeting of Creditors for a period not exceeding 45 business days.

It is relatively common for Creditors to adjourn a Second Meeting of Creditors when the adjournment may generate a better outcome for Creditors than if Creditors immediately decide the future of the Company.

This may arise where the additional time may lead to:

- The formulation of a DOCA proposal that will generate a better return to Creditors than the return they will receive under an existing DOCA proposal or in the winding up of the Company; or
- An asset (such as a business) being sold for an amount greater than would otherwise be the case if the Company is wound up.

The Administrators are not aware of any factors that warrant an adjournment of the Second Meeting of Creditors and the Administrators consider that Creditors can decide the future of the Company on 11 May 2012.

3.3 The Company Execute a DOCA

A DOCA is designed to provide the means by which Creditors as a whole receive a better outcome than they would if the Company is wound up. It also (usually) allows for the Company to free itself of its unsecured debt burden and to continue (or resume) trading.

The usual procedure is that the entity proposing the DOCA submits a DOCA proposal to the Administrators who, on behalf of Creditors, consider the proposal and make a recommendation to Creditors as to whether the DOCA should be accepted and if so, on what terms.

If Creditors resolve that the Company execute a DOCA the Creditors will be bound by the terms of the DOCA and the Company will not be wound up unless the DOCA provides for such a winding up on the happening of a specific event and that event occurs.

The Secured Creditor has submitted a DOCA Proposal to the Administrators. A copy of the DOCA Proposal appears as Schedule 4. The material details and essential features of the DOCA Proposal as well as the Administrators' comments on the proposal appear at paragraph 14 below.

The DOCA contemplated by the DOCA Proposal will result in the Company being wound up after the happening of certain transactions which will give effect to the restructure of the Secured Debt facilities.

3.4 The Company be Wound Up

If Creditors resolve that the Company be wound up, the Company will be immediately placed into liquidation and a liquidator appointed. A liquidator will be required to

complete the investigation commenced by the Administrators into the business, property, affairs and financial circumstances of the Company.

The liquidator will also:

- realise any remaining assets of the Company subject to the right of the Secured Creditor to realise those assets via the appointment of a Receiver and Manager;
- Commence certain recovery actions (if merits and funding allow). Further details of those potential recovery actions appear at numbered paragraphs 17 to 22 below; and
- Pay a dividend to Creditors in accordance with the Act if funds are available to do so.

The Administrators consider no dividend will be paid to Creditors (other than the Secured Creditor) if the Company is immediately wound up.

3.5 The Administration End

If Creditors resolve that the Administration end, the Company will be placed in a position similar to that existing prior to the appointment of the Administrators.

4. Administrators' Independence

The Act requires the Administrators to be:

- independent of the Company, its Directors and any dominant creditor, including the Secured Creditor and any dominant or central supplier in respect of its exposure to the Company; and
- Seen to be independent of the Company, its Directors and any dominant creditor.

Prior to the First Meeting of Creditors, the Administrators sent the DIRRI to all known Creditors. A copy of the DIRRI appears as Schedule 2. Since then, no new matters have occurred which could compromise the independence of the Administrators or preclude the Administrators from acting as joint and several administrators of the Company.

Other than disclosed in the DIRRI, the Administrators have not had any professional or advisory relationship with the Company or any other relationship with:

- the Directors;
- the Company and all related bodies corporate as defined in the Act; and
- Any dominant Creditor.

5. Background Information about the Company

5.1 Information disclosed in ASIC records

All companies incorporated or registered in Australia have a statutory obligation to provide certain information to ASIC. Details of the relevant information held by ASIC with respect to the Company is summarised below.

Table 2: Company Information

Item	Detail
Incorporated	17-Jun-03
Registered Office:	Indigo, Unit 2A, 17 Peel Street, South Brisbane QLD 4101
Principal Place of Business:	Indigo, Unit 2A, 17 Peel Street, South Brisbane QLD 4101

Source: ASIC Records

Table 3: Directors and Secretary of the Company

Name	Postion	Commence	End
Lawrence Frederick Truce	Director	18-Jun-03	-
	Secretary	18-Jun-03	-
Mitchell Neville Louis Nielsen	Director	18-Jun-03	-
	Secretary	12-Feb-10	-
Maurizio Verna	Director	18-Jun-03	-
Grahame Robert Shelley	Director	18-Jun-03	-
Mark Ian Urquhart	Director	18-Jun-03	-
Mark James Thomson	Director	18-Jun-03	-

Source: ASIC Records

Table 4: Existing Shareholder Structure

Shareholder	Class	Number	Value $	Fully Paid
Nielsen Pty Ltd	ORD	250,000	250,000	Yes
Maurizio Verna	ORD	195,000	195,000	Yes
Emmic Pty Ltd	ORD	300,000	300,000	Yes
Mark James Thomson	ORD	42,000	42,000	Yes
Grahame Robert Shelley	ORD	145,000	145,000	Yes
Mark Ian Urquhart	ORD	68,000	68,000	Yes
		1,000,000	**1,000,000**	

Source: ASIC Records

6. Business Activities of the Company and Events Leading to Administration

6.1. Business Activities

The Company is a special purpose vehicle incorporated for the sole purpose of undertaking the Village Centre Development as part of the Kelvin Grove Urban Village re-development in Kelvin Grove, Queensland. Kelvin Grove is approximately 3km north of the Brisbane CBD and adjacent to the Queensland University of Technology.

The Village Centre Development is an integrated residential unit and retail development comprising of:

- the Residential Units;
- the Shopping Centre which includes a Woolworths Supermarket (approximately 40% of the total floor area), approximately 35 specialty stores and commercial spaces and 3 ATMs; and
- 3 levels of basement car parking.

6.2 Company History

Construction of Village Centre Development

In about September 2004, the Company commenced the construction of the Village Centre Development. In about October 2006, the Company completed the construction of the development.

The Company advised that the total construction costs of $71.4M was slightly (5%) but not materially more than Company's pre-commencement budget of $67.8M.

Debt Refinance

In December 2006, the Company refinanced its debt by way of the Syndicated Loan Agreements, being a Syndicated Loan Agreement with respect to the Residential Units and a further Syndicated Loan Agreement with respect to the Shopping Centre. The Secured Creditor provided a total financial commitment of $104,800,000.

Sale of Residential Units

Prior to completion, the Company sold approximately 50% of the Residential Units off the plan. Following completion, the Company commenced the sell down of the remaining Residential Units. In about October 2009, the Company completed the sale of the last Residential Unit.

The Company sold the Residential Units for approximately $2.7M less than the amount that it forecast prior to commencing the Village Centre Development. The demand for the Residential Units was lower than expected and the Company, as part of its marketing strategy, offered rental guarantees to purchasers.

Lease up of retail spaces in Shopping Centre

The Company also experienced difficulty leasing up all the retail spaces in the Shopping Centre for the rental that it expected to receive.

The rental has been insufficient to service the interest payments on the Secured Debt.

Shopping centres fall in value

From about 2008, the values of neighbourhood shopping centres across Australia have fallen as a result of the:

- Reduced demand from retailers for physical retail spaces, leading to a reduction in the rents that tenants will pay; and
- Reduced investor demand, leading to an increased supply of shopping centres on the market and an increase in initial income yields at which neighbourhood shopping centres trade.

The current market value of the Shopping Centre is now less that the Secured Debt. The Administrators comment further on this issue at paragraph 10 below.

Change in Property Manager

The Company initially appointed a related company to manage the Shopping Centre.

On about 7 September 2011, the Company (on the suggestion of the Secured Creditor) changed property managers and appointed Savills to see if it was possible for an independent property manager to increase the profitability of the Shopping Centre so that the net income derived from the Shopping Centre could service the interest accruing on the Secured Debt.

Savills were unable to sufficiently increase the profitability of the Shopping Centre and the net income still does not service the interest accruing on the Secured Debt.

Appointment of Administrators

By 2012, the Secured Creditor had formed the opinion that the existing arrangements between the Company and the Secured Creditor may not necessarily:

- Ensure the ongoing viability of the Shopping Centre as a whole; and
- Generate the best financial return for the Secured Creditor.

As such and on 30 March 2012, the Secured Creditor appointed the Administrators as administrators of the Company with the intention of allowing the Company and the Secured Creditor to restructure the Secured Debt through a DOCA. The DOCA will also generate a dividend of 100 cents in the dollar for Essential Trade and Statutory Creditors.

6.3. Outstanding Winding Up Applications

As at the Appointment Date, there were no applications to wind up the Company pending before a Court in Australia.

7. Reasons for the Failure of the Company

7.1 Explanation of the Directors

The Administrators sought an explanation from the Directors for the Company's financial difficulties. The Directors have not, as yet, provided an explanation to the Administrators.

7.2 Explanation of the Administrators

As noted in paragraph 6 above, the Administrators consider that the Company's financial difficulties are attributable to:

- A minor overrun in the cost of constructing the Village Centre Development;
- Lower than expected demand for the Residential Units resulting in sales at reduced prices over a longer period and with rental guarantees;
- Lower than expected rentals being achieved from the tenants of the Shopping Centre and greater than expected vacancy rates;
- The Company being unable to service its interest payments on the Secured Debt; and
- The Company being unable to attract funds from third parties to satisfy the shortfall on those interest payments.

8. Financial Records of the Company

8.1 Introductory Comment

The Administrators have encountered a measure of difficulty obtaining financial records of the Company. The financial records so far received are summarised in paragraph 8.2 below.

Whilst it is likely that further records exist, the lack of financial records has not had a material impact on the conclusions reached by the Administrators in this Report.

8.2 Financial records received by the Administrators

The Administrators have received the following financial records from the Company, the External Accountants and Savills. A summary of the financial records appear at paragraph 9 below:

- Management accounts of the Company for FY09 to FY12 (YTD 30 March 2012);
- Cash flow forecasts for the Village Centre Development;
- Company's MYOB file;

External Accountants

- Company tax returns for FY08 and FY09; and

Savills

- General ledger for the management of the Shopping Centre for the period September 2011 to March 2012.

8.3 Directors' RATA

On the Appointment Date, the Administrators requested a RATA from the Directors. Section 438B of the Act requires the Directors to provide the RATA within 5 business days after the Appointment Date. The RATA provides summary information about the assets and liabilities of the Company as at the Appointment Date.

The Administrators have not yet received a RATA from the Directors. The Internal Accountant has advised that the Directors will be providing a RATA before the Second Meeting of Creditors. The Administrators intend reporting the conduct of the Directors in failing to submit a RATA to ASIC if the RATA is not provided before the Second Meeting of Creditors.

The Administrators consider that they have not been unduly prejudiced by the Directors failure to provide the RATA within time following the co-operation and assistance provided by the Internal Accountant.

9. Financial Information

9.1 Deficiency Statement

A high level deficiency statement for the Village Centre Development appears as Table 5 below. Alongside the deficiency statement is the Company's original forecast and the variance between those 2 amounts. The Company originally forecast a net profit of $14.7M. The Company is now forecasting a net loss of $11.6M. The actual loss is likely to be greater as the Company has valued the Shopping Centre at amount in excess of current market value. Please refer to paragraph 10 for further details of the current market value.

Table 5: High Level Summary

	Note	Forecast $	%	Current $	%	Variance $
Sale of 213 units		93,409,950	77%	90,740,385	80%	(2,669,565)
Shopping Centre	1	24,693,813	20%	20,000,000	18%	(4,693,813)
Rental guarantee		-	0%	(211,335)	0%	(211,335)
Other Revenue		2,845,000	2%	3,300,000	3%	455,000
		120,948,763	**100%**	**113,829,050**	**100%**	**(7,119,713)**
Land		(10,529,609)	-9%	(10,900,630)	-10%	(371,021)
Construction		(67,887,122)	-56%	(71,485,399)	-63%	(3,598,277)
Other Costs		(17,211,150)	-14%	(23,096,071)	-20%	(5,884,921)
Interest		(2,778,019)	-2%	(16,016,587)	-14%	(13,238,568)
GST Paid (Received)		(7,864,086)	-7%	(3,935,409)	-3%	3,928,677
		(106,269,986)	**-88%**	**(125,434,095)**	**-110%**	**(19,164,109)**
Net Profit/ (loss)		**14,678,777**	**12%**	**(11,605,046)**	**-10%**	**(26,283,822)**

Source: Management Forecast and Actual Profit & Loss Statements as at Sep-04 and Sep-09

Note 1: Shopping Centre
Current value is as per the ERV in Table 8.

9.2 Statements of Financial Performance

A more detailed summary of the Company's statements of financial performance for FY09 to FY12 (YTD 30-Mar-12) appear as Table 6 below.

Those statements show that the income derived from the Shopping Centre is insufficient to service the interest payments on the Secured Debt.

Table 6: Statements of Financial Performance for FY09 to FY12 (YTD 30-Mar-12)

	Notes	FY09 $	FY10 $	FY11 $	FY12 Normalised $
Income					
Gross profit from Construction Activities	1	(792,283)	(52,078)	(119,391)	-
Gross profit from Centre Management	2	(46,848)	1,327,978	1,094,882	1,112,670
Other revenue	3	4,782	331,370	-	-
		(834,349)	**1,607,270**	**975,491**	**1,112,670**
Expenses					
Property expenses	4	155,911	66,063	(395)	-
Depreciation expense		654,982	652,652	-	-
Lease expenses		48,722	48,722	-	-
Other expenses		35,202	8,990	7,541	-
Finance costs	5	3,409,384	2,199,923	1,592,009	996
		4,304,200	2,976,349	1,599,155	996
Profit/(loss) before income tax		**(5,138,550)**	**(1,369,080)**	**(623,664)**	**1,111,674**

Source: Company Management Accounts

Note 1: Gross Profit from Construction Activities

	FY09 $	FY10 $	FY11 $	FY12 Normalised $
Sales	7,545,833	3,797,303	-	-
Cost of Goods Sold	8,338,116	3,849,381	119,391	-
	(792,283)	**(52,078)**	**(119,391)**	**-**

Note 2: Gross Profit from Centre Management

	FY09 $	FY10 $	FY11 $	FY12 Normalised $
Centre Management Net Operating Income	-	1,540,957	1,150,397	1,112,670
Rental Income	123,538	17,602	17,862	-
Cost of Goods Sold	170,386	230,581	73,377	-
	(46,848)	1,327,978	1,094,882	1,112,670

Note 3: Other revenue

	FY09 $	FY10 $	FY11 $	FY12 Normalised $
Interest	437	8,396	-	-
Other Income	4,345	322,974	-	-
	4,782	**331,370**	**-**	**-**

Note 4: Property expenses

	FY09 $	FY10 $	FY11 $	FY12 Normalised $
Rates	42,981	4,249	-	-
Body Corporate	50,288	5,600	-	-
Land Tax	62,641	56,215	(395)	-
	155,911	**66,063**	**(395)**	**-**

Note 5: Finance costs

	FY09 $	FY10 $	FY11 $	FY12 Normalised $
Interest*	2,485,023	1,343,341	1,592,009	996
Borrowing Costs	24,192	10,458	-	-
Interest - Indigo	900,169	846,125	-	-
	3,409,384	**2,199,923**	**1,592,009**	**996**

* FY12 excludes interest payable to the Secured Creditor which forms $1,184,945 of capitalised expenses as per Note 3 of Table 7.

9.3 Statements of Financial Position

The Company's statements of financial position at FY09 to FY11 year end and at 30 March 2012 appear as Table 7 below.

The statements of financial position show that:

- The Company has had a net asset deficiency since 30 June 2009 at the latest.
- The Company's current liabilities have exceeded current assets since 30 June 2011 at the latest:

The Internal Accountant has advised that the statement of financial position at 30 March 2012 is only partly complete as he has not, as yet, reconciled the current balances of the rental guarantee trust accounts. The Administrators understand that the balance of those accounts on the Appointment Date was $2,245.

Table 7: Statements of Financial Position for 30-Jun-09 to 30-Mar-12

	Notes	30-Jun-09 $	30-Jun-10 $	30-Jun-11 $	30-Mar-12 $
Assets					
Current Assets					
Cash and Cash Equivalents	1	1,069,060	686,518	523,390	458,255
Trade Receivables		262,172	653,045	-	-
Other Current Assets		3,027,842	-	460	460
Total Current Assets		**4,359,074**	**1,339,563**	**523,850**	**458,715**
Non-Current Assets					
Land and Buildings		23,900,115	23,259,603	23,250,429	23,250,429
Intercompany Loans	2	523,323	358,275	701,625	701,625
Capitalised Expenses	3	-	(25,000)	-	1,365,707
Property, Plant And Equipment	4	78,984	66,845	66,845	66,845
Total Non-Current Assets		**24,502,422**	**23,659,723**	**24,018,899**	**25,384,606**
Total Assets		**28,861,497**	**24,999,286**	**24,542,749**	**25,843,321**
Liabilities					
Current Liabilities					
Trade Payables		436,386	150,271	6,796	4,345
Provisions for Rental Guarantee		517,498	536,560	570,153	570,153
Other Payables		14,375	41,400	28,404	28,404
Short Term Hire Purchase		27,523	30,195	30,195	30,195
Tax Liabilities		363,166	(18,547)	(17,688)	44,335
Total Current Liabilities		**1,358,948**	**739,878**	**617,860**	**677,431**
Non-Current Liabilities					
Westpac Loan		805,979	-	-	-
Investec Loan		24,877,021	22,993,008	23,241,814	23,646,719
Other Loans	5	6,682,312	7,528,437	7,528,437	7,528,437
Intercompany Loans	6	9,255,710	8,255,710	8,314,951	8,315,528
Long-Term Hire Purchase		46,374	16,179	16,179	16,179
Total Non-Current Liabilities		**41,667,396**	**38,793,334**	**39,101,381**	**39,506,864**
Total Liabilities		**43,026,343**	**39,533,212**	**39,719,241**	**40,184,295**
Net Assets		**(14,164,847)**	**(14,533,927)**	**(15,176,492)**	**(14,340,974)**

Note 1: Cash and Cash Equivalents

	30-Jun-09 $	30-Jun-10 $	30-Jun-11 $	30-Mar-12 $
National Australia Bank	129,184	4,549	1,478	885
National Australia Bank Account 2	-	60,710	-	-
Cash at Bank (VCM)	-	43,725	(732)	(732)
Trust Acc - Rental Guarantee	-	200	433,885	433,885
Clearing Acc - Rental Guarantee	578,733	451,736	(43,729)	(43,729)
Settlement Trust Account	1,100	1,100	1,100	1,100
MF Lyons Trust Account	360,043	124,498	131,242	130,675
Savills Trust Account	-	-	146	(63,829)
	1,069,060	**686,518**	**523,390**	**458,255**

Village Centre At Kelvin Grove Pty Ltd (Administrators Appointed) ACN 105 138 467
Report to Creditors
4 May 2012

Note 2: Intercompany Loans

	30-Jun-09 $	30-Jun-10 $	30-Jun-11 $	30-Mar-12 $
Loan - Village Centre Manageme	239,248	-	333,286	333,286
Loan - Skennars Ridge (Supbr)	-	27,500	37,564	37,564
Loan Indigo (Yeppoon Retail)	284,075	330,775	330,775	330,775
	523,323	**358,275**	**701,625**	**701,625**

Note 3: Capitalised Expenses

Capitalised Interest and Expenses attributable to obtaining finance for the development of Kelvin Grove Development

Note 4: Plant & Equipment

	30-Jun-09 $	30-Jun-10 $	30-Jun-11 $	30-Mar-12 $
Computer Equipment	1,084	678	678	678
Office Equipment	639	495	495	495
Other Plant and Equipment	77,261	65,672	65,672	65,672
	78,984	**66,845**	**66,845**	**66,845**

Note 5: Related Party Loans (Interest bearing)

	30-Jun-09 $	30-Jun-10 $	30-Jun-11 $	30-Mar-12 $
Loan - IPC. Interest Bearing	5,192,601	5,192,601	5,192,601	5,192,601
Loan - IPC Cap. Interest	1,489,711	2,335,836	2,335,836	2,335,836
	6,682,312	**7,528,437**	**7,528,437**	**7,528,437**

Note 6: Related Party Loans (Interest free)

	30-Jun-09 $	30-Jun-10 $	30-Jun-11 $	30-Mar-12 $
Loan - Skennars Ridge (Supbr)	-	-	-	578
Loan Truce Oasis Trust	851,141	851,141	851,141	851,141
Loan Truce Family Trust	1,345,279	1,045,279	1,045,279	1,045,279
Loan M & P Verna Family Trust	2,096,301	1,901,301	1,926,972	1,926,972
Loan Shelley Family Trust	1,561,949	1,416,949	1,436,038	1,436,038
Loan Urquhart Family Trust	731,743	663,743	672,695	672,695
Loan Thomson Family Trust	340,241	298,241	303,770	303,770
Loan Nielsen Family Trust	2,167,806	1,917,806	1,917,806	1,917,806
Loan - MNLN Pty Ltd	45,482	45,482	45,482	45,482
Loan - Truz Pty Ltd	45,482	45,482	45,482	45,482
Loan Nielsen (Edward Street) T	25,410	25,410	25,410	25,410
Loan - Truce George St Trust	22,438	22,438	22,438	22,438
Loan - Nielsen George St Trust	22,438	22,438	22,438	22,438
	9,255,710	**8,255,710**	**8,314,951**	**8,315,528**

10. Estimate of Financial Position on Appointment Date

The Administrators have prepared an estimate of the Company's Financial Position on the Appointment Date based on the RATA and the results of investigations undertaken by the Administrators. The estimate appears as Table 8. The estimate shows the value of assets and liabilities on 2 different basis, namely:

- as per the Company records; and
- ERV(estimated realisable value).

When assessing ERV regard has been given to the current economic conditions. It is important that the relevant asset or liability is considered in conjunction with the notes supporting it.

Table 8: Estimate of Financial Position on the Appointment Date

	Notes	Company $	ERV $
Current Assets			
Cash and Cash Equivalents	1	(63,676)	67,924
Tax Credits		460	-
Rental Arrears	2	-	29,292
		(63,216)	**97,216**
Non-Current Assets			
Capitalised Expenses		1,365,707	-
Intercompany Loans		701,625	-
Shopping Centre including Plant & Equipment	3	23,317,274	20,000,000
		25,384,606	**20,000,000**
		25,321,390	**20,097,216**
Liabilities			
Fixed Charge Securities			
Investec Loan		23,646,719	23,740,374
Unsecured Creditors			
Trade Creditors		4,345	55,111
Intercompany Loans		8,315,528	8,315,528
Other Loans		7,528,437	7,528,437
Statutory creditors		44,335	43,000
Hire Purchase Creditors		46,374	-
Other Payables	4	28,404	-
		39,614,142	**39,682,451**
Contingent Assets	5	521,931	521,931
Contingent Creditors	6	570,153	570,153
Estimated Surplus/(Shortfall)	7	**(14,340,974)**	**(19,633,456)**

Source: Company records and Administrators' Investigations

Note 1: Cash and Cash Equivalents

	Company $	ERV $
National Australia Bank	152	847
Savills Trust Account	(63,829)	64,611
Piper Alderman Trust Account		2,466
	(63,676)	**67,924**

Note 2: Rental Arrears (as per Savills advice)

	Company $	ERV $
Recoverable		29,292
Subject to dispute		11,528
Subject to credit risk		244,622
	-	**285,442**

Note 3: Shopping Centre
The ERV is indicative only. The actual ERV as adopted by Stonebridge Property Group is **commercially sensitive**. The Administrators note that the ERV as adopted by Stonebridge Property Group is **lower** than the indicative amount.

Note 4: Other Payables

	Company $	ERV $
Bond Account (VCM)	14,029	-
Customer Deposits	14,375	-
	28,404	**-**

Note 5: Contingent Assets

	Company $	ERV $
Trust Acc - Rental Guarantee	433,885	433,885
Clearing Acc - Rental Guarantee	(43,729)	(43,729)
Settlement Trust Account	1,100	1,100
MF Lyons Trust Account	130,675	130,675
	521,931	**521,931**

Note 6: Contingent Creditors
Provision for Rental Guarantees

Note 7: Estimated Surplus/(Shortfall)
Subject to the expenses of the Administration

10.1. ERV of the Shopping Centre

There is a measure of commercial sensitivity associated with disclosing the ERV of the Shopping Centre so as to not jeopardise any future marketing campaign of the Shopping Centre. The Administrators are required to balance that sensitivity against the right of Creditors to be properly informed about the financial position of the Company on the Appointment Date.

The critical issue for Creditors is not the value of the Shopping Centre but rather whether there will be a surplus on the sale of the Shopping Centre after the repayment of the Secured Debt to the Secured Creditor on the assumption that the sale occurs at market value under current market conditions.

The Administrators engaged Stonebridge Property Group to provide an opinion on the potential for a surplus on the sale of the Shopping Centre after the repayment of the Secured Debt on the assumption that the sale occurs at market value under current market conditions.

Stonebridge Property Group has specialist retail expertise and depth of market knowledge. It has previously undertaken valuation, agency, capital transaction, development and investment management work for a number of significant organisations including AMP Capital Investors, ING Real Estate, Jones Lang LaSalle and CBRE. It has also been previously appointed to provide strategic portfolio and consultancy advice for various groups including Mirvac, ANZ, BB Retail Capital and 360 Capital.

The opinion of Stonebridge Property Group is that there is **no prospect** of any surplus on the sale of the Shopping Centre at market value under current market conditions after the repayment of the Secured Debt.

For the purposes of the ERV of the Shopping Centre, the Administrators have not disclosed the estimated selling price of the Shopping Centre as adopted by Stonebridge Property Group. Instead, the Administrators have included an amount higher than the assessment to illustrate the fact that all receipts from the sale of the Shopping Centre will be paid to the Secured Creditor assuming a sale of the Shopping Centre at market value under current market conditions.

11. Secured Creditors

11.1. Quantum of Secured Debt

On the Appointment Date, the Company owed the Secured Creditor the Secured Debt of $23,740,374, an increase of $498,560 on the Secured Debt of $23,241,814 which the Company owed at 1 July 2011. Interest continues to accrue on the Secured Debt. The Secured Creditor advises that the current interest rate is 6.47% per annum.

11.2. Securities held by Secured Creditor

The Secured Creditors holds the securities set out in Table 9 below as security for the Secured Debt.

Village Centre At Kelvin Grove Pty Ltd (Administrators Appointed) ACN 105 138 467
Report to Creditors
4 May 2012

Table 9: Securities held by the Secured Creditor

Created	Registered	Reg No	Security Interests
11-Dec-06	30-Mar-12	201112151042500	Fixed charge and real property mortgage over Shopping Centre
11-Dec-06	06-Feb-12	201112151042487	Fixed charge and real property mortgage over Residential Units

Source: PPS Register

The Administrators have reviewed the securities held by the Secured Creditor. The Administrators are not aware of any grounds on which the validity of the securities can be challenged.

The Administrators consider that the Secured Creditor holds (and following the Administration may enforce) a fixed charge over all assets of the Company (including the book debts of the Company) but excluding the money held in the Company's bank account on the Appointment Date ($847). The Administrators consider that the Secured Creditor does not hold any security over the money held in the bank account as it is not possible to create a fixed charge over such an asset.

11.3 Impact of Securities held by Secured Creditor on return to Trade, Statutory and Related Party Creditors

If the assets of the Company are realised, all proceeds (excluding the money in the Company's bank account) will be paid to the Secured Creditor in reduction of the Secured Debt in priority to all other Creditors.

There will be a shortfall between the proceeds of realisation and the Secured Debt (see paragraph 10). The amount available to Trade, Statutory and Related Party Creditors will therefore be limited to:

- **In a DOCA scenario**

  The amount that the DOCA provides for Trade, Statutory and Related Party Creditors. This return is summarised at paragraph 14.

- **In a Winding up scenario**

  The amounts (if any) recovered by a liquidator from the recovery actions which are available to a liquidator (after deduction of the costs and fees referable to those actions). Those recovery actions are considered at paragraphs 18 to 22.

11.4 Other potential security interests

Following the enactment of the PPSA on 31 January 2012, ITSA maintains a register of all security interests in the Company's personal property which have been notified to ITSA. In addition to the Secured Creditor's security interests, the register also discloses the existence of security interests registered by 2 other entities. Details of those security interests appear in Table 10 below.

Table 10: Security Interests Registered on PPSR

Secured Creditor	Created	Registered	Reg No	Security Interest
Westpac	05-Dec-06	30-Jan-12	201112151060164	Fixed and Floating Charge over the Residential Units
Westpac	30-Jan-12	30-Jan-12	201112280834415	
Esanda	16-Jan-07	30-Jan-12	201112151278643	Fixed charge over Carpark CCTV system

Source: PPS Register

The records maintained by ITSA may not be up to date. The Residential Units have been sold and the Westpac facility repaid. Further, Esanda has not lodged a proof of debt and it is possible that the Company has repaid the debt owing to Esanda.

12. Related Parties

12.1 Introduction

The Company has had dealings with parties that at the time of the dealings were parties related to the Company. The IPA Code requires those dealings to be disclosed to Creditors in this Report.

12.2 Loans to Related Parties

The financial records of the Company disclose the existence of loans made by the Company to related parties. Those loans are summarised in Table 11 and explained in further detail below. The Secured Creditor has the right to take steps so that any amounts recoverable from those loans are secured by its fixed charge.

Table 11: Loans to Related Parties

	30-Jun-09 $	30-Jun-10 $	30-Jun-11 $	30-Mar-12 $
Loan - Village Centre Manageme	239,248	-	333,286	333,286
Loan - Skennars Ridge (Supbr)	-	27,500	37,564	37,564
Loan Indigo (Yeppoon Retail)	284,075	330,775	330,775	330,775
	523,323	358,275	701,625	701,625

Village Centre Management

Village Centre Management acted as Property Manager of the Shopping Centre until replaced by Savills. The Internal Accountant has advised that the company owns no assets and has closed its bank account.

Skennars Ridge

Skinnars Ridge acted as the management company for the Company and associated companies. The Internal Accountant considers that the loan arises from the consolidation of intercompany accounts but has been unable to provide any more detail at this stage.

Yeppoon Retail

Yeppoon Retail is the former operator of the newsagency in the Shopping Centre. The Internal Accountant considers that the loan is on account of rental and other advances made by the Company. Yeppoon Retail does not trade. It owns some limited stock which the Internal Accountant has valued at less than $10,000.

12.3 Loans by Related Parties

The financial records of the Company disclose the existence of interest bearing and non-interest bearing loans made to the Company by related parties. Those loans are summarised in Table 12 and Table 13. The non-interest bearing loans are in the form of unsecured shareholder loans to the Company.

Table 12: Non-interest Bearing Loans by Related Parties

	30-Jun-09 $	30-Jun-10 $	30-Jun-11 $	30-Mar-12 $
Loan - Skennars Ridge (Supbr)	-	-	-	578
Loan Truce Oasis Trust	851,141	851,141	851,141	851,141
Loan Truce Family Trust	1,345,279	1,045,279	1,045,279	1,045,279
Loan M & P Verna Family Trust	2,096,301	1,901,301	1,926,972	1,926,972
Loan Shelley Family Trust	1,561,949	1,416,949	1,436,038	1,436,038
Loan Urquhart Family Trust	731,743	663,743	672,695	672,695
Loan Thomson Family Trust	340,241	298,241	303,770	303,770
Loan Nielsen Family Trust	2,167,806	1,917,806	1,917,806	1,917,806
Loan - MNLN Pty Ltd	45,482	45,482	45,482	45,482
Loan - Truz Pty Ltd	45,482	45,482	45,482	45,482
Loan Nielsen (Edward Street) T	25,410	25,410	25,410	25,410
Loan - Truce George St Trust	22,438	22,438	22,438	22,438
Loan - Nielsen George St Trust	22,438	22,438	22,438	22,438
	9,255,710	8,255,710	8,314,951	8,315,528

Table 13: Loans by Related Parties

	30-Jun-09 $	30-Jun-10 $	30-Jun-11 $	30-Mar-12 $
Loan - IPC. Interest Bearing	5,192,601	5,192,601	5,192,601	5,192,601
Loan - IPC Cap. Interest	1,489,711	2,335,836	2,335,836	2,335,836
	6,682,312	7,528,437	7,528,437	7,528,437

12.4 Dividends paid to Shareholders

The Company has not paid a dividend to the shareholders of the Company since its Incorporation.

13. Administrators' Objectives and Actions

13.1 Objective

The primary objective of an administrator appointed to a company is:

- To maximise the chances of the company, or as much as possible of its business, continuing in existence;

Or if that is not possible:

- To obtain a better return for the creditors of the Company than would result from an immediate winding up of the company.

Whilst a "better return" is usually synonymous with an increased monetary return being paid to creditors, there is no absolute requirement that creditors receive an increased monetary return for the overall return to constitute a "better return" for the creditors.

13.2. Summary of Actions by Administrators

The following matters have limited the options available to the Administrators in this Administration:

- The nature of the Company's business;
- The securities held by the Secured Creditor;
- The quantum of the Secured Debt; and
- The nature of the DOCA Proposal as detailed at paragraph 14 below.

As such, the Administrators have confined their actions to ensuring a cost effective management of the Shopping Centre in a manner consistent with the DOCA Proposal so that the value of the Company's business and assets can be preserved pending the Second Meeting of Creditors.

13.3 Management of the Shopping Centre

As noted earlier in this Report, Savills was the Property Manager of the Shopping Centre on the Appointment Date.

On 4 April 2012 and in conjunction with the Deed Proposal, the Administrators received a request from the Secured Creditor that Savills be replaced with Retpro.

Retpro is a specialist Property Manager of Shopping Centres. The principals of Retpro founded the company in 2009 after holding senior property management positions at Coles Myer and Centro Properties Group and have significant experience in the establishment, management, leasing and marketing of a number of landmark Australian shopping centres. Since 2009, Retpro has received mandates to manage regional and sub-regional shopping centres shopping centres in South Australia, Victoria and New South Wales.

Village Centre At Kelvin Grove Pty Ltd (Administrators Appointed) ACN 105 138 467
Report to Creditors
4 May 2012

The Administrators evaluated the request of the Secured Creditor and following discussions with Savills and Retpro replaced Savills with Retpro as Property Manager of the Shopping Centre effective 1 May 2012. The Administrators made that decision following their consideration of the hands on experience of Retpro, the management fee charged by Retpro (which is less than that charged by Savills) and the Secured Creditor's support of Retpro.

14. DOCA Proposal

14.1 Introduction

On 27 April 2012 and following discussions with the Secured Creditor, the Administrators received the DOCA Proposal from the Secured Creditor.

The concept of a DOCA proposal is explained at paragraph 3.3 above. A copy of the DOCA Proposal appears as Schedule 4. The material details and essential features of the DOCA Proposal as well as the Administrators' comments on the proposal appear below.

14.2 Material Details and Essential Features of DOCA Proposal

The DOCA Proposal contemplates a restructuring of the Company's balance sheet and the facilities currently provided by the Secured Creditor to the Company. The material details and essential features of the DOCA Proposal are summarised below:

- The Administrators are to be the administrators of the DOCA;
- The Company is to transfer the Shopping Centre to a wholly owned subsidiary which is to be incorporated ("**Newco"**);
- Newco will assume certain existing liabilities of the Company, being liabilities which Newco determines as being essential to the continued operation of the Shopping Centre. Those liabilities will include the payment of Essential Trade and Statutory Creditors;
- The Secured Creditor's existing facilities with the Company are to be novated to Newco and split into the following tranches:
  - A restructured senior loan tranche ("**Senior Tranche**") which is to be a performing loan on the Secured Creditor's usual lending criteria;
  - A mezzanine tranche and a PIYC tranche ("**Junior Tranches**") which represent the balance of the Secured Creditor's existing debt;

  The obligation to service and repay the Junior Tranches will be subject to the availability of funds. The PIYC tranche will be convertible at the Secured Creditor's option into ordinary equity in Newco;
- The Company is to guarantee the obligations to Newco and the guarantee is to be secured against the Company's shareholding in Newco;
- The Secured Creditor will release the Company from its guarantee on the earlier of the following dates:

  - The date on which Newco disposes of the Shopping Centre;
  - The date on which the Secured Creditor converts the PIYC tranche into ordinary equity in Newco; and
  - The date on which the Administrators and the Secured Creditor agree;
- The restructure requires a number of conditions to be satisfied. Those conditions are set out in paragraph 15 of the Deed Proposal and include Newco appointing a dedicated asset manager for the Shopping Centre;
- If the conditions are satisfied, the DOCA will be terminated. The Company will then be wound up and the Administrators will be appointed liquidators of the Company. Thereafter, the liquidators will be entitled (but not required) to pursue those recovery actions which Part 5.7B of the Act gives a liquidator the right to pursue to recover money, property or other benefits for the benefit of the unsecured creditors of a company. The Secured Creditor does not intend to participate in the winding up of the Company for the unsecured shortfall of the Secured Debt unless any unexpected recoveries are achieved.
- If the conditions cannot be satisfied, the Company will be immediately wound up and the Administrators appointed liquidators of the Company. Under this scenario, the Secured Creditor will participate in the winding up of the Company for the unsecured shortfall of the Secured Debt.
- Whilst the DOCA is in force there is to be a moratorium preventing action from being taken against the Company without the consent of the Administrators or the leave of the Court;
- The Secured Creditor will indemnify the Administrators for their expenses and approved remuneration for acting as administrators of the Company and of the DOCA and as liquidators of the Company. The indemnity for non-trading expenses and approved remuneration is capped at an amount of $50,000 plus GST less any money obtained by the Administrators from realisations and which are available to pay the Administrators' non-trading expenses and approved remuneration.

14.3 Evaluation of the DOCA Proposal

The DOCA as contemplated by the DOCA Proposal generates an overall better return for the Secured Creditor and has the potential to generate a better return for Essential Creditors (who may receive payment of their debt in full) than they would receive from an immediate winding up of the Company. The remaining creditors are no worse off under the DOCA (when compared with an immediate winding up) and are potentially advantaged. The DOCA provides the best opportunity for the Trade Creditors to provide on-going goods and services with respect to the Shopping Centre.

The Secured Creditor (the Company's most significant Creditor) has informed the Administrators that the DOCA contemplated by the DOCA Proposal generates a better return to the Secured Creditor by reason of the restructure of the Company's facility with the Secured Creditor and the costs savings associated with the appointment of a dedicated asset manager to the Shopping Centre.

The Administrators note that this better return is not at the expense or to the prejudice of the Trade, Statutory and Related Party Creditors who are not Essential Trade and Statutory Creditors.

This is because:

- The Administrators are satisfied that there will be no surplus available to the Company from any realisation of the Shopping Centre as:
  - the Secured Debt significantly exceeds the current market value of the Shopping Centre; and
  - The Secured Debt continues to accrue as the income derived from the Shopping Centre is insufficient to service the interest accruing on the Secured Debt.
- The Administrators will be able to pursue recovery actions recovery actions which Part 5.7B of the Act gives a liquidator the right to pursue to recover money, property or other benefits for the benefit of the unsecured creditors of a company as soon of the DOCA is terminated and the pool of creditors proving in the liquidation may be reduced as the Secured Creditor does not intend to participate in any dividend distribution in the winding up of the Company unless any unexpected recoveries are achieved.

15. Administrators' Investigations

15.1 Introduction

In addition to taking action to achieve the objectives of the Administration, the Administrators have also carried out an investigation of the Company's business, affairs and financial circumstances to, amongst other things:

- identify potential contraventions of the Act. See paragraph 16 for further details;
- identify any legal recoveries available to the Company. See paragraph 17 for further details; and
- Identify potential legal claims that may be available to liquidators if the Company is wound up. See paragraphs 18 and following for further details.

Please also refer to the IPA information sheet entitled Offences, Recoverable transactions and Insolvent Trading which appears as Schedule 3 for full details of potential offences under the Act and potential recoveries available to liquidators.

The relatively short duration since the Appointment Date means that the Administrators' findings are only preliminary. They are, however, sufficiently advanced stage to provide guidance to Creditors on what may occur if the Company is wound up. Further investigations may take place if the Company is wound up.

15.2 Investigations Undertaken

In investigating the Company's business, affairs and financial circumstances, the Administrators have:

- Liaised with the Company (specifically the Internal Accountant), the External Accountants, the Property Manager and the Secured Creditor; and
- Sought and received information and documents from those parties;
- Examined the accounting records maintained by the Company; and
- Conducted various searches of publicly available records.

15.3 Further Investigations: Options Available

The Administrators will be unfunded when the Company is wound up and they are appointed liquidators of the Company. In the absence of funding, the ability of a liquidator to undertake further investigations and/or commence recovery actions will be significantly compromised. Please refer to Section 545 of the Act for further details about the obligations of a liquidator when there is insufficient available property to meet the cost of investigations and/or recovery actions.

Any Creditor willing to provide funding to undertake further investigations and/or commence recovery actions should let the Administrators know the proposed amount and terms of that funding before the Second Meeting of Creditors so that we can draw that proposal to the attention of Creditors.

Should funding be made available, it may be possible to undertake further investigations (including potentially public examinations in the Supreme Court of Queensland or NSW) and commence recovery actions. However, Creditors should be aware that the Administrators consider that any such investigations and recovery actions are unlikely to generate a pool of money for the benefit of Creditors. For further details of potential recovery actions and the Administrators' opinion on those actions please see paragraphs 17 to 22 below.

For completeness, the Administrators note that ASIC provides limited funding to liquidators:

- to enable further investigations and reports by liquidators into the failure of companies with few or no assets; and
- Where it appears to ASIC that enforcement action may result from the liquidator's investigation and report.

Funding is only available to meet the costs of undertaking the investigation and preparing a report. It is not available to cover the costs of any recovery actions identified in the report.

The Administrators do not consider that ASIC will provide funding if requested as the circumstances surrounding the failure of the Company do not, on the information made available to the Administrators, warrant further investigation and/or enforcement action against the Directors and/or other officers of the Company.

Village Centre At Kelvin Grove Pty Ltd (Administrators Appointed) ACN 105 138 467
Report to Creditors
4 May 2012

16. Contraventions of the Act

16.1 Books and Records and Compliance with Section 286 of the Act

Section 286 of the Act requires a company to keep written financial records that correctly explain its transactions and financial records and performance and would enable true and fair financial statements to be prepared and audited.

The Administrators consider that the Company has, prima facie, complied with section 286 of the Act. The Administrators have received financial statements from FY09 to FY12 (YTD 30 March 2012) and have also spoken to the Company's Internal Accountant who has provided succinct and credible answers to the queries raised by the Administrators on those financial statements.

16.2 Other Contraventions by the Company

The Administrators are not aware of any other potential contraventions of the Act by the Company.

16.3 Contraventions by a Past or Former Officer

The Administrators are not aware of any potential contravention of the Act by a past or former officer of the Company.

17. Potential Recovery Actions available to the Company

The Administrators have not identified any potential recovery actions available to the Company other than those with respect to the collection of rental arrears. Those recoveries will be captured by the Secured Creditor's fixed charges.

18. Potential Recovery Actions available to a Liquidator

18.1 Introduction

Part 5.7B of the Act gives a liquidator (but not an administrator) the right to commence certain legal proceedings to recover money, property or other benefits for the benefit of the unsecured creditors of a company.

Those legal proceedings cannot be commenced if the Creditors of the Company resolve that the Company execute a DOCA unless (as is contemplated in the DOCA proposal) the DOCA is terminated on the happening of a certain event or events.

As an initial comment, Creditors should note that recovery actions:

- Have the potential to add to the funds available to Creditors;
- Are usually expensive, lengthy and have unpredictable outcomes;
- Should not be commenced unless defendants have the financial resources to satisfy any judgment; and

- Must be funded out of the existing assets or where (as in the case of the Company) such assets do not exist, by creditors or by external litigation funders (who are likely to require a significant share of the proceeds of any judgment as a condition of funding the litigation).

18.2 Conclusion

For the reasons set out in paragraphs 19 to 22 below, the Administrators consider that the prospects of successful net recovery actions by a liquidator are poor as:

- **Unfair preference actions**

  It appears that the all payments made by or on behalf of the Company in the 6 months immediately prior to the Appointment Date to discharge unsecured debts were made within payment terms and without a prior history of delayed payment outside of payment terms. As such, there is a prospect that all potential defendants did not suspect and should not have suspected the Company was insolvent at the time of the relevant payments. Such a state of affairs will provide complete defences to all potential defendants to unfair preference claims.

- **Insolvent Trading**

  Damages are confined to the value of outstanding unsecured debts at the Appointment Date which were incurred when the Company was insolvent. The quantum of those debts is relatively small.

- **Otherwise**

  The Administrators have not identified any other potential recovery actions available to a liquidator.

19. Proving Insolvency

19.1 Introduction

Certain recovery actions available under Part 5.7B of the Act require a liquidator to prove that the Company was insolvent at the time of the transaction (or in the case of Insolvent Trading, when the debt was incurred). The applicable actions are those with respect to Unfair Preferences, Uncommercial Transactions and Insolvent Trading.

Proving insolvency can be a relatively complex exercise, may be subject to conjecture and ordinarily involves some measure of time and expense.

19.2 Legal definition of insolvency

Section 95A of the Act provides that a company is insolvent if, and only if, the company is unable to pay all its debts, as and when they become due and payable. A significant body of case law has developed with respect to this definition.

The exercise of assessing whether a company is insolvent essentially requires an examination of the company's "cash flow" and a consideration of whether:

- The cash resources available to a company (including overdraft facilities and financial support from related parties) at a particular point in time.

Exceed:

- The total debts of the company which are due and payable at that time.

The state of a company's balance sheet cannot, however, be completely disregarded. This is because the cash resources available to a company also include money which can be procured from the company's assets by sale or by mortgage or by pledge within a relatively short time – relative to the nature and amount of the debts and the circumstances, including the nature of the business of the company.

19.3 Indicia of solvency

An inquiry into whether insolvency exists at a particular time is generally assisted by identifying whether the company exhibited some or all of the "usual indicia of insolvency" at that time. Those indicia have been accepted by Australian Courts as being the typical indicia exhibited by an insolvent company and include:

- An excess of liabilities over assets;
- Continued loss making activity;
- Outstanding creditors of more than 60 days;
- Dishonoured cheques;
- Issuing of post-dated cheques and/or holding of cheques until cash becomes available;
- Suppliers placing company on COD;
- Payments to creditors of rounded sums which are not reconcilable to specific invoices;
- Special arrangements with selected creditors;
- Overdue Commonwealth and state taxes including group and payroll tax, GST and superannuation liabilities;
- Unsecured creditors being unpaid outside trading terms and pressing for payment/ demanding payment (including solicitor's letters, statements of claim, statutory demands, judgments or warrants issued against the company);
- Decrease of receivables and increase of unsecured creditors;
- Payment of all unsecured creditors cannot be made from cash at bank or other resources available to the company;

- Company has difficulty procuring supplies from suppliers due to outstanding nature of its accounts;
- Difficulties in realising current assets (eg stock, debtors);
- Inability to generate additional funds through the sale or realisation of assets to meet creditors; and
- Inability to borrow or raise further equity capital.

19.4 Provisional Opinion on Insolvency

The Administrators consider that the Company was insolvent by 30 June 2010 at the latest and remained insolvent until the Appointment Date as for the period after 30 June 2010.

The Administrators note that from that date:

- The Company did not have the cash resources available to pay all the interest accuring on the Secured Debt as and when it fell due for payment, resulting in a capitalisation of interest and an increase in the Secured Debt;
- The records made available to the Administrators disclose that the Company had an excess of liabilities over asset's liabilities; and
- The Company has continued to operate its sole asset, the Shopping Centre at a loss.

Creditors should note this is only a provisional opinion. A liquidator may (if required) undertake a more rigorous investigation to determine the period during which the Company was insolvent if the Company is wound up.

19.5 Presumption of Insolvency

Other than claims against a non-related party for recovery of an unfair preference, the Act creates, subject to certain minor exceptions, a rebuttable presumption of insolvency for the period during which the Company failed to comply with section 286 of the Act.

As noted in paragraph 16.1 above, the preliminary opinion of the Administrators is that the Company complied with section 286 of the Act and the presumption of insolvency will not apply.

20. Liquidator Recoveries Where Insolvency Must be Proved

20.1 Unfair Preferences: Section 588FA

Transactions (including a payment of money) between the Company and an unsecured creditor in the period between 30 September 2011 and the Appointment Date (being the 6 month period prior to the appointment of the Administrators) may constitute an unfair preference if the Company was insolvent at the time of the transaction. The party benefiting from the transaction will have a defence if it did not suspect and should not have suspected the Company was insolvent. The quantum of the claim may also be reduced if the unsecured creditor operated a running account with the Company.

Payments made during the 6 month period

During the 6 month period between 30 September 2011 and the Appointment Date, the Company made 215 payments to 38 unsecured creditors totalling $405,654. A summary appears as Table 14 below.

Table 14: Payments made to Unsecured Creditors

From $	To $	Total $	Creditors	Payments
75,000	155,000	154,760	1	42
25,000	75,000	103,466	2	25
15,000	25,000	65,208	3	34
5,000	15,000	41,054	5	21
0	5,000	41,165	27	93
		405,654	**38**	**215**

Potential Unfair Preference recoveries

Notwithstanding the total quantum and number of payments, the Administrators consider that the potential for recovering those unfair preference payments is remote. This is because:

- Most if not all of the unsecured creditors operated running accounts with the Company, where the debt owed to those creditors fluctuated over the 6 month period. A liquidator will be entitled, at best, to recover from each preferred creditor the difference between the peak point of indebtedness during the six month period and the closing balance of each running account;
- The Administrators understand that the unsecured creditors were paid by Savills within payment terms. On that basis, many or all the unsecured creditors who received payments may have a defence to an unfair preference claim as they did not suspect and should not have suspected the Company was insolvent at the time of the payment.

20.2 Uncommercial Transactions: Section 588FB

The Administrators have not identified any transactions which have the potential to be characterised as uncommercial transactions.

20.3 Unfair Loans: Section 588FD

The Administrators have not identified any loans which have the potential to be characterised as unfair loans.

20.4 Insolvent Trading: Section 588G

A director of a company has a positive duty to prevent a company incurring debts whilst insolvent.

A director can raise one of the following defences to an insolvent trading claim:

- the director had reasonable grounds to expect that the company was solvent and would continue to be solvent when the debt was incurred;
- the director relied on a competent and reliable person to provide information regarding the company's solvency and, on the basis of the information so provided the director expected the company was solvent and would continue to be solvent when the debt was incurred;
- due to illness (or other good reason) the director was not involved in the management of the company; or
- The director took all reasonable steps to prevent the debt being incurred.

A director liable for insolvent trading is required to pay damages equivalent to the amount of the unpaid wholly or partly unsecured debts incurred during the time that person was a director and the company was insolvent.

A company incurs a debt when, by its choice, it does or omits something which, as a matter of substance and commercial reality, renders it liable for a debt for which it otherwise would not have been liable.

Quantum of Unpaid Debts

On the Appointment Date, the Company owed approximately $96,500 to Creditors of the Company.

Dates for payment

Table 15 below discloses the Administrators' best estimate of when those unpaid debts became due for payment. In making that estimate, the Administrators have relied on the Company's financial records.

Table 15: Periods in which unpaid debts became due for payment

From	To	Trade $	Legal $	Statutory $	Total $	Cumulative $
Jul-10	Dec-10	-	-	-	-	96,492
Jan-11	Jun-11	-	-	-	-	96,492
Jul-11	Sep-11	-	-	-	-	96,492
Oct-11	Dec-11	-	24,587	-	24,587	96,492
Jan-12	Mar-12	28,905	-	43,000	71,905	71,905
		28,905	24,587	43,000	96,492	

Source: Company financial records and proofs of debt

The table excludes the related party debts. Those debts were not due and payable on the Appointment Date.

Those periods, whilst not determinative, provide a guide as to when the Company's unpaid debts were incurred for insolvent trading purposes. For, example the related party debts may have been incurred when the parties lent money to the Company and the Statutory liability may have been incurred when the Company entered into the

transactions (leases) that gave rise to the liability. As a guide, the Company may have incurred debts of about $96,500 after 30 June 2010 (being the latest date on which the Administrators consider the Company may have become insolvent). The costs of prosecuting such an action may be disproportionate to the amount recovered.

When the Company is wound up, a liquidator may undertake further investigations to determine when all the Company's debts were in fact "incurred" and whether the Company was insolvent at the time.

Defences

It would only be upon a liquidator formally commencing an insolvent trading claim that the defences, if any, which the Directors may raise could be properly considered.

The Administrators are not aware of any defences that are available to the Directors.

20.5 Related Party Transactions: Section 588FE(4)

The Administrators have not identified any other related party transactions which are capable of challenge.

20.6 Obstruction of Creditors' Rights: Section 588FE(4)

The Administrators have not identified any other dealings capable of constituting an obstruction of Creditors' rights.

21. Liquidator Recoveries Where Insolvency Does Not Need to be Proved

21.1 Unreasonable Director Related Transactions (Section 588FDA)

The Administrators have not identified any unreasonable director related transactions.

22. Financial Capacity to Pay Judgment Debt

22.1 Asset Position of Director

It is undesirable to incur legal and other costs commencing and prosecuting legal proceedings against a party who does not have the resources against which a judgment debt and a costs order can be enforced. For this reason, the IPA Code requires the Administrators to report on the results of their investigations as to the financial position of the Director. The Administrators' investigations have been confined to Government property searches.

Table 16: Properties owned by the Directors

Director	Note	Ownership	Locality	Title Ref	Mortgagee
Mark Ian Urquhart		100%	Sunshine Coast	7/BUP3615	Westpac
Mark Ian Urquhart	1	50%	Moreton Bay	106/SP158172	-
Grahame Robert Shelley	1	50%	Stanley	15/SP165779	-
Maurizio Verna		100%	Gold Coast	49/RP862070	NAB
Maurizio Verna		100%	Brisbane	216/SP144815	Westpac

Source: NDC Title Searches

Note 1
Purchased as trustees of undisclosed trusts

22.2 D&O Insurance

The Administrators are not aware of any Insurance Policy which may respond to any claims which a liquidator may be able to bring against the Directors.

23. Forecast return to Creditors

The Administrators have forecast returns to Creditors under a DOCA and Liquidation scenario as summarised in Schedule 5. Under either scenario, the Creditors (excluding the Secured Creditor) will receive $NIL cents in the dollar.

Under the DOCA scenario, the Essential Creditors may receive payment of their unpaid debts in full. This is at the discretion of the Asset Manager established by the DOCA.

24. Administrators' Opinion on the Resolutions Available to Creditors

The Act requires the Administrators to present their opinion with reasons on whether it is in the Creditors' interests to pass one of the 3 resolutions available to Creditors at the Second Meeting of Creditors as detailed at section 3, namely:

- the Company execute a DOCA;
- the Administration to end; or
- The Company be wound up.

The Administrators' current opinion and reasons are as follows:

24.1. The Company execute a DOCA

For the reasons set out in paragraph 14, it is in the Creditors' interests to pass a resolution that the Company execute a DOCA which conforms with the DOCA Proposal.

24.2. The Administration to end

It is not in the Creditors' interests to pass a resolution that the Administration end. This option is impractical as the Company is insolvent.

Village Centre At Kelvin Grove Pty Ltd (Administrators Appointed) ACN 105 138 467
Report to Creditors
4 May 2012

24.3. The Company be Wound Up

It is not in the Creditors' interests to pass a resolution that the Company be wound up as this will prohibit the Company from restructuring the Secured Debt. Further all rights available to a liquidator will accrue if the Company executes a DOCA when the DOCA (as contemplated) is terminated and the Company is wound up.

24.4. Administrators' Recommendation

Given the matters discussed in this Report the Administrators:

- Recommend that the Company execute a DOCA which conforms with the DOCA Proposal;
- Do not recommend that the Administration Ends;
- Do not recommend that the Company be immediately wound up.

25. Receipts and Payments

A summary of receipts and payments received and paid by the Administrators since the Appointment Date appears as Schedule 6.

26. Remuneration of Administrators

26.1 Work undertaken

The Administrators have completed the following work since the Appointment Date:

- Examined the trading history of the Company;
- Examined and investigated the financial position of the Company and the Directors;
- Liaised with the Directors and the External Accountant concerning the affairs of the Company;
- Convened and held the First Meeting of Creditors;
- Convened the Second Meeting of Creditors;
- Investigated the reasons for the failure of the Company;
- Investigated and identified prospective claims that a liquidator may be able to bring for the benefit of unsecured creditors; and
- Prepared this Report.

26.2 Remuneration sought

The Administrators will request Creditors to pass resolutions to approve the drawing of their past and future remuneration out of the assets of the Company at the Second Meeting of Creditors.

The Remuneration Report (which accompanies this Report) provides details of:

- The nature and cost of the work ($34,067.50 plus GST) undertaken by the Administrators in the period to 29 April 2012;
- The nature and estimated maximum cost of the work ($25,000 plus GST) that the Administrators may need to undertake in the period 30 April 2012 to 11 May 2012;
- The work and estimated maximum cost of the work ($40,000 plus GST) that the Administrators may need to undertake in the period from 11 May 2012 if Creditors resolve at the Second Meeting of Creditors that the Company execute a DOCA;
- The initial work and estimated cost of the initial work ($25,000 plus GST) that the Administrators may need to undertake in the period from 11 May 2012 if Creditors resolve at the Second Meeting of Creditors that the Company be wound up;
- The wording of the resolutions that the Creditors may propose and pass with respect to remuneration at the Second Meeting of Creditors; and
- The basis on which the Administrators are entitled to draw their remuneration from the assets of the Company.

The Administrators' remuneration is calculated by referenced to the hourly rates of Taylor Woodings which were distributed with the Initial Circular to Creditors and which are also included in the Remuneration Report.

27. Questions, Feedback and Information

Please contact Albert Soh of our office on (02) 8247 8000 or *albert.soh@twcs.com.au* if you have:

- any questions or feedback with respect of this Report
- Any information which may be of assistance to us as Administrators of the Company.

Otherwise, I look forward to your attendance at the Second Meeting of Creditors.

Yours faithfully
Village Centre At Kelvin Grove Pty Ltd
(Administrators Appointed)

Joint and Several Administrator

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Schedule 1: Glossary

Abbreviation	Definition
AA Fund	Assetless Administration Fund
Act	*Corporations Act 2001* (Cth)
Administrators	Quentin James Olde and Peter Bernard Allen
Appointment Date	30 March 2012
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
Company	Village Centre At Kelvin Grove Pty Ltd ACN 105 138 467
Creditors	Creditors of the Company who have a claim admissible to proof in the DOCA or Liquidation of the Company
Directors	Lawrence Frederick Truce, Mitchell Neville Louis Nielsen, Maurizio Verna, Grahame Robert Shelley, Mark Ian Urquhart and Mark James Thomson
D&O Insurance	Directors and Officers Liability Insurance
DIRRI	Declaration of relevant relationships, past work and indemnities prepared in accordance with section 436DA of the Act
DOCA	Deed of Company Arrangement
DOCA Proposal	The proposal which appears as Schedule 4 to this Report
ERV	Estimated Realisable Value
Esanda	Esanda Finance Corporation Limited
Essential Creditors	Those Creditors whom the Asset Manager contemplated by the DOCA consider are essential for the continued operation of the Shopping Centre.
External Accountant	Vincents Chartered Accountants
First Meeting of Creditors	The First Meeting of Creditors convened in accordance with section 436E of the Act
FY**	Financial Year ended 30 June 20**
FYE**	30 June 20**

Abbreviation	Definition
GST	Goods and Services Tax
Initial Circular to Creditors	Circular to Creditors dated 2 April 2012
Internal Accountant	John McCormack, the Company's internal accountant
ITSA	Insolvency and Trustee Service Australia
IPA	Insolvency Practitioners Association of Australia
NAB	National Australia Bank Limited
PPSA	*Personal Property Securities Act* (Cth) 2009
Property	57 Musk Avenue, Kelvin Grove, Queensland described as Volumetric Lot 1 in SP 163621, County of Stanley, Parish of North Brisbane and contained in Title Reference 50628561.
RATA	Report as to Affairs prepared by the Directors in accordance with section 438B of the Act
Report	Report to Creditors pursuant to Section 439A of the Act
Residential Units	213 Residential Units constructed above the Shopping Centre and forming part of the Village Centre Development
Retpro	RetPro Group Pty Ltd ACN 085 048 059
Trade, Statutory and Related Party Creditors	The Creditors excluding the Secured Creditor
Savills	Savills (Qld) Pty Limited ACN 010 654 109
Secured Creditor	Investec Wentworth Pty Limited ACN 003 388 725 and its predecessors in title
Secured Debt Amount	$23,740,374
Second Meeting of Creditors	The Second Meeting of Creditors convened in accordance with Section 439A of the Act
Shopping Centre	Kelvin Grove Village situated at 57 Musk Avenue, Kelvin Grove, Queensland described as Lot 1 on SP 163621, County of Stanley, Parish of North Brisbane, contained in Title Reference 50628561 and forming part of the Village Centre Development
Skennars Ridge	Indigo (Skennars Ridge) Pty Ltd ACN 119 014 434

Abbreviation	Definition
Syndicated Loan Agreement Retail Facility	The syndicated loan agreement retail facility between, amongst other parties, the Company and the Secured Creditor dated 7 December 2006
Village Centre Development	The Residential Units and the Shopping Centre
Westpac	Westpac Banking Corporation

Schedule 2: DIRRI

Village Centre At Kelvin Grove Pty Ltd ACN 105 138 467 (Administrators Appointed) ("the Company")

Declaration of Independence, Relevant Relationships, and Indemnities

This document requires the Practitioners appointed to an insolvent entity to make declarations as to:

A. their independence generally;

B. relationships, including

   i. the circumstances of the appointment;

   ii. any relationships with the Insolvent and others within the previous 24 months;

   iii. any prior professional services for the Insolvent within the previous 24 months;

   iv. that there are no other relationships to declare; and

C. any indemnities given, or up-front payments made to the Practitioner.

This declaration is made in respect of myself, my partners, Taylor Woodings and Taylor Woodings Corporate Services Pty Ltd ("**TWCS**").

A. Independence

We Quentin James Olde and Peter Bernard Allen of Taylor Woodings have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as Joint & Several Administrators of the Company in accordance with the law and applicable professional standards. This assessment identified no real or potential risks to our independence. We are not aware of any reasons that would prevent us from accepting this appointment.

B. Declaration of Relationships

i. Circumstances of Appointment

In the period leading to our appointment, we received a request from the Company's secured creditor, Investec Wentworth Pty Ltd ("**Secured Creditor**") to act as Joint and Several Administrators of the Company. We subsequently met with the Secured Creditor and its advisers to obtain background information about the Company and to understand why the Secured Creditor wished to appoint joint administrators to the Company, namely to investigate the terms of and report to Creditors on a proposed restructure of the Company by way of deed of company arrangement.

Those matters do not affect our independence. We provided no advice to the Secured Creditor and did not seek (nor were we paid) any remuneration. We also gave no assurance or commitment that any deed of company arrangement

proposed by the Secured Creditor would be in a form capable of favourable recommendation to the Creditors of the Company or that we would make such a recommendation to those Creditors.

Further, the information provided by the Secured Creditor was confined to information ordinarily required by an administrator to discharge the statutory duties owed to the creditors of a company during the course of an administration. The information was used to allow us to prepare for the orderly conduct of the administration.

ii. Relevant Relationships (excluding Professional Services to the Insolvent)

The Secured Creditor has, from time to time, engaged TWCS and partners of Taylor Woodings to act as Investigating Accountants, Receivers and Managers and Administrators of companies unrelated to the Company.

Otherwise, neither we, nor any other partner of Taylor Woodings or TWCS or associate of TWCS have had within the preceding 24 months, any relationships with the Company, an associate of the Company, a former insolvency practitioner appointed to the Company, or any person or entity that has an unsatisfied charge on the whole, or substantially the whole of the Company's property.

We do not consider that our previous professional relationship with the Secured Creditor precludes us from accepting this appointment as Administrators. We remain capable of discharging all the statutory duties that we owe to the creditors of the Company when taken as a whole as required by the *Corporations Act*.

iii. Prior Professional Services to the Insolvent

Neither we nor any other partner of Taylor Woodings or TWCS or associate of TWCS have provided any professional services to the Company in the previous 24 months.

iii. No Other Relevant Relationships to Disclose

There are no other known relevant relationships, including personal, business and professional relationships, from the previous 24 months with the Company, an associate of the Company, a former insolvency practitioner appointed to the Company or any person or entity that has a charge on the whole or substantially whole of the Company's property that should be disclosed.

C. Indemnities and Up-Front Payments

The Secured Creditor has agreed to indemnify us for our fees and costs (disbursements) up to a maximum of $50,000 plus GST. The indemnity is not conditional on a favourable outcome for the Secured Creditor with respect to the Administration.

3

Otherwise, we have not received any other indemnities or upfront payments that should be disclosed. Please note this excludes the indemnities to which we are entitled under statute.

Quentin James Olde

Peter Bernard Allen

Date: 2 April 2012

NOTE:

1. If circumstances change, or new information is identified, we are requires under the Corporations Act and the IPA Code of Professional Practice to update this Declaration and provide a copy to creditors with our next communication as well as table a copy of any replacement declaration at the next meeting of the Insolvent's creditors.

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

Village Centre At Kelvin Grove Pty Ltd (Administrators Appointed) ACN 105 138 467
Report to Creditors
4 May 2012

Schedule 3: IPA Creditor Information Sheet

Creditor Information Sheet

Offences, Recoverable transactions and Insolvent Trading

IPA
building professional excellence

Offences

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

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

Voidable Transactions

Preferences

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

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

Uncommercial Transaction

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

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

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

Insolvency Practitioners Association of Australia ABN 28 002 472 362
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The company must have been insolvent at the time of the transaction, or become insolvent as a result of the transaction.

Unfair Loan

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

Arrangements to avoid employee entitlements

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

Unreasonable payments to directors

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

Voidable charges

Certain charges are voidable by a liquidator:

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

Insolvent Trading

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

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

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

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

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

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

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

Schedule 4: DOCA Proposal

HENRY DAVIS YORK
LAWYERS

Details of proposed deed of company arrangement

Village Centre at Kelvin Grove Pty. Ltd. (Administrators Appointed)
ABN 65 105 138 467

HENRY DAVIS YORK 44 MARTIN PLACE SYDNEY NSW 2000 AUSTRALIA
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1 Appointment of Administrators

On 30 March 2012, Investec Wentworth Pty Limited (**Investec Wentworth**), the first ranking secured creditor of Village Centre at Kelvin Grove Pty. Ltd. (Administrators Appointed) (**Company**) appointed Quentin James Olde and Peter Bernard Allen of Taylor Woodings Chartered Accountants as voluntary administrators of the Company (**Administrators**) under section 436C(1) of the *Corporations Act 2001* (**Act**).

2 Objectives of the DOCA

2.1 The objectives of the DOCA are to:

(a) restructure the Company's balance sheet such that the Company's sole remaining significant asset, namely its business of owning and leasing the Village Centre and associated specialty shops and rental space at 57 Musk Avenue, Kelvin Grove, Queensland (**Shopping Centre**), continues and is transferred to a separate but wholly owned subsidiary of the Company (**Newco**);

(b) novate the existing facilities advanced by Investec Bank (Australia) Limited (**IBAL**) to Newco and restructure those facilities (Under a Syndicated Loan Facility Agreement Retail Facility dated 7 December 2006 (as varied), the Company is the borrower, IBAL is lender and facility agent and Investec Wentworth is the security trustee)(**Facility Agreement**)); and

(c) otherwise ensure that the property, business and affairs of the Company are structured and administered so as to maximise the chances of:

(i) the Company obtaining a release from certain creditors , in accordance with the terms of the DOCA;

(ii) the Company's business continuing in existence through Newco; and

(iii) the Company's creditors receiving a dividend that may equal or exceed the dividend that they would receive if the Company is wound up.

3 Restructure

(a) The Company's balance sheet will be restructured such that the Shopping Centre and all associated rights and liabilities will be transferred to Newco.

(b) IBAL's existing facilities will be novated to Newco and restructured and split into three tranches detailed below:

(i) a restructured senior loan tranche (**Senior Tranche**) which will be a performing loan subject to IBAL's usual lending criteria; and

Village Centre At Kelvin Grove Pty Ltd (Administrators Appointed) ACN 105 138 467
Report to Creditors
4 May 2012

(ii) a mezzanine and "PIYC" tranche (collectively the **Junior Tranches**) which together represent the balance of IBAL's existing debt and will be junior to the Senior Tranche. The obligation of Newco to service and repay the Junior Tranches will be subject to the availability of funds. The PIYC tranche will be convertible at IBAL's option into ordinary equity in Newco.

(c) The Company will grant a guarantee and share mortgage to Investec Wentworth and/or IBAL to secure the restructured facilities. That guarantee and share mortgage will be limited in recourse to the Company's shares in Newco and is to be released on any sale of the Shopping Centre by Newco or the conversion of the PIYC tranche into ordinary equity in Newco or as otherwise agreed between IBAL, Investec Wentworth and the Administrators.

4 Administrators of the DOCA

The administrators of the DOCA will be Quentin James Olde and Peter Bernard Allen (**Administrators**).

5 Role of the Administrators

5.1 The Administrators will administer the DOCA in accordance with its terms and will exercise their powers and perform their functions and duties as agents for and on behalf of the Company. The Administrators will not be personally liable for any debt, liability or other obligation which they incur on behalf of the Company.

5.2 The Administrators' role is to implement the conditions of the DOCA but not to manage or supervise the business of the Company.

6 Admissible Claims Date

The day on or before which claims must have arisen if they are to be admissible under the DOCA is 30 March 2012, being the date of appointment of the Administrators as voluntary administrators of the Company (**Admissible Claims Date**).

7 Release and extinguishment of claims and moratorium

No Claims of creditors against the Company (except the Claims of those ongoing creditors determined by Newco to be essential to the continued operation of the Shopping Centre and which are expressly assumed by Newco), will be released or extinguished upon the publication of the certificate as provided for by clause 16.1 and the termination of the DOCA.

"**Claims**" include all debts payable by, and all claims against, the Company, whether present or future, certain or contingent, ascertained or sounding only in damages, being debts or claims the circumstances giving rise to which occurred before the Admissible Claims Date.

While the DOCA remains in force, there will be a moratorium preventing action being taken against the Company in respect of all Claims except with consent of the Administrators or the leave of the Court.

IBAL's current intention is not to prove for its Claim in any subsequent liquidation of the Company unless any unexpected recoveries are achieved.

8 Property to be available to pay creditors' Claims

The property available to pay distributions to creditors whose Claims are not released in accordance with clause 7, will be such of the assets and undertakings of the Company that remain following the novation of the Company's facilities to Newco and the restructure of the Company's balance sheet.

9 Investec Wentworth as Secured Creditor

9.1 As at the appointment date IBAL, as lender under the Facility Agreement, was owed $23,734,846.34.

9.2 Investec Wentworth, as the security trustee under the Facility Agreement and the secured creditor, holds the following primary securities:

(a) a first ranking fixed charge over the Shopping Centre; and

(b) first ranking mortgages over the property described as Lot 1 on SP 163621 contained in title reference 50628561, being mortgages registered in the Queensland Land Registry and numbered 710174391 and 709964782.

9.3 IBAL and/or Investec Wentworth will be entitled to exercise all of their rights and entitlements arising under the terms of the restructured facilities and the securities as novated to Newco and nothing in the DOCA will restrict or otherwise detract from those rights and entitlements.

10 Employees

10.1 Terminated employees (being those terminated before or during the DOCA period) will have all their claims preserved and will be entitled to prove for their employment claims in the context of the Company's liquidation.

11 Making claims

11.1 Unless inconsistent with the terms of the DOCA, subdivisions A, B, C and E of Division 6 of Part 5.6 of the Act apply to claims made under the DOCA as if the references to "the liquidator" were references to the Administrators.

Village Centre At Kelvin Grove Pty Ltd (Administrators Appointed) ACN 105 138 467
Report to Creditors
4 May 2012

Details of proposed deed of company arrangement HENRY DAVIS YORK

11.2 In practical terms, the Administrators will not call for proofs of debt during the continued operation of the DOCA and the process will occur in a subsequent liquidation of the Company.

12 Distribution of Dividends to participating creditors

12.1 The proceeds of any property available to creditors will be distributed in the following order of priority until exhausted:

(a) first, in payment of the Administrators' remuneration and costs, expenses and liabilities incurred as both voluntary administrators and deed administrators (except to the extent such remuneration and costs, expenses and liabilities have been satisfied by IBAL);

(b) secondly, in payment of any entitlements that would, in a liquidation, be accorded a priority under section 556, 560 or 561 of the Act (for example, priority employee claims); and

(c) thirdly, in payment of all other admitted Claims on a pari passu basis.

13 Powers of the Administrator

13.1 The Administrators' powers will be:

(a) to satisfy the conditions for the continued operation of the DOCA referred to in clause 15.

(b) to do anything necessary or desirable to effectively carry out the terms of the DOCA; and

(c) as set out in Schedule 8A of the Corporations Regulations (a copy of which will be available at the second meeting of creditors).

13.2 Where the powers of the Administrators and the directors overlap, the Administrators' powers operate to the exclusion of the directors' unless the Administrators grant prior consent.

14 Remuneration, indemnity and lien for Administrators

The Administrators will be remunerated by the Company and/or Newco and shall be entitled to be paid for their work both as voluntary administrators and as deed administrators on a time cost basis in respect of work done by them, their partners and employees, at the rate agreed with IBAL from time to time for work of this nature and subject to any fee caps and indemnity arrangements separately agreed with IBAL.

In addition to any rights they have under section 443D of the Act to be indemnified out of the Company's property, the Administrators will have a lien on the property coming under their control under the DOCA.

15 Conditions for the continued operation of the DOCA

15.1 There will be a number of conditions which are to occur prior to or within 7 days (or such longer period as agreed between the Administrators and IBAL) following execution of the DOCA.

15.2 The conditions in the approximate order in which they are anticipated to occur, are:

(a) Newco must be incorporated and Mr Chris Monaghan appointed as director by the Administrators. Newco must be a 100% subsidiary of the Company and form part of a tax consolidated group with the Company. Newco's articles of association must prohibit any dealings with its significant assets (including the Shopping Centre) without the consent of IBAL and Investec Wentworth.

(b) The existing IBAL loan package is:

(i) restructured as set out in clauses 2 and 3 above; and

(ii) novated to Newco; and

new securities taken by Investec Wentworth and/or IBAL which will be stamped as collateral to the existing securities.

(c) The joint and several guarantee dated 11 December 2006 granted by Lawrence Frederick Truce and Mitchell Neville Louis Nielsen in favour of Investec Wentworth Pty Limited (formerly Perpetual Corporate Trust Limited) is to be released.

(d) A stamp duty ruling issued by the Commissioner of State Revenue, Queensland which provides that the transfer of the Shopping Centre is exempt from duty has been made and remains in effect.

(e) The Shopping Centre and all related assets (and related liabilities agreed by IBAL and Newco) have been effectively transferred to Newco subject to the existing securities in favour of Investec Wentworth.

(f) An Asset Management Agreement and a (new) Property Management Agreement (if considered necessary) have been signed in relation to the Shopping Centre on terms and conditions acceptable to IBAL and with Armada Funds Management Limited or its nominee (as asset manager) and a property manager acceptable to IBAL.

(g) Any other conditions required by IBAL, Investec Wentworth and the Administrators in order to facilitate the restructure.

15.3 The conditions at clause 15.2(c) to (e) will, if not already satisfied, happen essentially simultaneously, in a settlement.

15.4 If the conditions are not satisfied (in IBAL's opinion and to its absolute satisfaction) as provided by clause 15.1 (or such longer period as IBAL and the Administrators may agree), the DOCA will automatically terminate and the Company will go into liquidation. The Administrators will be appointed the liquidators of the Company.

15.5 Conditions may be waived in whole or in part by IBAL in its absolute discretion.

Village Centre At Kelvin Grove Pty Ltd (Administrators Appointed) ACN 105 138 467
Report to Creditors
4 May 2012

Details of proposed deed of company arrangement HENRY DAVIS YORK

16 Termination of the DOCA

16.1 Termination where purpose of deed achieved

If the Administrators have completed the steps required to achieve the objectives of the DOCA, (and the DOCA has not been terminated prematurely), the Administrators must certify same in writing and publish the certificate on their website for a period not less than 30 days.

Immediately following the publication of the certificate, the DOCA will automatically terminate and the Company will go into liquidation. The Administrators will be appointed the liquidators of the Company.

16.2 Termination where reconstruction objective cannot be achieved

If the reconstruction objectives of the DOCA (as described in clauses 2 and 3 above) are considered by the Administrators not to be achievable, then the Administrators must convene a meeting a meeting of creditors in accordance with section 445F of the Act, and at that meeting the creditors may resolve to:

(a) vary the DOCA; or

(b) terminate the DOCA, wind up the Company and appoint the Administrators the liquidators of the Company.

Except where inconsistent with the terms of the DOCA, regulations 5.6.12 to 5.6.36A of the Corporations Regulations apply to such meetings of creditors.

17 Other provisions

The DOCA will contain such further provisions, not being materially inconsistent with what is set out above, as the Administrators and IBAL agree are suitable to enable the DOCA to appropriately address all matters pertinent to the efficient and proper operation of the proposed arrangement.

Schedule 5: Forecast Return to Creditors

	Notes	Liquidation $	DOCA $
Cash at Bank on Appointment		67,924	67,924
Net Trading Receipts incl GST	1	126,361	126,361
Interest in Land including Plant and Equipment		20,000,000	20,000,000
		20,194,285	**20,194,285**
Less: Fixed Charge Securities			
Investec Loan	2	23,740,374	23,740,374
		23,740,374	**23,740,374**
Surplus Available from Secured Assets including Uncharged Assets		847	847
Costs of Realising and Preserving Assets (GST)		11,490	11,490
Secured Creditor Funding		40,067	49,153
Recoveries from Unfair Preferences		NIL	NIL
Recoveries from Insolvent Trading	3	96,500	NIL
Available to Liquidator		**148,904**	**61,490**
Less: Expenses and Fees of External Administrators			
Trading Liabilities (GST)	4	11,490	11,490
Administrators' Other Expenses	5	2,500	2,500
Administrators' Fees	5	59,068	59,068
Deed Administrators' Fees	5	NIL	40,000
Liquidators' Expenses and Fees	5	75,000	25,000
		148,058	**138,058**
Funds Available for Ordinary Non-Priority Creditors		**NIL**	**NIL**
Secured Creditor Shortfall		NIL	3,546,089
Trade and Statutory Creditors	6	98,111	87,361
Related Party Creditors		8,315,528	8,315,528
Contingent Creditors		570,153	NIL
Total Unsecured Creditors Claims		**8,983,792**	**11,948,978**
Estimated Return to Ordinary Non-Priority Creditors		N/A	N/A

The estimated returns set out above should be regarded only as estimates. The actual return to creditors depends on the actual amounts realised for the assets, the amounts recovered in litigation, the amount of administrative costs and the actual quantum of creditors' claims.

Note 1: Net Trading Receipts
Net trading receipts from operations for the month of April 2012

Note 2: Secured Creditor
Amount outstanding to Investec as at date of appointment

Note 3: Recoveries from Insolvent Trading
Forecast recoveries from Insolvent Trading only available in liquidation scenario

Village Centre At Kelvin Grove Pty Ltd (Administrators Appointed) ACN 105 138 467
Report to Creditors
4 May 2012

Note 4: Trading Liabilities
GST Taxable Supplies for period 31 March 2012 to 30 April 2012

Note 5: Expenses and Fees of External Administrators
Before GST

Note 6: Trade and Statutory Creditors

	Notes	Liquidation $	DOCA $
Essential Creditors	7	10,750	-
Non Essential Creditors	7	44,361	44,361
Statutory Creditors	7	43,000	43,000
		98,111	**87,361**

Note 7
Estimate only for illustrative purposes. Final values dependant on decision of Asset Manager appointed under the DOCA with respect to payment of Essential Creditors

Schedule 6: Receipts and Payments since Appointment Date

Operating Account

	Amount $
Opening balance	125,670.06
Rental payments	97,238.89
Outgoings and outer expenses	(31,353.48)
Dividend to secured creditor	(64,610.80)
Closing balance	**126,944.67**

Company Account

	Amount $
Opening balance	874.83
Receipts	-
Payments	-
Closing balance	**874.83**

Marketing Trust Account

	Amount $
Opening balance	37,670.63
Marketing contributions	763.13
Marketing payments	-
Closing balance	**38,433.76**

Rental Guarantee Account

	Amount $
Opening balance	2,244.96
Legal fees	(1,303.50)
Closing balance	**941.46**

Source: Savills, NAB and Piper Alderman