

**ACN 095 550 977 Pty Limited (formerly Ellton
Conveyors Pty Limited)
(Administrators Appointed)
ACN 095 550 977**

**Report to Creditors pursuant to Section 439A of the
Corporations Act 2001**

Report date: 29 March 2016

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Definitions

\$	Australian dollar
Administrators	Vaughan Neil Strawbridge and David John Frank Lombe
AEST	Australian eastern standard time
AFR	Australian Financial Review
ALLPAAP	All present and after-acquired property
ARITA	Australian Restructuring Insolvency & Turnaround Association
ASIC	The Australian Securities & Investments Commission
ASX	Australian Stock Exchange
ATO	Australian Taxation Office
c.	Circa
CA	Confidentiality Agreement
CBA	Commonwealth Bank of Australia Limited
COD	Cash on Delivery
Committee	Committee of Creditors
Company or ECPL	ACN 095 550 977 Pty Limited (formerly Ellton Conveyors Pty Limited)
Deloitte or we or us	Deloitte Touche Tohmatsu
DIRRI	Declaration of Independence and Relevant Relationships and Indemnities
DOCA	Deed of Company Arrangement
EBITDA	Earnings before interest, tax, depreciation and amortisation
EFIC	Export Finance and Insurance Corporation
EOI	Expressions of interest
ERV	Estimated realisable value
ESOP	Estimated statement of position
FEG	Fair Entitlements Guarantee
FTE	Full-time employee
FYXX	Financial year ended 20XX
GST	Goods and services tax
IP	Intellectual property
IM	Information memorandum
k	Thousand
m	Million
Management	Management of the Company
NAB	National Australia Bank Limited
NPBT	Net Profit Before Tax
NSW	New South Wales
OHS	Occupational Health and Safety
PILN	Payment in lieu of notice
PPE	Property, Plant and Equipment
PPSR	Personal Property Securities Register
RATA	Report as to Affairs
Relation back days	The date of appointment of administrators being 8 January 2016
s	Section of relevant Act
SGC	Superannuation Guarantee Charge
The Act	Corporations Act 2001
The Court	The Federal Court of Australia or any of the state Supreme Courts
The Director	Mr Mark David Elliott
The Regulations	Corporations Regulations 2001
WBC	Westpac Banking Corporation
WHS	Workplace Health and Safety
WIP	Work in Progress
YTD	Year to date, a period commencing on the beginning of the current financial year

1 Executive Summary

1.1 Appointment

On 8 January 2016 we, Vaughan Neil Strawbridge and David John Frank Lombe, were appointed Joint and Several Administrators of Ellton Conveyors Pty Limited by the Company's Director, Mark David Elliott ("the Director"), pursuant to section 436A of the Act.

Our appointment as Administrators was ratified by creditors at the first meeting of creditors held on Tuesday, 19 January 2016.

A Committee of Creditors was formed at that meeting.

1.2 Conduct of Administration

Upon appointment we took immediate steps to take control of the Company's assets and continued to carry on the business following an urgent restructure that would allow work in progress that provided a net benefit to be completed. We also commenced an urgent sale of business and marketing campaign in an attempt to preserve the value of the business and maximise the return to creditors.

To enable us sufficient time to run a full and thorough sale and marketing campaign we applied to the Court for an extension of the period pursuant to the Corporations Act 2001 ("the Act") to convene the second meeting of creditors. The application was heard in the Supreme Court of NSW on Friday, 5 February 2016 and Orders were made granting an extension of the convening period for the Company up to and including Friday, 8 April 2016. The reasons and benefits for the extension of the convening period are set out in section 2.3 of this report.

On Wednesday, 9 March 2016, we exchanged and completed a sale of the Company's business and assets as a going concern with Nepean Conveyors Pty Ltd. Further details of the sale campaign are outlined in section 6.2 of this report.

1.3 Investigation, Offences, Voidable Transactions

Our investigations to date have revealed possible voidable transactions which are discussed in section 7.4 of this report.

If any creditors believe that an offence may have been committed or have any evidence which may assist us in our ongoing investigations, we ask you to make contact with our office.

While we have no reason to doubt any information contained in this report, we reserve the right to alter our conclusions should the underlying data prove to be inaccurate or materially change from the date of this report.

1.4 Deed of Company Arrangement

We have not received a proposal for a Deed of Company Arrangement ("DOCA") as at the date of this report. Should this change, we will advise creditors accordingly.

1.5 Payments and Dividends to Creditors

Subject to the realisation of assets and our investigations into possible recoveries under the Act, we estimate the following returns to the different classes of creditors:

- Secured creditor \$698,967

- Priority creditors Nil – 52 cents in the dollar
- Unsecured creditors Nil – no return

Please refer to section 8 of this report for further detail.

1.6 Administrators' Opinion

At the forthcoming meeting, creditors will be asked to make a decision regarding the future of the Company by passing a resolution in respect of the options available to them. The options available for the Company are:

- **that the Company execute a Deed of Company Arrangement;**

As no DOCA proposal has been received for the Company, this option is not available to creditors.

- **that the Administration should end;**

As the Company has insufficient assets to enable all classes of creditors to be repaid in full, the Administrators cannot recommend this option. Therefore the Administration should not end with control of the Company being returned to the Director.

- **that the Company be wound up.**

It is therefore our opinion that the Company be placed in Liquidation. The reasons for our opinion are discussed in section 10 of this report.

1.7 Second Meeting of Creditors

The second meeting of creditors has been convened and will be held on Tuesday, 5 April 2016 at 10:00am (AEST) at the following address:

Central Coast Leagues Club
1 Dane Drive
GOSFORD NSW 2250

Please refer to Form 529 – Notice of Meeting enclosed at **Appendix F** for further details.

2 Introduction

2.1 Purpose of the appointment and report

The purpose of the appointment of Administrators is to allow for independent insolvency practitioners to take control of and investigate the affairs of the insolvent Company. Creditors' claims are put on hold as at the date of the Administrators' appointment and remain so for the duration of the administration.

We are required to provide creditors with sufficient information and recommendations to assist them in making an informed decision on the Company's future. The purpose of this report is to provide that information and recommendations, including:

- Background information about the Company;
- The results of our investigations;
- The estimated returns to creditors;
- The options available to creditors and our recommendation on each of these options.

2.2 First Meeting of Creditors

On Tuesday, 19 January 2016, a first meeting of creditors of the Company was held in accordance with Section 436E of the Act. At this meeting, our appointment as Joint and Several Administrators was confirmed.

Also at that meeting, we advised that we would undertake an investigation into the business affairs of the Company, continue to trade and pursue a sale of the business and assets in an attempt to maximise the return to creditors.

It was also resolved that a Committee of Creditors be formed. The following creditors volunteered and were elected as members:

Member	Creditor represented
Walter Chad	Global Conveyor Supplies Sdn Bhd
Tony Metcalfe	Total Energy Mining Maintenance Company Pty Ltd
Lyndal McGowan	Alfabs Engineering Group Pty Ltd
Peter Scifleet	Ringway Holdings Pty Ltd
Max O'Connor	Employee Group

We have convened one meeting of the Committee to date which was held on Wednesday, 3 February 2016 and subsequently adjourned to Thursday, 4 February 2015. The purpose of the meeting was to provide an update on the Administration and seek the Committee's approval of the Administrators' application to the Court for an extension of the convening period which was subsequently approved.

A copy of the minutes of the first meeting of creditors held on Tuesday, 19 January 2016 was lodged with ASIC on Monday, 1 February 2016.

2.3 Extension of Convening Period

Administrators are required by the Act to convene a second meeting of creditors within 20 business days of the date of their appointment, and to hold this meeting within 5 business days either side of the end of this convening period.

Given the Administrators' strategy to sell the Company's business and assets as a going concern in order to maximise the potential return to creditors, it was necessary to apply to the Court for an extension of the convening period for a period of up to 60 days. Not extending the convening period may have jeopardised this strategy and resulted in a close down scenario for the Company's business and a significantly reduced return to creditors.

Following consultation with creditors and employees, an application was made to the Supreme Court of NSW for Orders extending the length of the convening period. The application was heard on Friday, 5 February 2016 and Orders made granting an extension of the convening period for the Company up to and including Friday, 8 April 2016.

A notice dated Monday, 8 February 2016 was forwarded to all creditors advising that the extension had been granted.

2.4 Second Meeting of Creditors

Pursuant to Section 439A(3) of the Act and Orders made on Friday, 5 February 2016 a second meeting of creditors is to be held on Tuesday, 5 April 2016 at 10:00am (AEDT) at the following address:

Central Coast Leagues Club
1 Dane Drive
GOSFORD NSW 2250

Please refer to Form 529 – Notice of Meeting enclosed at **Appendix F** for further details.

At this meeting creditors will be asked to make a decision by passing a resolution in respect of options that will be available to them.

We have recommended in this report that the Company be wound up. We have detailed the reasons as to why we consider this the best option for creditors in section 10 of this report.

At the meeting, creditors will be asked to approve the remuneration of the Administrators. Full details of the remuneration are in section 12 of this report.

At the second meeting, creditors can resolve to form a Committee of Inspection. The functions of a Committee of Inspection include:

- Consult with, and receive reports from the Liquidators;
- Assist the Liquidators by acting as a 'sounding board' for proposed actions;
- Approve a contract which the Liquidators intend to enter into longer than 3 months;
- Approve if the Liquidators intend to settle and compromise debts owed to the Company over \$100,000; and
- Approve the Liquidators' fees.

2.5 Administrators' independence, relationships and indemnities

In accordance with section 436DA of the Act, a Declaration of Independence, Relevant Relationships and Indemnities ("DIRRI") was provided with the report to creditors dated Tuesday, 12 January 2016 and was also tabled at the first meeting of creditors.

A further copy of the DIRRI is attached as **Appendix A**. There have been no changes in the details recorded in the DIRRI.

2.6 Electronic communication

Section 600G of the Act allows for a creditor to receive communications and notifications electronically provided the creditor has consented to receive correspondence in this manner.

Electronic communication is a speedy and cost effective which reduces the expenses incurred in an administration.

If you wish to receive future correspondence electronically please send an email to whanrahan@deloitte.com.au detailing the email address to which you would like future communications from us to be sent.

3 Background Information

3.1 Incorporation and Registered Office

A search of the ASIC database disclosed the Company was incorporated in NSW on Tuesday, 9 January 2011 as Conveyor Engineering Solutions Pty Limited which was subsequently changed on Friday, 10 February 2006 to Ellton Conveyors Pty Limited. The Company's registered office is shown as 280-290 Mann Street, Gosford, NSW 2250.

3.2 Shareholders, Officers and Security Interests

3.2.1 Shareholders

The Company is limited by shares. The ASIC database records the shareholders as follows:

Shareholder	Class	Number	Paid up	%
Mark David Elliott	ORD	350,000	Yes	99.98
MDE Capital Pty Limited	ORD	64	Yes	0.02

3.2.2 Officers

The ASIC database indicates that during the 12 month period prior to the Administrators' appointment the Company's sole director and officer was:

Name	Position	Appointed	Status
Mark David Elliott	Director	9 January 2001	Current

3.2.3 Security Interests

3.2.3.1 Secured Creditors

A search of the PPSR revealed the following registered security interests over all present and after acquired property of the Company:

Secured Party	Collateral Class	Registration Number	Registration Date
CBFC Ltd	All PAAP	201112112844094	30/01/2012
CBFC Ltd	All PAAP	201112120853305	30/01/2012
CBFC Ltd	All PAAP	201204100240906	10/04/2012
CBFC Ltd	All PAAP	201204100247954	10/04/2012
Commonwealth Bank of Australia	All PAAP	201112220049143	30/01/2012
Commonwealth Bank of Australia	All PAAP	201112220117805	30/01/2012
Commonwealth Bank of Australia	All PAAP	201112230351586	30/01/2012
Commonwealth Bank of Australia	All PAAP	201112230404100	30/01/2012
Commonwealth Bank of Australia	All PAAP	201202270074904	27/02/2012
Commonwealth Bank of Australia	All PAAP	201203300217956	30/03/2012
Commonwealth Bank of Australia	All PAAP	201204030075413	3/04/2012
Commonwealth Bank of Australia	All PAAP	201204030159421	3/04/2012
Commonwealth Bank of Australia	All PAAP	201204030164837	3/04/2012
Export Finance and Insurance Corp	All PAAP, exceptions	201406120045499	12/06/2014

At the date of this report, all of the security interests registered by CBFC Ltd, CBA and EFIC in the table above have either been discharged in full or have released respective security to allow a sale of the Company's business and assets to occur.

The Company held an overdraft, line of credit and credit card facilities with CBA. CBA has advised that at the date of our appointment the Company's indebtedness with respect to these facilities was \$1,257,299.26.

CBA also had finance lease security interests over six vehicles. The amounts outstanding on these leases at the date of our appointment were as follows:

Vehicle Description	Amount Owning (\$)
BMW X3 F25 Sports	21,545
Nissan Navara D/C 4X4 ST 2011	2,343
Ford PX Ranger 4x4 XLT C/Cab P/Up	22,750
Toyota Hilux SR5 Crew Cab PU	24,445
BMW 535i Sedan	43,389
Range Rover Evoque	50,344
Total	164,815

The Administrators obtained a valuation of the vehicles and assessed the amount of equity retained in each. As the lease payout figures were greater than the value of the vehicles, we returned the BMW 535i Sedan and Range Rover Evoque to CBA. The remaining four vehicles had lease payout figures less than the respective values and as such these leases were paid out in full.

3.2.3.2 Other Registered Security Interests

The Company has additional registered security interests on the PPSR as set out in **Appendix C**.

After writing to all listed parties set out in **Appendix C** requesting further particulars, the security interests in the table below were removed from the PPSR:

Secured Party	Collateral Class	Registration Number	Registration Date
Bradken Resources Pty Ltd	Other Goods	201206050077631	5/06/2012
Coates Hire Operations Pty Ltd	Motor Vehicle	201207030035518	3/07/2012
Coates Hire Operations Pty Ltd	Other Goods	201207030035103	3/07/2012
Coates Hire Operations Pty Ltd	Other Goods	201207270087719	27/07/2012
Commonwealth Bank of Australia	Motor Vehicle	201209210039782	21/09/2012
Commonwealth Bank of Australia	Motor Vehicle	201410090060019	9/10/2014
Commonwealth Bank of Australia	Motor Vehicle	201504200001619	20/04/2015
Coventry Group Ltd	Other Goods	201401200129151	20/01/2014
Horan Steel Holdings Pty Ltd	Other Goods	201207310025693	31/07/2012
Metroll Pty Ltd	Other Goods	201401280310584	28/01/2014
Royal Wolf Trading Australia Pty Ltd	Other Goods	201403260024274	26/03/2014
Toshiba International Corporation Pty Ltd	Other Goods	201212210032884	21/12/2012
Toshiba International Corporation Pty Ltd	Other Goods	201212210032897	21/12/2012
Toshiba International Corporation Pty Ltd	Other Goods	201312200050390	20/12/2013

3.2.4 Retention of Title Claims

Retention of title claims involve trading arrangements in which the creditor may have supplied goods to the Company on terms where title does not pass from the supplier to the purchaser until the goods have been paid for in full.

On Tuesday, 12 January 2016 we wrote to all known parties on the PPSR advising of the appointment and requesting their assistance and cooperation in allowing us to resolve any retention of title claims in a swift and orderly manner.

At the time of writing this report, we had received one retention of title claim from NSK Australia Pty Ltd ("NSK") totalling \$26,571.70. As the security interest was validly perfected we invited NSK to collect the remaining goods subject to their 'all monies' terms and conditions. To date they have not collected the small quantity of remaining goods.

3.2.5 Winding up Applications

There were no winding up applications outstanding as at the date of our appointment.

3.3 History of the Company

Having commenced operations in 2001, the Company sold conveyor systems design, construction and installation services to both surface and underground mines across Australia. The Company has delivered \$160m worth of large scale projects to a range of mine owners and operators over the past 8 years and had a design library of c.20,000 systems and products.

For information regarding recent financial performance and causes of financial difficulty, refer to sections 4 and 5.2 of this report.

4 Historical financial performance

4.1 Financial Statements

Financial statements were last prepared by the Company's accountants, LWM Group ("LWM") as at 30 June 2014. The financial statements were not audited.

The Company had prepared draft management accounts as at 30 June 2015 and 31 December 2015.

4.2 Profit & Loss

The profit and loss statement for the financial years 2013, 2014, 2015 and management accounts to 31 December 2015 are summarised as follows:

AUD	FY13 LWM	FY14 LWM	FY15 MGMT	YTD Dec-15 MGMT	Notes
# of Months	12	12	12	6	
INCOME					
Miscellaneous income	704,592	(187,614)	(150,178)	32,229	
Sales	24,486,869	55,559,260	22,480,337	1,710,549	i)
COGS	(23,258,151)	(47,964,827)	(15,161,952)	(1,834,465)	ii)
Gross Profit	1,933,310	7,406,819	7,168,207	(91,687)	
EXPENSES					
Advertising & Marketing	(104,160)	(190,081)	(164,165)	(16,892)	
Depreciation & Amortisation	(285,987)	(242,301)	(201,012)	(61,857)	
Interest & Bank Charges	(79,398)	(403,992)	(215,023)	(125,036)	iii)
Management Fees	(354,359)	(400,874)	(488,612)	(227,417)	iv)
Employee Wages & Oncosts	(2,147,588)	(3,414,709)	(3,413,908)	(1,726,614)	v)
Other Expenses	(1,129,613)	(684,465)	(681,489)	(236,550)	
Rent (Workshop)	(170,087)	(188,264)	(134,338)	(54,000)	
Travel & Accommodation	(93,045)	(231,405)	(219,243)	(95,930)	vi)
Total Expenses	(4,364,237)	(5,756,091)	(5,517,790)	(2,544,296)	
NPBT	(2,430,927)	1,650,728	1,650,417	(2,635,983)	vii)
Add Back Capitalised Design and Drawings Costs:	(111,041)	1,229,801	4,236,018	510,000	viii)
Adjusted NPBT	(2,319,886)	420,927	(2,585,601)	(3,145,983)	ix)

To assist creditors, we provide the following preliminary analysis of the Company's profit and loss statements from our discussions with Management and initial review of the books and records of the Company:

- i. Due to the nature of the mining industry and business, most of the income is driven by a small number of large value projects and as such revenue can be concentrated and uneven over the reported periods. The increase in FY14 is largely as a result of timing differences between FY13 and FY14 where revenue from one period has been booked in the next period. The more recent decline in revenue is the result of fewer projects being won due to the wider industry downturn.
- ii. A key driver of the improvement in COGS relative to Sales between FY13 and FY15 was due to the expensing of capitalised design and drawing costs. The capitalising of design and drawing costs was done to reflect the perceived value in the design and drawings library which could be utilised and expensed at a later date on future projects. In theory, this design and drawings library provided an advantage in tendering for projects by using existing intellectual property to deliver future projects at a reduced internal cost. The Administrators have not reviewed in detail the amounts or legitimacy of this accounting treatment. The impact of this treatment is discussed further in note (vi) below. The increase in COGS relative to Sales in the six months to December 2015 was driven primarily by cost overruns on the Cook and Centennial projects. The Centennial project cost overruns are currently being reviewed by our solicitors to understand if the Company has a potential claim against same.
- iii. Interest and bank charges include interest charged on working capital facilities, interest negotiated for creditor payment plans, bank guarantee fees, and bank charges on overdraft amounts. The increase in FY14 is primarily due to c.\$176k of interest negotiated with suppliers who accepted payment plans, c.\$33k in interest charged by the ATO due to late payments, and increased bank guarantee fees. In FY15, the greatest change in interest payments related to c.\$86k of interest charged on working capital facilities provided by EFIC.
- iv. These are fees paid to Ellton Group Pty Ltd ("Ellton Group") for costs incurred on behalf of the Company including rent and outgoings plus 5%. The increase from FY13 to FY14 is primarily due to an increase in office rent in accordance with the lease. The difference from FY14 to FY15 is largely due to payment timing differences causing 11 months of invoices to be accounted for in FY14 compared to 13 months in FY15.
- v. The increase from FY13 to FY14 is due to a number of factors including; increases in the number of full time employees, further amortisation of the 'drawings asset' (refer to note (ii) above), and a greater portion of employee time spent on the tendering process and other activities.
- vi. These costs include staff travel and accommodation when working at remote project sites. The increase from FY13 to FY14 is mainly due to increased workload in the Philippines and travel to China to explore business opportunities.
- vii. The unadjusted NPBT shows a fluctuating performance with losses over the reported period of c.\$1.77m.
- viii. Following from note (ii), this adjustment shows the impact of the accounting treatment to the Profit and Loss Statement in each period.

- ix. The NPBT after adjusting for the impact of the accounting treatment of the design and drawings costs shows total losses over the reported period of c.\$7.6m and provides a more accurate picture of the Company's financial performance. These losses appear to have been funded from overdraft/working capital facilities, recovery of related party loans, and managing payment terms with debtors and creditors.

4.3 Balance Sheet

The Company's balance sheet for the financial years 2013, 2014, 2015 and management accounts to 31 December 2015 are summarised as follows:

AUD	FY13 LWM	FY14 LWM	FY15 MGMT	Dec-15 MGMT	Notes
Cash	166,528	637,847	(627,642)	(1,288,839)	
Trade Debtors	11,636,835	13,513,959	1,136,110	866,752	
Stock on Hand	812,441	651,907	749,556	732,397	
Capitalised Drawings	270,199	1,500,000	5,736,017	6,246,017	
Other Current Assets	632,159	810,340	5,123,845	1,953,268	
Current Assets	13,518,162	17,114,053	12,117,886	8,509,595	i)
Loans	1,413,531	1,006,564	692,876	678,180	
PPE	682,581	608,593	442,506	369,827	
Non-Current Assets	2,096,112	1,615,157	1,135,382	1,048,007	ii)
Total Assets	15,614,274	18,729,210	13,253,268	9,557,602	
Trade Creditors	11,898,299	14,105,624	5,683,154	5,800,013	
Other Current Liabilities	1,948,554	1,132,699	2,512,810	1,382,136	
Current Liabilities	13,846,853	15,238,323	8,195,964	7,182,149	iii)
Non-Current Liabilities	344,278	292,599	208,600	162,733	iv)
Total Liabilities	14,191,131	15,530,922	8,404,564	7,344,882	
Net Assets	1,423,143	3,198,288	4,848,704	2,212,720	v)

We provide the following preliminary analysis and commentary on the Company's balance sheet:

- i. Current assets are comprised of cash at bank, trade debtors, stock, capitalised drawings and other assets. The overall decline in total current asset value over the reporting period is driven by the collection of trade debtors and fewer ongoing projects resulting in a deteriorating cash position. This is offset by increases to the value of capitalised drawings – further detail is provided in section 4.4 below.
- ii. Non-current assets include unsecured loans to related parties (refer to section 7 of this report for further detail) and PPE. The decrease over the reporting period is as a result of the repayment of loan balances by related parties and the value of PPE being written down.
- iii. Current liabilities comprise primarily trade creditors, employee entitlements and unpaid GST and PAYG. The decline over the reporting period is due to fewer projects resulting in a reduced trade creditor balance. For further detail on the trade creditor balance, refer to section 7 of this report.
- iv. Non-current liabilities include motor vehicle finance leases.
- v. Although the Company has maintained a positive net asset position over the reported period, there are several items and amounts which are either doubtful as to

recoverability or are intangible and would not be collectable in the event of insolvency. These items and their impact on the accounts are outlined in section 4.4 below.

4.4 Working Capital Deficiency

Working capital is a financial measure which represents operating liquidity available to a Company. Net working capital is calculated as current assets minus current liabilities. Detailed below is a comparison of the working capital deficiency from 1 July 2012 to 31 December 2015 adjusted for material items that are not realisable.

AUD	FY13 LWM	FY14 LWM	FY15 MGMT	Dec-15 MGMT	Notes
Total Current Assets	13,518,162	17,114,053	12,117,886	8,509,595	
Less: Capitalised Drawings	270,199	1,500,000	5,736,017	6,246,017	i)
Less: Centennial Amount	-	1,500,000	1,412,068	1,412,068	ii)
Adjusted Current Assets	13,247,963	14,114,053	4,969,801	851,510	
Total Current Liabilities	13,846,853	15,238,323	8,195,964	7,182,149	
Add back: ARA Electrical (Bass) Dispute	-	-	701,415	365,412	iii)
Adjusted Current Liabilities	13,846,853	15,238,323	8,897,379	7,547,561	
Adjusted Working Capital Deficiency	(598,890)	(1,124,270)	(3,927,578)	(6,696,051)	iv)
Adjusted Liquidity Ratio	0.96	0.93	0.61	0.12	iv)

Negative working capital is an indicator of cash flow difficulties. Also, the liquidity ratio is a measure that is used to determine a company's ability to pay its short-term debts obligations. A higher liquidity ratio, demonstrates a company is more likely to be able to meet its short-term debt obligations.

We provide the following comments in respect to the Company's working capital deficiency:

- i. As discussed in section 4.2 of this report, this amount reflects the capitalised value of the Company's design and drawings library which has been removed for the purposes of this analysis as it is not readily realisable.
- ii. This disputed amount relates to the Centennial project that the Company claims it is owed. Due to the uncertainty of its recoverability this amount has been removed for the purposes of this analysis.
- iii. This disputed amount relates to the Centennial project involving ARA Electrical, a subcontractor. Due to the uncertainty of recoverability, this amount has been removed for the purposes of this analysis.
- iv. After adjusting for the items outlined above, the Company's deteriorating working capital position over the reporting period and liquidity ratio demonstrates cash flow difficulties. A liquidity ratio below 1.00 is generally considered to be an indicator of Company's inability to pay its debts as and when they fall due. Further, this analysis raises doubts over the Company's ability to pay its debts as and when they fall due in the period following June 2014.

5 Directors' Report as to Affairs (RATA)

5.1 Summary

Under section 438B of the Act, the Director is required to provide a RATA for the Company as at the date of our appointment within five business days of receipt of the request from the Administrators or such longer period as the Administrators allow.

The Director requested two separate extensions of time for the submission of the RATA pursuant to section 438B(2) of the Act. As we considered both extension requests to be reasonable we granted them to the Director. The Director subsequently provided the RATA to the Administrators on Tuesday, 2 February 2016.

The RATA, together with the accompanying schedules, may be inspected at the office of Deloitte, Level 9, Grosvenor Place, 225 George Street, Sydney NSW by contacting Will Hanrahan on (02) 9322 3397 or at whanrahan@deloitte.com.au.

The RATA represents a snapshot of the asset and liability position of the Company **as prepared by the Director**, as well as the Director's estimate of the value these assets may be realised for. Where appropriate, we have provided some brief commentary below on the values provided by the Director.

We have also commissioned and received an independent valuation of certain assets of the Company which is discussed in more detail in section 8 of this report.

Please note the book values shown in the RATA do not reflect actual returns to creditors.

The Director's RATA is summarised below.

Director's RATA	Note	Book Value (\$)	Director's ERV (\$)
Assets			
Sundry Debtors	5.1.1	277,633	40,626
Cash on Hand and at Bank	5.1.2	(1,286,127)	(1,286,127)
Stock	5.1.3	732,399	300,612
Work in Progress	5.1.4	5,961,503	5,961,503
Plant & Equipment	5.1.5	204,874	200,000
Other Assets	5.1.6	2,312,402	2,187,238
Sub Total		8,202,684	7,403,852
Assets Subject to Security Interests	5.1.7	164,950	187,000
Less Amounts owing Security Interests	5.1.7	(173,406)	(173,406)
Total		8,194,228	7,417,446
Liabilities			
<i>Less: Priority Creditors</i>			
Accrued Going Concern Employee Entitlements	5.1.8	556,324	556,324
Contingent Employee Entitlements (Redundancy)	5.1.8	582,829	582,829
<i>Less: Secured Creditors</i>			
Secured Creditors	5.1.2	As above	As above
Sub Total		1,139,153	1,139,153
Available to unsecured creditors		7,055,075	6,278,293
Unsecured creditors	5.1.9	6,158,017	6,158,017
Contingent Assets	5.1.10	1,000,000	1,000,000
Surplus/(Shortfall) (incl. contingent items)		1,897,058	1,120,276

5.1.1 Sundry Debtors

The balance the Director has included as Sundry Debtors is comprised of the following related party loan balances at the date of our appointment:

Name	Amount \$
Ellton Group Pty Ltd	37,494
Ellton Holdings Pty Ltd	75,032
Ellton Mine Hire Pty Ltd	21,099
SOGO Sports Pty Ltd	626
Mark Elliot	143,382
Total	277,633

The Administrators note as follows with regard to the balances provided by the Director:

- The Director has not included a \$9,322 amount owing from Ellton Mine Services Pty Ltd referred to in section 5.4 of this Report;
- The amount owing from Ellton Holdings has been shown net of the \$414,725 transaction outlined in section 7.4.4 of this report;

The Administrators note that the Director's ERV of \$40,626 assumes the ability of certain creditor related parties to claim a set-off or otherwise dispute the loan itself. These matters will be considered further by a liquidator should the Company be wound up at the second meeting of creditors.

The Administrators further note that the Director has not included trade debtors at our appointment in the RATA. The table below summarises the value and ageing of trade debtors at our appointment, amounts recovered as at 11 March 2016 and expected further recoveries.

Aged Debtors at Appointment and Recoveries					
	At appt. (\$)	Recovered (\$)	Outstanding (\$)	Estimated Recovery - High (\$)	Estimated Recovery - Low (\$)
Current	308,427	200,937	107,491	88,332	70,666
30 days	344,686	286,445	58,241	14,560	-
60 days	2,490	2,490	-	-	-
90 days	90	-	90	-	-
120 days	5,940	-	5,940	1,485	-
Total	661,633	489,871	171,762	104,377	70,666

Notwithstanding the \$661,633 of debtors, c.\$588k relates to invoices that required additional work to be performed and materials supplied during the Administration to receive payment which we have continued to undertake to realise the debt.

As shown in the table above, c.\$172k is yet to be collected as at 11 March 2016. The Administrators estimate that between c.\$70k and c.\$104k will be recovered in the coming months. Further information regarding recovery of debtors is outlined in section 8 of this report.

5.1.2 Cash on Hand and at Bank

The overdraft balance as at the date of our appointment was \$1,255,996. The Director has included in 'Cash at Bank' the overdraft with CBA discussed in section 7.5 of this report as well as other miscellaneous items.

As outlined in section 3.2.3 of this report, the Company held an overdraft, line of credit and credit card facilities with CBA. CBA has advised that as at the date of our appointment it had a secured claim of \$1,257,299 with respect to these facilities.

In addition to the facilities with CBA, the RATA discloses \$29 held in an ANZ account and US\$6,227 held in a Bank of America Account (in trust on behalf of the Company) in the name of the Director. The Administrators have since recovered these funds.

Petty cash on hand on our appointment was \$1,400. These funds have been used to fund staff amenities and incidentals during our trading period.

5.1.3 Stock on Hand

The RATA details the book value of stock on hand as at the date of our appointment totalling \$732,399. The estimated realisable value of this stock was shown as \$300,612. The Administrators note that the actual cost of stock on hand per the Company's stock management accounting system as at 31 December 2015 was \$316,241.

The Administrators advise the stock also includes slow moving and obsolete items that could not be sold at cost value.

For details of retention of title claims to date, refer to section 3.2.3 of this report.

For further information regarding the realisation of these assets, refer to section 8 of this report.

5.1.4 Work In Progress

The RATA details the book value of work in progress as at the date of our appointment totalling \$5,961,503. The three components the Director has included in this balance are as follows:

- \$4,180,014 of capitalised designs and drawings: Together with a \$2,066,003 amount included in 'Other Assets' in the RATA, this comprises the \$6,246,017 Capitalised Drawings amount outlined in section 4.4 of this report.
- \$1,412,068 of disputed outstanding claims against Centennial: Discussed in section 4.4 of this report
- \$369,421 work in progress for the Taganito project: The Taganito project is one of four major projects that were undertaken to be completed by the Administrators – refer to section 6.3.1.2 of this report for further details.

In section 6.3.1.2 of this report, the Administrators have outlined \$882,918 of estimated value in four major projects at the date of our appointment, of which the Taganito project represented \$323,006. The Administrators note that the Director has provided a higher estimated benefit of work in progress than that provided by the Administrators for the Taganito project and has appeared to not include the value identified in the other three projects outlined in section 6.3.1.2 of this report.

5.1.5 Plant & Equipment

The Director has disclosed plant and equipment owned by the Company as at the date of our appointment with a book value of \$204,874. The details of this plant and equipment, and the Director's ERV, is summarised in the table below:

Description	Book Value (\$)	Director's ERV (\$)
Plant & equipment	57,003	60,000
Motor vehicles	37,832	40,000
Office furniture & equipment	110,039	100,000
Total	204,874	200,000

Upon appointment, we engaged Liquid Asset Management to conduct a valuation of the Company's plant and equipment. Liquid Asset Management provided a value of \$245,250 in a forced liquidation scenario, however this includes the six vehicles that CBA had finance lease security interests over. As outlined in section 3.2.3.1 of this report, the amount owing on these vehicles was \$164,814.

Refer to section 8.2 of this report for further detail regarding the realised value of the Company's plant and equipment.

5.1.6 Other Assets

The Director has disclosed the Company's other assets as at the date of our appointment with a book value of \$2,312,402. The details of these assets, and the Director's ERV, is summarised in the table below:

Description	Book Value (\$)	Director's ERV (\$)
e-tags	480	480
Rental bond, 280 Mann St, Gosford	36,364	-
Rental bond, 23 Faunce St, West Gosford	15,000	-
Security deposit to EFIC re performance bond	120,755	120,755
Prepayment - Insurance	3	-
Prepayment - AIMEX 2015 Trade Show costs (amortising to Jun-17)	73,797	-
Capitalised product drawings	2,066,003	2,066,003
Total	2,312,402	2,187,238

The Administrators make the following comments regarding 'Other Assets':

- The rental bond totalling \$36,364 for 280 Mann Street, Gosford has been included in both 'Other Assets' and 'Sundry Debtors' as part of the \$37,494 related party loan to Ellton Group Pty Ltd – i.e. it has been double counted;
- The 'security deposit' totalling \$120,755 has been incorrectly included by the Director. The bond matured on 31 December 2015 and was applied to and reduced the CBA line of credit on 2 January 2016. It was therefore not an asset of the Company as at the date of our appointment.
- The capitalised design and drawings totalling \$2,066,003, together with the \$4,180,014 amount included in 'Work in Progress' in the RATA, represents the Capitalised Drawings amount outlined in section 4.4 of this report.

5.1.7 Assets Subject to Specific Charges

The Director has detailed six motor vehicles that are subject to finance lease arrangements which are outlined in section 3.2.3 of this report.

The Administrators advise that the figures in section 3.2.3 of this report were confirmed with CBA.

5.1.8 Employee Entitlements

The RATA discloses employee entitlements totalling \$1,139,153. This figure is in error as it includes retrenchment amounts for certain employees made redundant by the Administrators and does not represent the total potential liability that existed at the date of our appointment being the retrenchment entitlements of all employees. The Director's figure also does not include certain unpaid super and wages amounts that had not been captured correctly by the Company's accounting system.

The Administrators have reviewed the employee entitlements and note that, in the event that all staff were terminated on appointment, the total amount owed to employees would have been \$1,522,633 as outlined in the table below. Given the sale of the business as a going concern with several employees transferring to the purchaser the estimated employee entitlements have reduced to \$1,318,557.

Priority	Entitlement	Total Entitlements	Entitlements of Transferred Employees	Remaining Entitlements against ECPL	Excluded Employees	Priority Entitlements
1	Unpaid Wages	74,557	11,877	62,680	6,083	58,597
1	Unpaid Super (excl. SGC)	91,321	16,773	74,548	7,889	68,659
2	Annual Leave	310,696	32,426	278,270	164,902	113,368
2	Long Service Leave	182,332	-	182,332	78,016	104,315
3	PILN	280,037	44,973	235,063	32,463	202,601
3	Superannuation on PILN	26,603	4,272	22,331	3,084	19,247
3	Severance	557,088	93,755	463,333	85,792	377,541
	Total	1,522,633	204,076	1,318,557	378,230	944,327

The excluded employees include Mark Elliott, the Director, and David Elliott, the son of the Director and General Manager of the Company.

Employee entitlements represent priority claims pursuant to section 556 of the Act and are subject to the adjudication process which may result in changes to the above amounts. The priority claims of excluded employees are capped at different amounts for different classes of entitlements pursuant to section 556 of the Act, with the balance being classed as a non-priority claim against the Company. The maximum amount an excluded employee can receive via a distribution to priority creditors is \$3,500 each.

Further information regarding the outstanding priority creditor claims is outlined in section 8 of this report.

5.1.9 Unsecured Creditors

Unsecured creditor claims are estimated to total \$6,158,017, however the Director has noted several amounts that may be subject to offset claims which are subject to further investigation.

5.1.10 Contingent Assets

The RATA discloses a potential claim of \$1,000,000 for breaches of intellectual property rights. As outlined in section 6.3.1.5 of this report, the Administrators are in the process of seeking legal advice on the merits of this claim and have not reached a conclusion at the time of writing this report.

5.2 Explanations for difficulties

5.2.1 Director's explanation

The Director has advised that the main reasons for the Company's financial difficulties were as a result of the following:

- *"The rapidly contracting market that the Company operated in leading to a significant increase in the competitive nature of the market which resulted in the failure to win a number of significant projects with the last one being advised to the Company on 22 December 2015;*
- *The fact that the Company requires a large team of employees in order to be ready to deliver the next project; which is expensive and costly when you don't win the project;*
- *The Company considered a restructure however could not have afforded the associated restructuring costs such as employee redundancy entitlements; and*
- *Concluding a deal with potential equity partners was taking too long and in the absence of new orders/projects in hand or sufficient remaining working capital, the Company didn't have time to close a deal."*

5.2.2 Administrator's opinion

In our opinion from a review of the Company's operations, correspondence and discussions with the Director, the matters outlined above are reasonable and consistent with our investigations as to the reasons why the Company failed. Further to these points, the Administrators point to the following:

- A continued lack of underlying profitability in the business driven by:
 - Reduction in available projects;
 - Operating mines moving from investment to production phase; and
 - Inflexible overhead structure.
- Rapid deterioration of the already stretched working capital position (as outlined in section 4.4 of this report) which the Company was unable to address by successfully securing significant new work or debt/equity partners.
- An increasingly costly quoting and tendering process.
- The actual cost of delivering projects was significantly higher than reported – i.e. the capitalisation of design and drawings costs.
- Disputed claims and cost overruns on projects have also had a significant impact on the financial viability of the Company.

5.3 Outstanding winding up applications

Our review of the ASIC records did not disclose any winding up applications filed against the Company prior to our appointment as Administrators.

5.4 Related entities

Details of related entity creditors and debtors as per the Company's books and records are as follows:

Name	Debtor/ (Creditor) \$	Commentary
Ellton Group Pty Ltd	(165,694)	Ellton Group incurs costs (primarily rent) which it then on-charges to the Company for usage
Ellton Group Pty Ltd	37,494	Rental bond
Ellton Mine Services Pty Ltd	9,322	Legacy debit and credit transactions between the entities resulting in this minor balance owing to the Company
Ellton Holdings Pty Ltd	489,757	The current status of this loan is discussed in detail in section 7 of this report
Ellton Mine Hire Pty Ltd	21,099	Legacy balance outstanding between entities
SOGO Sports Pty Ltd	626	Minor balance which has since been recovered by the Administrators
Mark Elliot	143,382	Amount listed in the books and records of the Company as a Director loan

We have verified the creditor balance above to the accounting system for Ellton Group as at 31 December 2015. The amount is consistent with the Administrators' understanding of the relationship between Ellton Group and the Company.

We are not aware of any other related entity creditors or debtors.

6 The Administrators' Actions to Date

6.1 Overview

Following appointment, we took control of the business operations and affairs of the Company.

An initial assessment of the financial viability of the business and immediate operational and statutory actions were undertaken by us for the conduct of the administration. A detailed outline of tasks performed over the course of the administration is provided with our Remuneration Report at **Appendix E**, however a summary of these actions are as follows:

6.1.1 Taking control of the business and assets of the Company

- Held discussions with the Director and key personnel (including the financial controller) regarding the Company's day-to-day operations, historical financial performance and the short term financial outlook; and
- Developed and documented a trading strategy which included a 13 week cash flow forecast to allow the Company to continue trading while we sought to sell the business and assets of the Company as a going concern.

6.1.2 Compliance and administrative procedures

- Advertised both the Administrators' appointment and the first meetings of creditors on the ASIC Insolvency Notices website;
- Notified the relevant statutory authorities, creditors and suppliers of our appointment;
- Prepared and lodged the relevant statutory notices with ASIC;
- Completed and lodged the relevant statutory forms with the ATO;
- Met with the Director in relation to the RATA;
- Convened and held the first meeting of creditors;
- Lodged minutes of the first meeting of creditors;
- Conducted preliminary investigations into the business affairs of the Company and determined a preliminary time frame of insolvency; and
- Prepared this report to creditors pursuant to section 439A of the Act.

6.1.3 Trade-on of business

- Attended on-site at the Company's head office and workshop in Gosford;
- Set up supplier accounts for the Administration;
- Prepared cash flow forecasts;
- Secured funding to enable initial trading of business including payment of employee wages and rent;
- Maintained a purchase order schedule to monitor ongoing trading commitments;
- Prepared and discussed trade-on plan;
- Negotiated ongoing terms of trade with key stakeholders/suppliers, including landlords;
- Managed and oversaw completion of outstanding tasks on major projects;
- Managed stock on hand including sale and use of same;
- Prepared ongoing pay-runs for employees and suppliers; and
- Provided periodic updates to suppliers, creditors and employees.

6.1.4 Creditors and stakeholders

- Attended to telephone discussions, correspondence and queries from creditors, employees and stakeholders;
- Corresponded with secured creditors regarding their security interests and claims;
- Maintained a creditors listing and collated claims against the Company;
- Liaised with members of the Committee; and
- Prepared and held meetings of creditors.

6.1.5 Employees

- Notified employees of the Administrators' appointment;
- Took immediate steps to reduce head count, while retaining staff key to delivering the remaining work in progress, and facilitate a sale of business campaign;
- Provided employees with termination of employment notification and separation certificates;
- Held ongoing meetings with retained employees updating them on the Administration;
- Facilitated ongoing payment of wages and superannuation, including payment of pre-appointment wages and superannuation for continuing employees; and
- Advised employees about the FEG processes should the Company be placed into liquidation and calculated and advised employees of employee entitlements owing.

6.1.6 Insurance

- Notified our insurance brokers of our appointment;
- Liaised with our brokers to determine and place an appropriate level of cover for the Company's assets and the business; and
- Provided actual wage declarations to the appropriate workers compensation providers.

6.1.7 Assets

- Identified and secured all assets located at different sites;
- Liaised with Liquid Asset Management regarding the valuation of certain assets held by the Company;
- Conducted searches of the PPSR and Land Titles Office;
- Reviewed finance agreements and equipment loans for all secured creditors;
- Liaised with financiers and secured creditors;
- Advertised the business for sale and entered discussions with interested parties;
- Reviewed and considered the Company's WHS and OHS;
- Reviewed pre-appointment status of debtors;
- Collected pre-appointment debtors; and
- Negotiated and entered into a sale agreement for the business and assets of the Company.

6.1.8 Investigation, legal and strategic matters

- Conducted preliminary investigations into possible insolvent trading actions;
- Reviewed the Company's books and records to identify potential preferences and uncommercial transactions;
- Investigated and managed retention of title claims;

- Conducted basic searches on the Director and related entities;
- Considered ongoing pre-appointment legal disputes of the Company; and
- Liaising with solicitors on ongoing legal matters.

Further detail regarding specific tasks is outlined in the attached Remuneration Report at **Appendix E**.

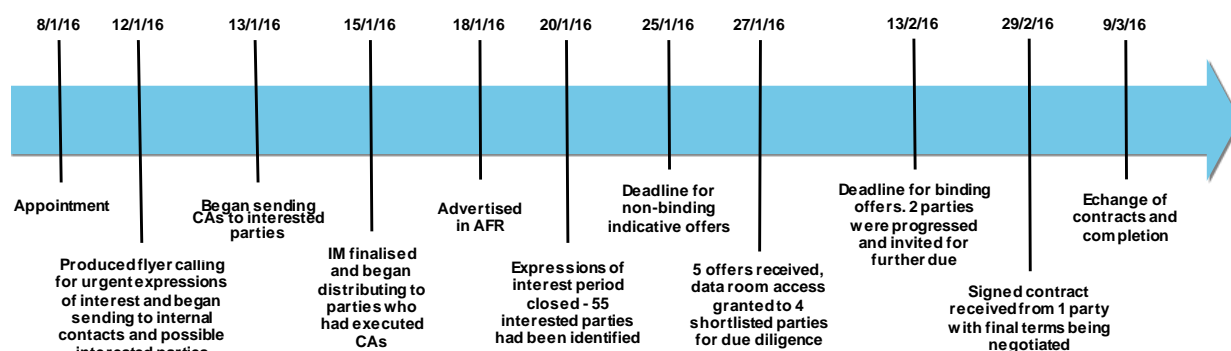
6.2 Sale of Business Process

Given the historic and continuing trading losses and limited external funding available to us to trade the business, an urgent assessment was made before deciding to implement a fast-track sale of business process. This assessment included consideration of the following:

- The benefit to creditors of achieving a sale of the Company's business and assets as a going concern;
- The costs and potential benefits of trading the business, including the opportunity to complete WIP and collect a greater percentage of debtors;
- The chance of continued employment for employees; and
- The risk of a sale not being achieved.

The Administrators made the decision to continue trading the business to achieve a going concern sale that would maximise the potential return to creditors and the likelihood of continued employment for certain employees.

Immediate steps were taken to sell the business given the risks of continuing to trade. Below is a summary timeline of the sale process:



The Administrators were able to achieve a sale of the Company's business and assets as a going concern with Nepean Conveyors Pty Ltd ("the Purchaser") in less than 9 weeks from the date of appointment for \$1.05m plus going concern employee entitlements totalling \$115,121. WIP was excluded from the sale in order to maximise realisations as it was being heavily discounted in offers received. To assist with the completion of WIP, we were able to negotiate a licence agreement with the Purchaser that included the use of the staff until 31 March 2016.

Under the terms of the sale, six full time employees and two contractors were transferred to the purchaser maintaining their employment and reducing the level of priority claims against the Company.

The Administrators acknowledge that the sale result was assisted by the support received from the Director who agreed to sign a non-compete deed to allow the sale to go ahead. The Director's cooperation was also important in allowing the Administrators to complete and collect WIP for the benefit of the Company's creditors.

Further detail regarding the sale and its impact on returns to different classes of creditors is outlined in section 8 of this report.

6.3 Administrators' Trading Performance and Receipts and Payments

6.3.1 Business Trading

6.3.1.1 Overview

As referred to above, the Administrators made the decision to continue trading the business due to the identification of the following key reasons and benefits:

- Continued trading in the short term would enable a more informed assessment of the Company's financial viability and saleability;
- To restructure the business while retaining key staff needed to realise the remaining WIP/debtors on projects;
- The opportunity for asset value preservation with regard to the drawings library and intellectual property;
- The estimated short term cash flow forecast prepared shortly after appointment showed we could trade the business on a cash positive basis subject to the completion of major projects and collection of pre-appointment debtors. This did however require the Administrators to borrow \$68,000 to fund employee wage and rent costs;
- Trading the business to convert WIP into progress claims would mitigate the risk of counter claims due to non-completion of projects, which would also have a direct impact on the collectability of pre-appointment debtors;
- Enable an orderly sell down of stock on hand;
- Allow an attempt to sell the business as a going concern;
- Maximise the possibility that employees would be transferred to a buyer, thereby reducing employee entitlement claims and payouts in a liquidation;
- The opportunity for a possible assignment of the existing property leases to a buyer, thereby reducing landlord claims; and
- Achieve a better overall return for creditors.

6.3.1.2 Major Projects

The following is a summary of the four major projects that we continued to complete whilst trading the business and the estimated benefits as at 8 January 2016 to be realised:

Project name	Remaining Revenue (\$)	Remaining COGS (\$)	Estimated Benefits (\$)
Taganito	440,260	117,254	323,006
Rio Tinto Coal & Allied	298,486	48,277	250,209
Peabody Wambo	310,379	69,013	241,366
Caledon Cook Colliery	160,942	92,605	68,337
Total	1,210,067	327,149	882,918

NB: The remaining COGS for the projects do not include overhead costs (i.e. wages, rent etc.)

We make the following comments regarding the completion of the major projects:

- **Taganito:** Remaining works included supply and commissioning for a stacker and conveyor project including the commissioning of a drive base, electrical works programming, and mechanical. Staff attendance on-site in the Philippines along with the engagement of local

service providers was required to complete these works. Risks of the project included: inability to reach agreement with the Philippines based agent, inability to engage an electrical contractor, geopolitical risks in the region, and delays in payment from the client.

- **Rio Tinto Coal & Allied:** Remaining works involved project management services including development of safety files and manuals, collation of QA documentation, and site visits through to March 2016. Risks include client cancellation of remaining orders and services.
- **Peabody Wambo:** Remaining works included design and delivery of a conveyor system through to March 2016. Risks included delays in design time and variations to scope.
- **Caledon Cook Colliery:** Remaining works included supply of equipment for a conveyor extension structure which had to be installed during the mines shutdown period. Risks included not being able to make delivery on time for their shutdown period and delays in payment from the client.

6.3.1.3 *Minor Projects*

The Administrators attended to completing a large number of minor projects which had an estimated net benefit of \$129,746 before overhead costs. We are continuing to realise this benefit.

6.3.1.4 *Tru-Trac*

Prior to appointment, the Company was the sole Australian distributor of Tru-Trac products for installation in conveyors. As a consequence of our appointment, the distribution agreement was terminated by Tru-Trac.

6.3.1.5 *Potential Legal Recoveries*

There are three separate potential claims that the Company may have against third parties.

Two of the claims relate to contract disputes arising from cost overruns on projects, and were referred to in section 4.4 of this report. The other claim relates to a breach of intellectual property arising from the use of the Company's design and drawings to manufacture a very similar product that was subsequently used by a former customer.

While the underlying disputes arose prior to our appointment, the Company had not yet formally commenced legal action on any of these claims. The Administrators have engaged their solicitors to undertake a high level review of the merits of these claims for the purpose for deciding the correct course of action at a later date. Should the Company be placed into liquidation at the second meeting of creditors on 5 April 2016, it will be a commercial decision for the liquidators whether to pursue any of the claims based on estimated cost, size of the claim, prospects of success and availability of funding to pursue the action.

6.3.2 **Administrators' Receipts and Payments**

Appendix I provides a summary of the receipts and payments during the period 8 January 2016 to 11 March 2016.

The Administrators note that the summary of the receipts and payments does not include trading commitments which are yet to be paid totalling \$324,850.

7 Investigations

7.1 Introduction

Section 438A(a) of the Act provides that as soon as practicable after an administration begins the Administrators must investigate the Company's business, property, affairs and financial circumstances.

Pursuant to Regulation 5.3A.02 the Administrators are also required to investigate and report on any possible recovery actions that may be available to a Liquidator should creditors resolve that the Company be wound up.

An explanation of the possible offences by a Director, insolvent and voidable transactions that a Liquidator could pursue are attached at **Appendix B**. This information sheet has been prepared by the Australian Restructuring Insolvency and Turnaround Association ("ARITA") and is intended to reduce the amount of generic information included as part of the body of this report. Creditors who are not familiar with the nature of offences and liquidator actions should refer to the appendix for explanations. If further explanation is required of the material contained in **Appendix B** or of our investigations, creditors should contact us.

7.2 Overview of Investigation

In the time available to us, we have undertaken the following investigations to prepare this report and formulate our opinions:

- ASIC searches;
- Personal Property Securities Register searches;
- Review of books and records of the Company;
- Discussions with the Director;
- Discussions with management and staff;
- Discussions with creditors; and
- Review of the financial accounts of the Company.

Our review of this information is ongoing and will continue should the Company be placed into liquidation. However, in our opinion this has not prevented us from being able to provide sufficient, meaningful information in this report or from being able to form an opinion on what is in the creditors' best interests.

Whilst we have no reason to doubt any information contained in this report, we reserve the right to alter our conclusions should the underlying data prove to be inaccurate or materially change from the date of this report.

7.3 Offences by the Directors

7.3.1 Overview

The Administrators are required to complete and lodge a report pursuant to Section 438D of the Act with ASIC where it appears to the Administrators that a past or present officer of the Company may have been guilty of an offence in relation to the Company and in other limited circumstances. Any report lodged pursuant to Section 438D (or an investigative report lodged by a liquidator pursuant to Section 533 of the Act) is not available to the public.

We have undertaken a preliminary investigation of the affairs of the Company in relation to suspected contraventions of Section 180 - 184 of the Act regarding the general duties of the Company's Director and any Officers.

From our investigations to date we have not found conclusively that the Director has acted dishonestly and/or fraudulently in the exercise of his powers and discharge of his duties. However, there are matters which need to be investigated further by a Liquidator in order to fully consider potential breaches including:

- The accounting treatment of capitalised design and drawings costs outlined in section 4 of this report; and
- The \$414,725 transaction discussed in section 7.4.4 and section 7.4.7 of this report.

The prospects of an insolvent trading claim are dealt with separately and discussed in section 7.5 below.

7.3.2 Books and records

Pursuant to Section 286 of the Act, a company must keep written financial records that correctly record and explain its transactions, financial position and performance and would enable true and fair financial statements to be prepared and presented in accordance with the accounting standards.

Failure by the Company to maintain books and records in accordance with section 286 of the Act provides a rebuttable presumption of insolvency of the Company; however, this only applies in respect of a liquidator's application for compensation for insolvent trading and other actions for recoveries pursuant to part 5.7B of the Act from related entities.

In our opinion, it appears as though the books and records have been maintained in accordance with Section 286 of the Act.

7.4 Voidable transactions

The Act requires an Administrator to specify whether there are any transactions that appear to the Administrator to be voidable transactions in respect of which money, property or other benefits may be recoverable by a liquidator under Part 5.7B of the Act.

This issue is relevant to creditors if they are being asked to choose between a DOCA and liquidation, because voidable transactions are only able to be challenged if liquidation occurs.

Voidable transactions include:

- Unfair preferences (Section 588FA)
- Uncommercial transactions (Section 588FB)
- Unfair loans to a company (Section 588FD)
- Arrangements to avoid employee entitlements (Section 596AB)
- Unreasonable director-related transactions (Section 588FDA)
- Transactions with the purpose of defeating creditors (Section 588FE(5))
- Voidable security interests (Section 588FJ)

It is important to note that such transactions are only voidable if they are considered insolvent transactions of the Company. In order for a liquidator to recover any amount it would first be necessary to establish that the Company was in fact insolvent at the time of the transaction.

Generally such actions are expensive and are likely to require Court applications. As such, should there be inadequate funds available, or the liquidators consider it uncommercial or not in the creditors' best interests, such recovery actions may not be commenced by the liquidators.

In these circumstances, creditors wishing to fund any such actions may do so. Should any funds be recovered from these actions, the creditors providing the funding may be entitled to receive their contribution in priority to other creditors.

Litigation funding may also be available to fund these actions. However, such funding is generally only available where legal advice indicates that there is a strong potential for success.

7.4.1 Unfair Preferences Payments (Section 588FA)

In order to prove a creditor received an unfair preference payment, a liquidator must demonstrate that the Company was insolvent at the time the creditor received the payment/benefit. The creditor has a defence to a claim by a liquidator that a transaction is an unfair preference if, at the time the benefit was received the creditor had no reasonable grounds for suspecting that the Company was insolvent or would become insolvent through entering into the transaction and valuable consideration was given.

In the event of liquidation, a liquidator will need to prove that creditors knew or should have known that the Company was insolvent at the time the payments were made. There would need to be significant investigative work undertaken to establish whether:

- the Company was insolvent at the time the transaction occurred;
- the party that received the preference was aware that the Company was insolvent or likely to become insolvent at that time;
- the recipient has sufficient assets to settle any successful claims;
- the cost of undertaking the action is greater than the possible return; and
- there are sufficient funds available (subject to the approval of creditors) to undertake any proposed preference recovery action.

As detailed in section 7.5 below, investigations are continuing to establish the date the Company became insolvent, however for the purposes of this analysis we have assumed the Company may have been insolvent from at least July 2015. The balance of all relevant payments made by the Company within six months prior to the relation back day, after subtracting amounts that would be uncommercial to investigate and items where it was apparent from high level review that the transaction would not constitute a preference payment, is c.\$1.43m. This represents the total balance of payments which, should the Company be wound up, a liquidator would investigate further before determining which, if any, transactions would be pursued. The table below sets out the number of creditors that comprise this balance and the range of values to which they relate:

Value of Potential Claim	No. of Creditors	Value (\$)
Less than \$10,000	23	131,145
\$10,001 to \$30,000	12	223,869
\$30,001 to \$50,000	6	230,089
More than \$50,001	7	843,537
Total	48	1,428,640

As outlined in the table above, the majority of the potential value of preference claims relates to a small number of creditors.

Given the preliminary nature of our investigations, the circumstances that would need to be established, and the defences available to a recipient, it is likely that the majority of this balance would be unrecoverable by a liquidator. Further investigations will be undertaken should the Company be wound up at the second meeting of creditors.

The uncertainty surrounding the recoverability of preference payments and the further investigative work required is reflected in the range of recoveries set out in our estimate of expected returns to creditors outlined in section 8 of this report.

7.4.2 Unfair Loans (Section 588FD)

Our preliminary investigations of the Company books and records revealed that the Company had not received any loans from any parties which committed the Company to extortionate terms.

7.4.3 Uncommercial Transactions (Section 588FE)

With the exception of the transaction discussed in section 7.4.4 below, our preliminary review of the Company's books and records has not identified any transactions that would constitute an uncommercial transaction. Our investigations into the transaction discussed in section 7.4.4 below are ongoing and, after further investigation, a liquidator may determine that the transaction also constitutes an uncommercial transaction.

7.4.4 Discharging a Debt of a Related Entity (Section 588FH)

Our preliminary investigations of the Company's books and records have identified a transaction which may constitute the discharging of a debt of a related entity. Our investigations to date provide the following:

- Since FY11, the books and records have disclosed an outstanding loan balance payable by Ellton Holdings Pty Ltd ("Ellton Holdings"), a related entity to the Company as the Directors of Ellton Holdings are Mark Elliott and David Elliott;
- The balance of this loan detailed in the 31 December 2015 management accounts was \$489,757;
- On 7 January 2016, an invoice was raised by Ellton Holdings to the Company for \$414,725 (GST inclusive) which comprised:
 - 'Management Fees' from FY12 through to 31 December 2015 totalling \$278,806; and
 - 'Management Bonus' from FY12 totalling \$98,217

The Administrators are not aware of any relationship between the corporate entities which would give rise to such an invoice being received for the above amounts;

- On 7 January 2016, the abovementioned invoice was entered into the Company's books and records as '*Admin & Management Services*' as a payable to Ellton Holdings. The effect of this entry reduced the loan balance payable by Ellton Holdings by \$414,725; and
- While the Director has provided a verbal explanation and some supporting documents (refer to section 7.4.7 below for further detail), sufficient supporting documentation has not been provided at the time of writing this report.

As outlined above, the Administrators have not been provided with sufficient documentation at the time of writing this report to support the items comprising the 7 January 2016 Ellton Holdings invoice. It is therefore the preliminary view of the Administrators that there should not have been an amount offset against the loan payable by Ellton Holdings to the Company. Should a liquidator reach this conclusion on further investigation, the full amount of the loan (including the amount that was offset against the payable above) will be pursued from Ellton Holdings.

7.4.5 Unreasonable Director-Related Transactions (Section 588FDA)

With the exception of the transaction discussed in section 7.4.4 above, our preliminary investigations to date have not identified any unreasonable director related transactions. Our investigations into the transaction discussed in section 7.4.4 above are ongoing and, after further investigation, a liquidator may determine that the transaction also constitutes an unreasonable director-related transaction.

7.4.6 Arrangements to Avoid Employee Entitlements (Section 596AB)

To date we have not identified any transactions of this nature.

7.4.7 Transactions with the Purpose of Defeating Creditors (Section 588FE(5))

We have conducted a preliminary review of the transactions of the Company for the six months prior to the relation back day to identify any transactions that may have been entered into with the purpose of defeating creditors.

Aside from the potential preference payments outlined in section 7.4.1 above, we have identified one transaction which may have been undertaken for the purpose of defeating creditors and which may be recoverable by a liquidator.

As outlined in section 7.4.4 above, the Administrators have received a verbal explanation by the Director for that transaction. This verbal explanation was as follows:

- The primary business dealings of Ellton Holdings were the ownership and operation of a restaurant overseen by David Elliott, the Company's General Manager and Director's son;
- The primary purpose of the loan from the Company to Ellton Holdings was to acquire and operate the restaurant;
- The restaurant has now been sold with ongoing minor payments representing consideration for the sale being received by Ellton Holdings;
- David Elliott and Mark Elliott are the Directors and Shareholders of Ellton Holdings;
- The 'Management Fees' and 'Management Bonus' detailed in the Ellton Holdings invoice are in relation to amounts owed to David Elliott;
- David Elliott has advised his employment contract with the Company (which the Administrators were unable to locate in the books and records and yet to be provided to the Administrators) allegedly entitles him to a certain amount of personal expenses using the Company credit card each year which the Company pays on his behalf;
- The 'Management Fees' are the difference between the amount David Elliott was allegedly entitled to claim under his employment contract and the amount actually received for each financial year since FY12 and the half year to 31 December 2016;
- The 'Management Bonus' relates to a bonus that David Elliott was allegedly entitled to receive from FY12 but never actually received;
- These amounts are considered by the Director to be outstanding wages owed to David Elliott;
- It was always expected that, should David Elliott collect the amounts due to him, he would use that funding to make further payments on the loan from the Company to Ellton Holdings;
- When it became clear that the Company was to be placed in Administration, the Director believed it was reasonable to clear it up and effectively offset what he considered to be amounts owed to and from an employee via settling part of the loan payable by Ellton Holdings.

It is noted that as the son of the Director of the Company, David Elliott is an 'excluded employee' pursuant to section 556 of the Act and therefore the amount he can receive from a distribution to priority creditors in relation to 'unpaid wages' and 'superannuation' only is capped at \$2,000. This means that all but \$2,000 of the 'outstanding wages' owed to David Elliott would likely be classed as a non-priority unsecured claim against the Company.

The two components of the transaction to be considered are:

- The legitimacy of the amounts owing to David Elliott; and
- Assuming the amounts are fully supportable, the appropriateness of the offsetting transactions that took place on 7 January 2016.

The legitimacy of the amounts owing to David Elliott would need to be reviewed and adjudicated on by a liquidator before declaring any dividend. It is noted that this would, in the first instance, involve a review of David Elliott's employment contract which has not been provided to the Administrators at the time of writing this report.

From our preliminary investigations, the offsetting transactions that took place on 7 January 2016 are not appropriate. It is therefore the preliminary view of the Administrators that there should not have been an amount offset against the loan payable by Ellton Holdings. Should a liquidator reach this conclusion on further investigation, the full amount of the loan, including the amount that was offset, will be pursued from Ellton Holdings.

7.4.8 Circulating security interests created within Six Months (Section 588FJ)

A search of the Personal Property Securities Register reveals that three circulating security interests were created in the six months prior to the relation back day. However, as per the books and records of the Company, these parties had no outstanding claim against the Company at appointment and no assets supplied by these parties were still held at appointment.

7.5 Insolvent Trading (section 588G)

Directors have a positive duty to prevent a company from trading whilst it is insolvent (S.588G). If a director is found to have contravened section 588G he may be ordered to pay an amount of compensation to the company equal to the amount of loss or damage suffered by creditors as a result of the contravention.

Information about possible insolvent trading is relevant to creditors when making a decision about the future of a company as directors of a company may generally only be pursued for insolvent trading if the company is in Liquidation.

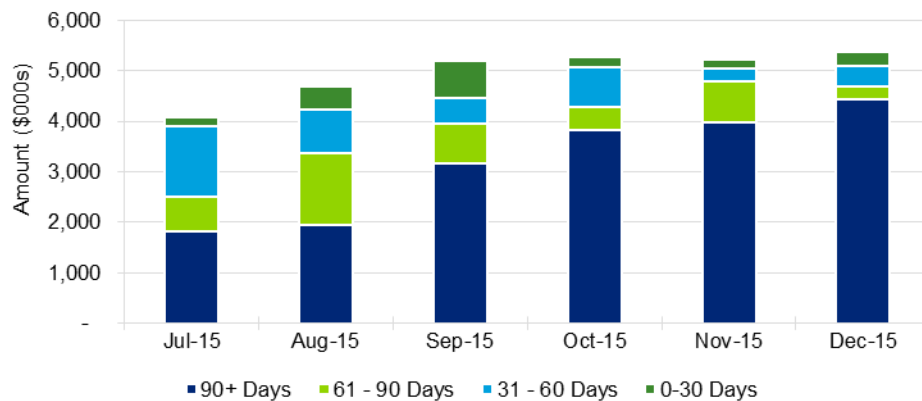
In relation to the matter of insolvent trading, we have given preliminary consideration to the following matters which are known indicators of insolvency:

Indicators of Insolvency	Commentary
Continuing losses	As detailed in section 4.2 above, the Company incurred trading losses in FY13 and in the six months to December 2015, partly offset by profits in FY14 and FY15. However, these profits are largely the result of the accounting treatment of capitalising drawings costs as outlined in section 4.2.
Overdue Commonwealth and State taxes	We are aware of overdue Commonwealth taxes and that the Company had negotiated payment plans with the ATO as they were unable to meet these liabilities as and when they became due.

<p>Inability to borrow further funds / no access to further funds and/or inability to raise further equity capital</p>	<p>With regard to this indicator, we note as follows:</p> <ul style="list-style-type: none"> • Between January 2015 and June 2015, the Company was in discussions with NAB and WBC for new banking facilities to provide debt capital. Both NAB and WBC withdrew their interest citing their lack of appetite for exposure to mining clients. • In the 12 months prior to our appointment, the Company explored and pursued equity partners. Several identified opportunities reached 'advanced stages' however none were ultimately successful. • The Company's overdraft limit with CBA was \$1.5m and was drawn to \$1,255,995.61 on appointment. The running overdraft balance for 6 months leading up to our appointment is outlined below. <p>It therefore appears the Company did not have potential access to further funds other than the c.\$244k left on the overdraft account.</p>
<p>Suppliers placing the Company on COD or otherwise demanding special payments before resuming supply / creditors unpaid outside trading terms</p>	<p>We are aware of suppliers demanding to enter into such arrangements with the Company and we are aware of creditors remaining unpaid outside trading terms.</p>
<p>Issuing of post-dated cheques / dishonoured cheques</p>	<p>We are not aware of any post-dated / dishonoured cheques.</p>
<p>Special payments with selected creditors / payments to creditors of rounded sums which are not reconcilable to specific invoices</p>	<p>Our preliminary investigations did reveal such payments.</p>
<p>Solicitors letters, summons, judgement or warrants issued against the Company</p>	<p>While our preliminary investigations did reveal creditors applying pressure on the Company regarding outstanding payments, it appears these relationships were managed and/or payments negotiated before it reached this point. We are therefore not aware of any such claims against the Company.</p>
<p>Inability to produce timely and accurate financial information to display the Company's trading performance and financial position, and make reliable forecasts</p>	<p>The Company produced monthly management accounts within a reasonable timeframe.</p>
<p>Liquidity ratio below 1</p>	<p>As detailed in section 4.4 of this report, the Company had a liquidity ratio below 1 for the period FY13 to December 2015.</p>

Section 95A of the Act defines insolvency as the inability to pay debts as and when they become due and payable. In addition to the known indicators of insolvency outlined above, the Administrators' preliminary investigations included a review of the ageing of the Company's creditors for the six months prior to the appointment of Administrators. This is shown in the following graph:

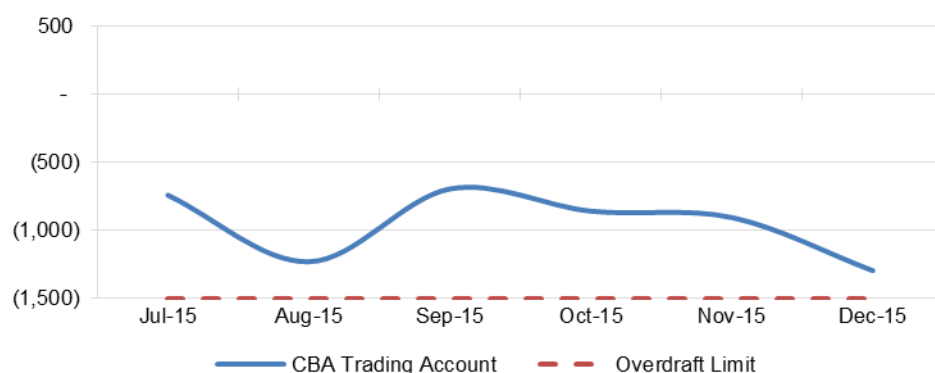
Aged Creditor Balance (by month)



The graph above illustrates that between July 2015 and December 2015, the ageing and aggregated balance of trade creditor claims increased throughout this period which highlights that the Company was experiencing difficulties in continuing to pay the majority of its debts as and when they fell due. The Administrators are aware that management did historically negotiate extended payment terms with some creditors, however the above graph shows the increasing number of creditors above 90 days.

As outlined above, the Company's primary trading account had an overdraft limit of \$1.5m. With the exception of short-term working capital facilities and other minor accounts, this account represented the funds available to the Company to meet its short-term obligations. In reviewing the funds available to satisfy the above increasing creditor claims in the six months prior to the appointment of Administrators, we have reviewed the funds available to the Company in this account. This is shown in the following graph:

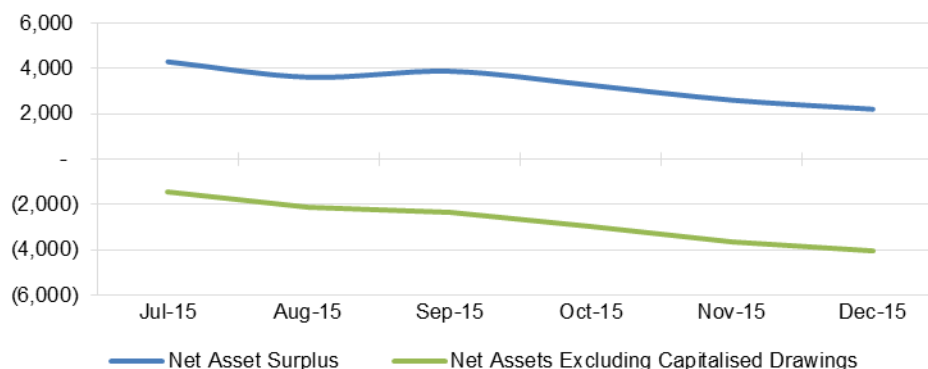
Trading Account - Overdraft Balance (\$'000's)



This graph illustrates that between July 2015 and December 2015 this account remained in overdraft and did not have sufficient headroom for the Company to meet its short-term obligations as can be seen by the increasing level of creditors overdue in the 'Aged Creditor' analysis above. For example, creditors over 90 days at December 2015 were over \$4m and the balance remaining on overdraft was c.\$200k.

It is also relevant to consider the balance sheet position in considering the solvency of the Company. As outlined in section 4.3 of this report, the Company maintained a positive net asset position at the relevant reporting periods from FY13 to December 2015. The Company's net asset position in the six months prior to the appointment of Administrators is shown below:

Net Asset Position (\$'000's)



This graph illustrates that between July 2015 and December 2015 the Company's net asset position, inclusive of its debtor, creditor and overdraft balances outlined above, remained in surplus.

As outlined in section 4 of this report however, there are items where the recoverability and value are uncertain. Further investigation would be required to ascertain the reasonableness of the accounting treatment of these items. The most significant such item is the value the Company assigned to its capitalised drawings library. The graph above illustrates the impact to the Company's net asset position when the value of the capitalised drawings library is removed.

The Director and management have noted the following factors as supporting their ongoing trading of the business in the 12 months prior to the appointment of Administrators on 8 January 2016:

- Between January 2015 and June 2015, the Company was in discussions with NAB and WBC for new banking facilities to obtain debt capital before both withdrew their interest citing their lack of appetite for exposure to mining clients.
- In the twelve months prior to our appointment, the Company explored and pursued equity partners. Several identified opportunities reached 'advanced stages' however none were ultimately successful.
- Significant focus was put on tendering for four main projects being Metropolitan, Narrabri, Cadia, and Moolarben.
- The Company was confident in its tenders for these projects; particularly Moolarben which management believed would have solved working capital issues and provided profitability for FY16.
- The Company was advised its tenders for these projects were not successful as follows:
 - Metropolitan – advised in July 2015;
 - Narrabri – advised in September 2015;
 - Cadia – advised in November 2015;
 - Moolarben – advised on 22 December 2015.
- Although the Company was in discussions with one remaining partner, the unsuccessful tender for the Moolarben project together with the financial position of the Company, provided no option but for the Director to appoint Administrators on 8 January 2016.

On the basis of our preliminary investigations, it appears that the Company may have been insolvent on a cash flow basis from at least July 2015; however the issue of insolvency may need to be determined on the basis of available evidence presented to a Court.

A liquidator would investigate further the possibility of taking action against the Company's Director for breaches of his duty to prevent insolvent trading. If it is established that the Director has breached his duty to prevent the Company from incurring debts whilst it was insolvent, a liquidator could seek to recover from the Director an amount equal to the loss that has been suffered by the creditors whose debts remain unpaid.

If a liquidator chooses to pursue an insolvent trading action, creditors are prevented from taking their own action against the Director for compensation. If a liquidator does not choose to take any action in this regard, a creditor may commence proceedings on its own behalf but only with the consent of the liquidator or the Court.

We have yet to finalise the quantum of the potential claim against the Director, however should the Company be placed into liquidation at the second meeting, the Liquidators will form an opinion as to whether there are any claims of insolvent trading which are commercially viable to pursue.

7.6 Directors' Personal Financial Positions

The financial position of directors and their ability to compensate for any damages awarded against them in the event proceedings were taken by a liquidator is relevant to the consideration of the commerciality of further action.

A search of the ASIC register in the name of the Director revealed that he is a director of multiple entities. We have not been able to establish the financial position of these entities; however, a liquidator would make further enquiries in respect of these assets before commencing any potential action.

Company name	Role	Appointment date	Cease date	Shareholding	Class
Ellton Conveyors	Director	09-Jan-01	-	99.98%	Ordinary
Ellton Group Pty Limited	Director	30-Jun-11	-	33.3%	Ordinary
Ellton Holdings Pty Limited	Director	15-Sep-10	-	50%	Ordinary
Ellton Mine Services Pty Ltd	Director & Secretary	09-Sep-05	-	100%	Ordinary
Ellton Energy Pty Limited	Director	26-Mar-12	-	-	N/A
MDE Capital Pty Limited	Director & Secretary	27-Feb-97	-	100%	Various
Ellton Longwall Pty Limited	Director	18-Aug-04	20-Sep-06	-	N/A

The below table summarises the information obtained from land title searches conducted in the Director's name:

Property location	Title reference	Ownership	Mortgagee
Gosford	2 / SP43198	Joint Tenant with David Elliott	N/A
Gosford	34 / 11895	Joint Tenant with Catherine Anne Clack	Westpac
Mount Vincent	1 / 517397	Joint Tenant with David Elliott	N/A

The Administrators advise that the Director has provided preliminary documentation detailing that the two properties above owned by "Joint Tenant with David Elliott" are held in trust on behalf of the Elliott Executive Superannuation Fund as at 30 June 2015 and therefore may not be available to a Liquidator pursuing an action against the Director. The documentation provided did not outline when the properties were bought or transferred to the superfund. This is

therefore a matter which a liquidator would investigate further if an action against the Director were to be considered.

A search of the PPSR does not reveal any security interests registered against the Director.

8 Estimated Return from a Winding Up

8.1 Introduction

We have prepared an analysis of the likely realisation based on the following scenarios:

- An immediate shut down and liquidation of the Company's business (illustrative scenario);
- The Company's business is traded and a going concern sale is achieved (actual scenario).

This is to enable creditors to see the significant improvement in the outcome following our decision to trade on the business.

8.2 Comparative scenarios

Below is a comparison of the estimated realisations:

Estimated Statement of Position AUD	Book/RATA Value	Liquidation		Trade On & Sale of Business	
		Low	High	Low	High
Non-circulating assets & assets subject to security					
Motor vehicles ("MV")	202,782	-	-	7,500	7,500
Office furniture & fittings	110,039	-	-	-	-
IT & Other	57,003	-	-	-	-
Total PPE	369,824	122,625	245,250	-	-
IP/Goodwill	6,246,017	-	-	-	-
Sale of business	-	-	-	950,000	950,000
Less MV payout costs	(164,815)	(164,815)	(164,815)	(71,082)	(71,082)
Less costs:					
Legal fees	-	(10,000)	(5,000)	(43,867)	(43,867)
Agents fees	-	(13,200)	(13,200)	(13,200)	(13,200)
Administrators' fees	-	{(20,000)}	{(15,000)}	(130,383)	(130,383)
Liquidators' fees	-	-	-	-	-
Net realisation	6,820,850	(85,390)	47,235	698,967	698,967
Secured creditor debt position					
CBA secured claim	(1,257,299)	(1,257,299)	(1,257,299)	(1,257,299)	(1,257,299)
	(1,257,299)	(1,257,299)	(1,257,299)	(1,257,299)	(1,257,299)
Surplus / (deficit) secured creditor	5,563,551	(1,342,689)	(1,210,064)	(558,332)	(558,332)
Return cents in the dollar		Nil	4	56	56
Circulating assets					
Stock/ Sale of business	732,399	5,000	5,000	100,000	100,000
Cash on appointment (USD, petty cash etc)	8,800	8,800	8,800	8,800	8,800
Loans	277,633	626	190,000	626	190,000
Preference claims (c.20% of identified transactions)	-	-	284,000	-	284,000
Debtors & WIP	2,443,122	58,582	83,689	1,171,751	1,505,371
Trading costs	-	-	-	(946,531)	(901,458)
Contingency	-	-	-	(75,000)	(75,000)
Less costs:					
Legal fees	-	(50,000)	(30,000)	(57,439)	(47,439)
Administrators' fees & costs	-	{(300,000)}	{(300,000)}	(468,744)	(468,744)
Liquidators' fees	-	-	-	(120,000)	(100,000)
Assets available to priority creditors	9,025,505	(276,992)	241,489	(386,536)	495,531
Priority Creditors					
Unpaid wages	(47,923)	(68,474)	(68,474)	(68,474)	(68,474)
Superannuation	(91,503)	(83,431)	(83,431)	(68,114)	(68,114)
Annual leave / LSL	(442,598)	(250,109)	(250,109)	(212,077)	(212,077)
Redundancy	-	(471,296)	(471,296)	(377,541)	(377,541)
Notice (incl. super)	-	(271,093)	(271,093)	(221,848)	(221,848)
	(582,024)	(1,144,404)	(1,144,404)	(948,053)	(948,053)
Surplus / (deficit) priority creditors - Employees	8,443,481	(1,144,404)	(902,915)	(1,334,589)	(452,523)
Return cents in the dollar		Nil	21	Nil	52
Unsecured creditors					
Unsecured creditors	(6,158,017)	(8,087,394)	(7,087,394)	(8,087,394)	(7,087,394)
	(6,158,017)	(8,087,394)	(7,087,394)	(8,087,394)	(7,087,394)
Surplus / (deficit) unsecured creditors	2,285,464	(9,231,797)	(7,990,309)	(9,421,983)	(7,539,917)
Return cents in the dollar		Nil	Nil	Nil	Nil

The estimated returns from the above estimated statement of position are summarised in the following table:

Estimated Returns AUD	Liquidation		Trade On & Sale of Business	
	Low	High	Low	High
Secured Creditor	-	47,235	698,967	698,967
Priority Creditors - Employees	-	241,489	-	495,531
Unsecured Creditors	-	-	-	-
Total Returns to Creditors	-	288,724	698,967	1,194,498

8.3 Overall Realisations in Liquidation Scenario

Under the liquidation scenario, it is estimated that the secured creditor would have received between Nil and \$47,235 from realisations of non-circulating assets which are subject to their securities.

Employees could have expected to receive between Nil and 21 cents in the dollar from circulating asset realisations in respect of their priority claims.

Unsecured creditors would not have received a dividend under the liquidation scenario.

8.4 Overall Realisations in Trade On and Sale of Business Scenario

The trading and sale of business scenario above shows the key areas of benefit that improved creditors' overall position compared to liquidation. The areas of benefit are as follows:

- The Administrators were able to maximise the value for the intellectual property and goodwill by including them in a sale of the business. If the Company had been immediately placed in liquidation, it is likely no value would have been realised for these assets.
- Stock realisations were estimated to be \$5,000 in a liquidation scenario via a public auction with significantly greater value being achieved under a sale of the business at \$100,000.
- Debtors and WIP realisations are significantly higher as the majority required completion and delivery of outstanding works on the underlying projects which the Administrators were able to accomplish by trading the business
- The balance of employee entitlements was reduced by c.\$204k, partially offset by accrued employee entitlements during the trading period, through achieving a sale of business and transfer of 6 employees to the Purchaser. This reduced the total leave balances owing to employees as well as reducing the redundancy cost that would have arisen under the shutdown and liquidation scenario.

In summary, we expect the secured creditor will receive \$698,967 under this scenario and priority creditors will receive between Nil and 52 cents in the dollar from assets realised. Please note that we expect the employees will have a claim with FEG for their outstanding entitlements. This represents a significantly improved outcome for both classes of creditors.

Unfortunately, unsecured creditors are unlikely to receive a dividend under any scenario.

8.5 Effect on employees

In relation to employee entitlements, a priority exists over the secured creditor in relation to circulating assets.

We estimate that there will be a shortfall in the payment of employee entitlements from circulating asset realisations achieved. If the Company is placed into Liquidation, employees may be entitled to apply to the federally funded FEG scheme.

The FEG scheme may cover successful applicants for certain classes of their outstanding entitlements.

9 Deed of Company Arrangement (“DOCA”)

We have not received a proposal for a DOCA as at the date of this report. We do not expect to receive a proposal prior to the second meeting, but should that change creditors will be updated at that meeting.

10 Administrators' Opinion

We recommend that it is in the best interest of creditors for the Company to be wound up.

10.1 Introduction

The following options are available to creditors to decide:

- the Company execute a Deed of Company Arrangement; or
- the administration end; or
- the Company be wound up.

Our opinions on each option and our reasons for our opinions are discussed below.

10.2 The Company execute a DOCA

As we have not received a DOCA proposal, we cannot recommend that it would be in the creditors' interests for the Company to execute a DOCA.

10.3 The administration should end

Based on our analysis, the Company is insolvent and unable to pay its debts as and when they fall due. Ending the Administration would not be in the best interests of creditors and would expose the Director to the possibility of liability for insolvent trading. Accordingly, we cannot recommend that the Administration end and control be returned to the Director.

10.4 The Company be wound up

As a DOCA has not been proposed and we cannot recommend that the Administration ends, **we recommend that it is in the best interests of creditors for the Company to be wound up.**

Should we receive any new information relevant to creditors between issuing this report and the date of the creditors meeting a summary will be made available on our website at www.deloitte.com.au under Services/Corporate Reorganisation/Businesses under Administration.

11 Other Material Information

We are not aware of any other information that is materially relevant to creditors being able to make an informed decision on the Company's future.

12 Remuneration

Creditors are directed to the Information Sheet – Approving Fees: a guide for Creditors, a copy of which is attached as **Appendix D**.

12.1 Voluntary Administration

The Administrators' remuneration is based on the firm's hourly rates which are included in **Appendix E** of this report. Creditor approval for fees will be sought at the second meeting of creditors where a detailed narrative will be submitted together with the fee breakdown of work performed by our staff.

The Administrators are requesting approval from creditors for the following amounts with respect to their professional fees outlined in the table below:

Period of Fee Approval	Actual / Estimate	Amount (excl. GST) (\$)
8 January 2016 to 11 March 2016	Actual	505,224.00
14 March 2016 to 5 April 2016	Estimate/Future	60,490.00
Total (excluding GST)		565,714.00

Disbursements have also been incurred for the amount of \$33,413.21 plus GST for the period 8 January 2016 to 11 March 2016.

A summary of the time spent by us and our staff in the Administration to 11 March 2016 at their respective hourly rates is attached as **Appendix E**. We expect that a further \$60,490.00 will be incurred by us in the period 14 March 2016 to 5 April 2016, the date of the second creditors meeting.

At the second meeting of creditors, we have proposed for creditors to approve the following resolutions regarding the remuneration and disbursements for the Administration of the Company:

- i. *That the remuneration of the Administrators, their partners and staff, for the period of the Administration from 8 January 2016 to 11 March 2016 is fixed at a sum equal to the cost of time spent by the Administrators and the Administrators' partners and staff, calculated at the hourly rates as detailed in the Remuneration Report of 29 March 2016 of fees equalling \$505,224.00 plus GST and disbursements, and that the Administrators can draw the remuneration as required.*
- ii. *That the Administrators' expenses and disbursements incurred for the period 8 January 2016 to 11 March 2016 are fixed at a sum equal to the actual cost incurred by the Administrators and the Administrators' partners and staff, calculated at rates as detailed in the Remuneration Report of 29 March 2016 equalling \$33,413.21 plus GST, and that the Administrators can draw the disbursements and expenses as required.*
- iii. *That the future remuneration of the Administrators, their partners and staff, for the period of the Administration from 14 March 2016 to 5 April 2016 is fixed at a sum equal to the cost of time spent by the Administrators and the Administrators' partners and staff, calculated at the hourly rates as detailed in the Remuneration Report of 29 March 2016 of fees equalling \$60,490.00 plus GST, and that the Administrators can draw the remuneration as incurred. Should a lesser amount be actually incurred, only the lesser amount will be drawn. Should the fees be a greater amount, then the amount will be subject to a separate fee approval and will not be drawn until approved.*

The remuneration report attached at **Appendix E** details the resolutions to be proposed for approval at the second meeting of creditors.

12.2 Liquidation

The Administrators will not be seeking Creditor approval for fees at the second meeting of creditors for estimated liquidation fees. Should the Company be wound up and a Committee of Inspection appointed at the second meeting of creditors, the liquidators will seek retrospective approval for its fees at future meeting(s) of the Committee of Inspection.

13 Meeting

Pursuant to Section 439A(3) of the Act, we have attached a notice convening the second meeting of creditors to be held at 10:00am on Tuesday, 5 April 2016 at the following address:

Central Coast Leagues Club
1 Dane Drive
GOSFORD NSW 2250

Please refer to Form 529 – Notice of Meeting enclosed at **Appendix F** for further details.

At this meeting creditors will be asked to resolve whether:

- the Company execute a Deed of Company Arrangement; or
- the administration end; or
- the Company be wound up.

Attendance at this meeting is not compulsory. Creditors may attend and vote in person, by proxy or by attorney. The appointment of a proxy must be made in accordance with Form 532 (copy attached as **Appendix H**).

A specific proxy can be lodged showing approval or rejection of each resolution. Proxy forms or facsimiles thereof must be lodged with the Administrators prior to the commencement of the meeting. Where a facsimile copy of a proxy is sent, the original must be lodged with the Administrators within 72 hours after receipt of the facsimile. An attorney of the creditor must show the instrument by which he or she is appointed to the Chairman of the meeting, prior to the commencement of the meeting.

Please note that a creditor is required to lodge a Proof of Debt or Claim (copy attached) to be entitled to vote at the second meeting of creditors. A creditor will not be able to vote at the meeting unless a Proof of Debt or Claim is lodged with me prior to the commencement of the meeting.

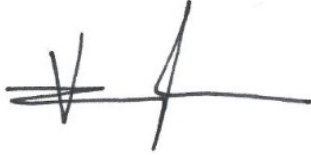
Creditors should provide proxies and proofs of debt to us prior to the meeting by one of the following methods:

Post	Attention: Will Hanrahan Ellton Conveyors Pty Limited (Administrators Appointed) c/- Deloitte PO Box N250, Grosvenor Place Sydney NSW 1220
Email	whanrahan@deloitte.com.au
Fax	(02) 9322 7001

If a creditor wishes to rely upon the Proof of Debt or Claim that they lodged with us at the first meeting of creditors, held on Tuesday, 19 January 2016, they must make reference to that Proof of Debt or Claim when submitting a proxy, or when attending the second meeting of creditors.

We trust that creditors find this report informative and useful. In the event that you have any queries regarding the contents of this report, or the administration in general, please do not hesitate to contact Will Hanrahan of this office on (02) 9322 3397 or via email at whanrahan@deloitte.com.au.

Yours faithfully



Vaughan Neil Strawbridge

For and on behalf of
Vaughan Neil Strawbridge and David John Frank Lombe
Joint and Several Voluntary Administrators



Appendix A - Declaration of Independence, Relevant Relationships and Indemnities

Declaration of Independence, Relevant Relationships and Indemnities

Ellton Conveyors Pty Limited (Administrators Appointed) (“the Company”)

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 company and others within the previous 24 months;
 - (iii) any prior professional services for the company 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 ourselves, our partners and Deloitte Touche Tohmatsu (Deloitte).

A. Independence

We, Vaughan Neil Strawbridge and David John Frank Lombe of Deloitte have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as 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

This appointment was referred to us by Mark David Elliott, the Company’s sole director.

On 17 December 2015, Jonathon Parker of Deloitte received a call from Casey Van Loo, the Contracts and Commercial Manager at the Company, requesting a meeting on 18 December 2015 at 225 George Street, Sydney on behalf of Mr Elliott for the purposes of discussing the solvency of the Company and the options available in relation to the appointment of an external administrator including exploring possible restructuring solutions.

On 18 December 2016, Mr Strawbridge and Mr Parker held a meeting with Mr Elliott, Mr Van Loo and David

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Member of Deloitte Touche Tohmatsu Limited

Elliott at 225 George Street, Sydney to discuss the solvency of the Company and the options available.

On 6 January 2016, Mr Parker received another call from Mr Van Loo who confirmed the Company's financial position had not changed and requested a further meeting on 8 January 2016 with Mr Strawbridge at 280-290 Mann Street, Gosford on behalf of Mr Elliott.

On 8 January 2016, Mr Strawbridge and Mr Parker held a meeting with Mr Elliott, Mr Van Loo and David Elliott at 280-290 Mann Street, Gosford to discuss the solvency of the Company and the options available. Subsequent to this meeting Mr Strawbridge and Mr Lombe were appointed Joint and Several Voluntary Administrators.

We received no remuneration for these meetings, discussions and correspondence.

In our opinion these meetings, discussions and correspondence do not affect our independence as the meetings, discussions and correspondence were in the nature of pre-appointment discussions only and limited to the financial position of the Company and to the options available in relation to the appointment of an external administrator. We do not consider ourselves to be bound or obligated in any way to deliver a favourable outcome to any party, nor will the advice provided be subject to review and challenge during the course of the voluntary administration. The Courts and the ARITA's Code of Professional Practice specifically recognise the need for practitioners to provide advice on the insolvency process and the options available and do not consider that such advice results in a conflict or is an impediment to accepting the appointment.

We have provided no other information or advice to the Company or the director prior to our appointment beyond that outlined in this DIRRI.

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

We, or a member of our firm, have, or have had within the preceding 24 months, a relationship with:

Name	Nature of relationship	Reasons why not an impediment or conflict
Referrals		
Nil		
Creditors		
Commonwealth Bank of Australia (CBA)	CBA holds a general security interest over the whole of the property of the Company. We have undertaken a	We have never undertaken any work for CBA in respect of the Company. We do not consider previous formal insolvency and advisory engagements accepted for CBA to present a conflict as

	<p>number of formal insolvency and advisory engagements for CBA in the usual course of business.</p> <p>Deloitte has provided and continues to provide Advisory, Consulting, Data Analytics, Forensic, Risk Services and Tax services to CBA.</p>	<p>there is no connection between these engagements and the Company.</p> <p>The provision of Advisory, Consulting, Data Analytics, Forensic, Risk Services and Tax services to CBA brings about a commercial relationship that in our opinion does not present a conflict or impediment as it does not impact upon the position of the CBA.</p> <p>We are not paid any commissions, inducements or benefits to undertake any engagements with CBA and do not consider ourselves to be bound or in any way obligated to deliver a favourable outcome to any party.</p> <p>Therefore there is no relationship with CBA which in our view would restrict us from properly exercising our judgment and duties in relation to the appointment.</p>
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iii. Prior Professional services to the Company

Neither we, nor our firm, have provided any professional services to the Company in the previous 24 months.

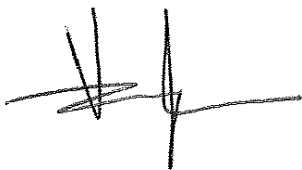
iv. No other relevant relationships to disclose

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 security over the whole or substantially whole of the Company's property that should be disclosed.

C. Indemnities and up-front payments

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

Dated: 11 January 2016



Vaughan Neil Strawbridge



David John Frank Lombe

Note:

1. If circumstances change, or new information is identified, we are required under the Corporations Act and the ARITA Code of Professional Practice to update this Declaration and provide a copy to creditors with my/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.



Appendix B - Information Sheet – Offences, Recoverable Transactions, etc.

Creditor Information Sheet

Offences, Recoverable transactions and Insolvent Trading



Offences

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

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

Voidable Transactions

Preferences

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

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

Uncommercial Transaction

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

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

To be voidable, an uncommercial transaction must have occurred during the two years before the liquidation.

However, if a related entity is a party to the transaction, the time period is four years and if the intention of the transaction is to defeat creditors, the time period is ten years.

The company must have been insolvent at the time of the transaction, or become insolvent as a result of the transaction.

Unfair Loan

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

Arrangements to avoid employee entitlements

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

Unreasonable payments to directors

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

Voidable charges

Certain charges are voidable by a liquidator:

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

Insolvent Trading

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

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

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

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

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

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

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

Appendix C – Summary of PPSR registrations

Secured Party	Collateral type	Registration Number	Date
AGGREKO GENERATOR RENTALS PTY. LIMITED	Other Goods	201112203234122	30-Jan-12
ALFASI EQUIPMENT HIRE PTY LTD	Motor Vehicle	201207060009259	31-Jan-12
ALFASI EQUIPMENT HIRE PTY LTD	Motor Vehicle	201207070004775	01-Feb-12
ALLIGHTSYKES PTY LTD	Motor Vehicle	201508280094696	02-Feb-12
ALLIGHTSYKES PTY LTD	Other Goods	201508280094704	03-Feb-12
AUSCO MODULAR PTY LIMITED	Other Goods	201404280025892	04-Feb-12
BRADKEN RESOURCES PTY LIMITED	Other Goods	201206050077631	05-Feb-12
BRICE METALS AUSTRALIA PTY LIMITED, STEELPIPES PTY LIMITED, SOUTHERN STEEL (WA) PTY LIMITED, SOUTHERN QUEENSLAND STEEL PTY LIMITED, SOUTHERN STEEL SUPPLIES PTY LTD, AUSTRALIAN ROLLFORMING MANUFACTURERS PTY LIMITED, FERROCUT AUSTRALIA PTY LIMITED, SOUTHERN SHEET & COIL PTY LTD, ROLLPRESS PROPLATE GROUP PTY LIMITED, SOUTHERN STEEL GROUP PTY. LIMITED, SURDEX STEEL PTY. LIMITED, SOUTHERN STEEL CASH & CARRY PTY. LIMITED, RJE PTY LIMITED	Other Goods	201301140076316	06-Feb-12
BROOKER ENGINEERING PTY LTD	Other Goods	201401310110262	07-Feb-12
CAPITAL FINANCE AUSTRALIA LIMITED	Other Goods	201112212758475	08-Feb-12
CAPITAL FINANCE AUSTRALIA LIMITED	Other Goods	201112212908534	09-Feb-12
CBFC LIMITED	All PAAP	201112112844094	10-Feb-12
CBFC LIMITED	All PAAP	201112120853305	11-Feb-12
CBFC LIMITED	All PAAP	201204100240906	12-Feb-12
CBFC LIMITED	All PAAP	201204100247954	13-Feb-12
COATES HIRE OPERATIONS PTY LIMITED	Motor Vehicle	201207030035518	14-Feb-12
COATES HIRE OPERATIONS PTY LIMITED	Other Goods	201207030035103	15-Feb-12
COATES HIRE OPERATIONS PTY LIMITED	Other Goods	201207270087719	16-Feb-12
COMMERCIAL FLEET RENTAL INVESTMENTS PTY LTD	Motor Vehicle	201403250074392	17-Feb-12
COMMERCIAL FLEET RENTAL INVESTMENTS PTY LTD	Motor Vehicle	201408180058943	18-Feb-12
COMMERCIAL FLEET RENTAL INVESTMENTS PTY LTD	Motor Vehicle	201408190063717	19-Feb-12
COMMONWEALTH BANK OF AUSTRALIA	All PAAP	201112220049143	20-Feb-12
COMMONWEALTH BANK OF AUSTRALIA	All PAAP	201112220117805	21-Feb-12
COMMONWEALTH BANK OF AUSTRALIA	All PAAP	201112230351586	22-Feb-12
COMMONWEALTH BANK OF AUSTRALIA	All PAAP	201112230404100	23-Feb-12
COMMONWEALTH BANK OF AUSTRALIA	All PAAP	201202270074904	24-Feb-12
COMMONWEALTH BANK OF AUSTRALIA	All PAAP	201203300217956	25-Feb-12

Secured Party	Collateral type	Registration Number	Date
COMMONWEALTH BANK OF AUSTRALIA	All PAAP	201204030075413	26-Feb-12
COMMONWEALTH BANK OF AUSTRALIA	All PAAP	201204030159421	27-Feb-12
COMMONWEALTH BANK OF AUSTRALIA	All PAAP	201204030164837	28-Feb-12
COMMONWEALTH BANK OF AUSTRALIA	Motor Vehicle	201209210039782	29-Feb-12
COMMONWEALTH BANK OF AUSTRALIA	Motor Vehicle	201312120049766	01-Mar-12
COMMONWEALTH BANK OF AUSTRALIA	Motor Vehicle	201401300123410	02-Mar-12
COMMONWEALTH BANK OF AUSTRALIA	Motor Vehicle	201410090060019	03-Mar-12
COMMONWEALTH BANK OF AUSTRALIA	Motor Vehicle	201504200001619	04-Mar-12
COVENTRY GROUP LIMITED	Other Goods	201401200129151	05-Mar-12
ESCO AUSTRALIA HOLDINGS PTY LIMITED	Other Goods	201312200050390	06-Mar-12
EXPORT FINANCE AND INSURANCE CORP	All PAAP, Except	201406120045499	07-Mar-12
FORCE CORP PTY LTD	Motor Vehicle	201205180095083	08-Mar-12
GRANOR RUBBER & ENGINEERING PTY. LIMITED	Other Goods	201308140036055	09-Mar-12
HORAN STEEL HOLDINGS PTY LTD	Other Goods	201207310025693	10-Mar-12
HYDRAULINK AUSTRALIA PTY LIMITED	Other Goods	201510010067904	11-Mar-12
LAMPSON (AUSTRALIA) PTY. LIMITED	Other Goods	201204120010396	12-Mar-12
LAMPSON (AUSTRALIA) PTY. LIMITED	Other Goods	201204120010504	13-Mar-12
METROLL PTY LTD	Other Goods	201401280310584	14-Mar-12
NSK AUSTRALIA PTY LTD	Other Goods	201412170052854	15-Mar-12
REDRANGER PTY LTD	Other Goods	201212060053293	16-Mar-12
ROYAL WOLF TRADING AUSTRALIA PTY LIMITED	Other Goods	201403260024274	17-Mar-12
SKF AUSTRALIA PTY. LTD.	Other Goods	201504230032638	18-Mar-12
STRAMIT CORPORATION PTY LIMITED	Other Goods	201203060021848	19-Mar-12
SURDEX STEEL PTY. LIMITED, SOUTHERN STEEL GROUP PTY. LIMITED, SOUTHERN STEEL CASH & CARRY PTY. LIMITED, ROLLPRESS PROPLATE GROUP PTY LIMITED, SOUTHERN STEEL SUPPLIES PTY LTD, BRICE METALS AUSTRALIA PTY LIMITED, RJE PTY LIMITED, SOUTHERN SHEET & COIL PTY LTD, FERROCUT AUSTRALIA PTY LIMITED, AUSTRALIAN ROLLFORMING MANUFACTURERS PTY LIMITED, SOUTHERN QUEENSLAND STEEL PTY LIMITED, STEELPIPES PTY LIMITED, SOUTHERN STEEL (WA) PTY LIMITED	Other Goods	201301140083930	20-Mar-12
The Trustee for ELLIOTT EXECUTIVE SUPERANNUATION FUND	Other Goods	201206180047893	21-Mar-12
TOSHIBA INTERNATIONAL CORPORATION PTY LTD	Other Goods	201212210032884	22-Mar-12
TOSHIBA INTERNATIONAL CORPORATION PTY LTD	Other Goods	201212210032897	23-Mar-12
WEBFORGE AUSTRALIA PTY LTD	Other Goods	201510120075170	24-Mar-12



Appendix D - Approving Fees: A Guide for Creditors



ASIC

Australian Securities & Investments Commission

INFORMATION SHEET 85

Approving fees: a guide for creditors

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

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

Entitlement to fees and costs

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

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

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

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

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

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

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

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

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

Who may approve fees

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

Table 1: Who may approve fees

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

¹ If there is one.

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

³ Unless an application is made for a fee review.

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

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

Creditors' committee approval

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

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

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

Creditors' approval

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

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

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

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

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

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

Calculation of fees

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

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

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

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

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

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

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

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

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

Report on proposed fees

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

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

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

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

Deciding if fees are reasonable

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

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

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

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

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

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

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

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

Reimbursement of out-of-pocket costs

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

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

Queries and complaints

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

ASIC Complaints
PO Box 9149
TRARALGON VIC 3844

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

To find out more

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

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

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



Appendix E - Remuneration Report

Remuneration Report – 29 March 2016

Advice to Creditors - Remuneration

Remuneration Methods

There are four basic methods that can be used to calculate the remuneration charged by an Insolvency Practitioner. They are:

1. **Time based / Hourly rates**
This is the most common method. The total fee charged is based on the hourly rate charged for each person who carried out the work multiplied by the number of hours spent by each person on each of the tasks performed.
2. **Fixed Fee**
The total fee charged is normally quoted at the commencement of the Administration and is the total cost for the Administration. Sometimes a Practitioner will finalise an Administration for a fixed fee.
3. **Percentage**
The total fee charged is based on a percentage of a particular variable, such as the gross proceeds of assets realisations.
4. **Contingency**
The practitioner's fee is structured to be contingent on a particular outcome being achieved.

Method Chosen

Given the nature of this Administration we propose that our remuneration be calculated on the time based / hourly rates. This is because:

- We will only be paid for work done, subject to sufficient realisations of the Company assets.
- It ensures creditors are only charged for work that is performed. Our time is recorded and charged in six minute increments and staffs are allocated to duties according to their relevant experience and qualifications.
- We are required to perform a number of tasks which do not relate to the realisation of assets, e.g. responding to creditor enquiries, reporting to the ASIC, distributing funds in accordance with the provisions of the *Corporations Act 2001* (Cth) ("the Act").
- We are unable to estimate with certainty the total amount of fees necessary to complete all tasks required in this Administration.

Explanation of Hourly Rates

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

Title	Description	Hourly Rate (excl. GST)
Appointee	Registered liquidator. Brings his or her specialist skills to the administration or insolvency task.	\$ 615.00
Partner	Registered liquidator. Brings his or her specialist skills to the administration or insolvency task.	\$ 615.00
Principal/ Director/ Consultant	Typically CA or CPA qualified with in excess of 8 years' experience on insolvency matters with a number of years at manager level. Answerable to the appointee but otherwise responsible for all aspects of an administration. Capable of controlling all aspects of an administration. May be appropriately qualified to take appointments in his/her own right.	\$ 510.00
Manager	Typically CA or CPA qualified with 6 to 8 years experience working on insolvency matters. Will have experience conducting administrations and directing a number of staff.	\$ 440.00
Senior Analyst	Typically completed or near completion of CA or CPA qualifications with 4 to 6 years insolvency experience. Assists in planning and control of smaller matters as well as performing some more difficult tasks on larger matters.	\$ 330.00
Analyst	Typically studying towards CA or CPA qualification with 2 to 4 years insolvency experience. Works under supervision of more senior staff in performing day-to-day fieldwork.	\$ 220.00
Graduate	Junior staff member who has completed a university degree with less than one year's experience working on insolvency matters. Works under supervision of more senior staff in performing day-to-day fieldwork.	\$ 115.00
Secretary	Advanced secretarial skills	\$ 170.00

Disbursements

Disbursements are divided into three types:

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

We are not required to seek creditor approval for disbursements, but must account to creditors. Details of the basis of recovering internal disbursements in this Administration are provided below. Full details of actual costs incurred are provided under Part 6 of this report.

Basis of disbursement claim

Disbursements	Rate (Excl. GST)
Advertising	At cost – based on commercial rates charged by ASIC and state and national newspapers
Courier	At cost – based on commercial rates charged by major external courier firms
General (Miscellaneous) Expenses	At cost
Meeting Room Hire - External	At cost – based on commercial rates charged by external conference room facilitators
Postage	Australia Post rates
Search and Filing Fees	At cost – based on commercial rates charged by external search providers
Stationary, Printing & Copying - External	At cost – based on commercial rates as offered by commonly used external providers
Stationary, Telephone, Printing & Copying - Internal	5% of incurred insolvency fees
Travel - Flights/accommodation	At cost – based on commercial rates as offered by commonly used external providers
Travel - Taxi/train/tolls/parking (excl. mileage)	At cost
Travel – Mileage (staff vehicle use)	\$0.70 per km

Scale applicable for financial year ending 30 June 2016

Remuneration Request Approval Report

Part 1: Declaration

We, Vaughan Neil Strawbridge and David John Frank Lombe of Deloitte Touche Tohmatsu, have undertaken a proper assessment of this remuneration claim for our appointment as Joint and Several Administrators of the Company in accordance with the law and applicable professional standards. We are satisfied that the remuneration claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of the Administration.

Part 2: Executive Summary

To date, no remuneration has been approved or paid in this Administration. This remuneration report details approval sought for the following fees:

Period	Report Reference	Amount \$ (excl. GST)
Current remuneration approval sought:		
<i>Voluntary Administration</i>		
8 January 2016 - 11 March 2016	3.1	505,224.00
14 March 2016 – 5 April 2016 - Future period**	3.2	60,490.00
Total		565,714.00

** Approval for the future remuneration sought is based on an estimate of the work necessary to the completion of the Administration. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.

Please refer to report section references detailed in the above table for full details of the calculation and composition of the remuneration approval sought.

Part 3: Description of work completed / to be completed

3.1 Actual work completed – 8 January 2016 to 11 March 2016 (inclusive)

Task Area	General Description	Includes
<p>Assets 350.1 hours \$144,108.00 <i>(Average Hourly Rate \$411.62)</i></p>	Sale of Business	<ul style="list-style-type: none"> • Preparation and placement of newspaper advertisement • Preparation and distribution of initial flyer to interested parties • Preparation and issue of Confidentiality Agreement to interested parties • Preparation and distribution of Information Memorandum • Maintaining schedule of interested parties • Population and maintenance of online data room • Peruse indicative non-binding offers received from interested parties • Internal meetings to discuss / review indicative non-binding offers received • Discussions with prospective purchasers • Responding to information requests during due diligence phase • Attending to telephone discussions, correspondence and queries from interested parties regarding the sale • Liaise with lawyers regarding preparation of various legal documents including sale of business agreements • Site visits / tours with interested parties • Internal meetings to discuss / review binding offers received • Liaising with secured creditors regarding Sale of Business scenarios • Various meetings and correspondence with prospective purchasers • Liaise with secured creditors regarding Sale of Business • Meetings with Purchaser regarding exchange and completion of sale conditions • Attend completion of sale at solicitor's office
	Plant & Equipment	<ul style="list-style-type: none"> • Preparation of schedule of assets • Liaising with valuer regarding asset listing, inspection and valuation • Sale and transfer of assets included in sale of business • Liaise with interested parties regarding the Company's plant & equipment • Assist with removal of sold plant and equipment
	Inventory	<ul style="list-style-type: none"> • Review inventory listings • Review inventory listings • Inspect and obtain information on obsolete stock • Assist with removal of sold stock
	Leased Assets	<ul style="list-style-type: none"> • Contacting lessors regarding the appointment • Requesting lease details from lessors • Reviewing leasing documentation • Liaising with owners/lessors • Tasks associated with disclaiming leases
	Assets subject to specific charges	<ul style="list-style-type: none"> • Investigative field work regarding assets subject to specific charges
	Debtors	<ul style="list-style-type: none"> • Review and assessment of collectability of debtor ledger • Search and collate copies of selected pre-appointment invoices and supporting

Task Area	General Description	Includes
<p>Creditors 193.5 hours \$66,043.50</p> <p><i>(Average Hourly Rate \$341.31)</i></p>		<ul style="list-style-type: none"> documentation for debtor collections • Receipting and reconciling debtor payments
	Creditor Enquiries	<ul style="list-style-type: none"> • Receive and follow up creditor enquiries via telephone; email and written communications • Prepare correspondence to creditors and their representatives via facsimile, email and post
	PPSR Claims	<ul style="list-style-type: none"> • Review Personal Property and Security Register (“PPSR”) • Correspondence to creditors regarding their interest specified on the PPSR • Maintain internal PPSR file • Receive correspondences from claimants regarding their PPSR claims • Commence adjudication on the validity of PPSR claims • Forward correspondence to claimants notifying outcome of adjudication
	Secured creditor	<ul style="list-style-type: none"> • Notifying the Commonwealth Bank of Australia Limited (CBA) of appointment of Voluntary Administrators • Provide updates to CBA regarding the status of the Administration
	Creditor reports	<ul style="list-style-type: none"> • Prepare and distribute initial circular to creditors dated 11 January 2016 advising of appointment • Prepare notice to creditors dated 12 January 2016 advising of first meeting of creditors • Commence preparation of a report pursuant to Section 439A of the Act • Prepare and distribute circular to creditors dated 2 February 2016 advising of application with the Court for an extension of the convening period • Prepare and distribute circular to creditors dated 8 February 2016 advising of extension of convening period
	Meeting of Creditors	<ul style="list-style-type: none"> • Undertake the following tasks for the first meeting of creditors held on 19 January 2016: <ul style="list-style-type: none"> ▪ Organise an external meeting room for the scheduled meeting of creditors ▪ Advertise meeting ▪ Preparation of meeting file, including agenda, statement of posting, attendance register, list of creditors, circular to creditors, advertisement of meeting and draft minutes of meeting ▪ Receipting of creditor proxy forms prior to the meeting ▪ Attendance at meeting ▪ Responding to stakeholder queries and questions immediately following the meeting
Committee of Creditors	<ul style="list-style-type: none"> • Initial correspondence with committee members dated 21 January 2016 regarding appointment to the Committee of Creditors • Correspondence with committee members dated 29 January 2016 regarding the convening of the first committee meeting • Preparation of meeting file for first committee meeting to be held on 3 February 2016 • Correspondence to Committee members regarding application to the Court requesting an extension of the convening period • Receipting nominee letters from committee members 	

Task Area	General Description	Includes
		<ul style="list-style-type: none"> Attendance at adjourned first committee meeting on 4 February 2016
	Dealing with proofs of debt	<ul style="list-style-type: none"> Receipting, processing and filing of Informal Proofs of Debt forms (not related to a dividend)
Employees 64.9 hours \$9,618.50 <i>(Average Hourly Rate \$148.20)</i>	Employee enquiries	<ul style="list-style-type: none"> Notifying employees of appointment by written correspondence dated 11 January 2016 Receive and follow up employee enquiries via telephone and email Review and prepare correspondence to employees and their representatives via facsimile, email and post Correspondence dated 11 January 2016 to employees who were made redundant as a consequence of the restructure of the business Receipting and processing Employee Claim Forms (not related to a dividend) Update employee register
	Calculation of entitlements	<ul style="list-style-type: none"> Liaising with the relevant Company staff regarding employee details, documentation and calculation of entitlements Reviewing employee contracts & awards Calculation of employee entitlements as at the date of appointment of Administrators Preparation and distribution of correspondence to employees dated 28 January 2016 regarding the calculation of their entitlements
	Other employee matters	<ul style="list-style-type: none"> Provide separation certificates to employees (where applicable) Reconciliation and payment of all employee related expenses including wages, payroll tax, superannuation, PAYG and workers compensation insurance Preparation of letters of termination of employment and separation certificates to employees (where applicable)
Trade On 533.7 hours \$201,446.00 <i>(Average Hourly Rate \$377.45)</i>	Trade on management	<ul style="list-style-type: none"> Preparation and distribution of general correspondence to suppliers dated 11 January 2016 regarding ongoing arrangements Preparation and distribution of general correspondence to customers dated 11 January 2016 regarding ongoing arrangements Staff attendance at Gosford site Establishing new accounts with regular suppliers Prepare and maintain purchase order register Authorising purchase orders Oversight of operations at Gosford site Attend to production issues to maintain continued production for the business Various correspondence with freight providers Arranging the payment of invoices incurred by the Administrators during trade-on period Receiving and following up supplier enquiries via telephone and email Meetings with staff providing updates throughout the course of the Administration Review & maintain OH&S policies Liaising with state revenue offices regarding payroll tax issues Preparation and distribution of general correspondence to customers dated 10 March 2016 regarding sale of business
	Processing receipts and payments	<ul style="list-style-type: none"> Preparing and authorising payment vouchers Preparing and authorising receipt vouchers

Task Area	General Description	Includes
		<ul style="list-style-type: none"> Reconciling post-appointment sales receipts Entering receipts and payments into the accounting system
	Budgeting & financial reporting	<ul style="list-style-type: none"> Develop and document a trading strategy which included a 13 week cash flow forecast to assess the financial viability of projects currently being completed by the company and to allow for continued trading with the intention to facilitate a sale of business Monitoring actual trading and cash flow to forecast and ongoing review of forecasts Various meetings throughout the appointment to discuss trading position
Investigations 57.8 hours \$22,302.00 <i>(Average Hourly Rate \$385.85)</i>	Conducting investigation	<ul style="list-style-type: none"> Liaise with management to obtain access to the Company's books and records Review the Company's books and records Conduct preliminary investigations into the affairs of the Company, including possible insolvent trading actions Issue correspondence to the Director of the Company requesting particulars on the financial position; history; property and affairs Summarise statutory searches undertaken throughout the appointment Review of specific transactions Preparation of investigation file
Administration 151.7 hours \$61,706.00 <i>(Average Hourly Rate \$406.76)</i>	Bank Accounts	<ul style="list-style-type: none"> Notifying banks of appointment Freezing of pre-appointment bank accounts Opening bank account for the Administration period Reconciling debtor receipts received into the pre-appointment account Correspondence with Commonwealth Bank Australia Limited regarding specific transfers
	Correspondence	<ul style="list-style-type: none"> Receipt of general correspondence Processing return to sender correspondence
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> Filing of documents File reviews Updating checklists
	Insurance	<ul style="list-style-type: none"> Correspondence with Willis regarding initial insurance requirements Collating and providing information to Willis to negotiate premiums for the Administration period Reviewing pre-appointment insurance policies Identification of potential issues requiring attention of insurance specialists Authorise insurance for the Administration Provide actual wage declarations to the appropriate workers compensation providers
	ASIC Forms	<ul style="list-style-type: none"> Preparing and lodging ASIC Form 505 Advertising the Administrators' appointment and first meeting of creditors on the ASIC Insolvency Notices website Advertise the first committee meeting on the ASIC Insolvency Notices website Preparation and lodgement of minutes of meeting for the first meeting of creditors with the ASIC Preparation and lodgement of minutes of meeting for the first committee of creditors meeting with the ASIC

Task Area	General Description	Includes
	ATO and other statutory reporting	<ul style="list-style-type: none"> • Notify ATO; State Revenue Offices and Child Support Agency of appointment • Establishing new accounts with tax authorities
	Litigation	<ul style="list-style-type: none"> • Engage lawyers for the preparation of the affidavit, requesting the Court to extend the convening period • Various communications and discussions with the lawyers regarding the preparation of the affidavit • Attendance at Court regarding the extension of the convening period • Prepare material and advise our solicitors on three potential legal claims
	Internal Planning & Review	<ul style="list-style-type: none"> • Discussions regarding status of administration • General task allocation
<p>Total 1,351.7 hours \$505,224.00</p> <p><i>(Average Hourly Rate \$373.77)</i></p>		

3.2 Future work to be completed – 14 March 2016 to 5 April 2016 (inclusive)

Task Area	General Description	Includes
Assets 12.0 hours \$5,745.00 <i>(Average Hourly Rate \$478.75)</i>	Debtors	<ul style="list-style-type: none"> Ongoing review and assessment of collectability of debtor ledger Receipting and reconciling debtor payments Various follow-up correspondence with debtors regarding outstanding debtor amounts
Creditors 43.0 hours \$14,180.00 <i>(Average Hourly Rate \$329.77)</i>	Creditor Enquiries	<ul style="list-style-type: none"> Receive and follow up creditor enquiries via telephone; email and written communications Prepare correspondence to creditors and their representatives via facsimile, email and post
	PPSR Claims	<ul style="list-style-type: none"> Internal file notes on position of unresolved claims Correspondence with potential claimants regarding unresolved claims
	Secured creditor	<ul style="list-style-type: none"> Provide updates to secured creditor regarding the status of their security
	Creditor reports	<ul style="list-style-type: none"> Finalise and distribute a report pursuant to Section 439A of the Act dated 29 March 2016 Prepare notice to creditors dated 29 March 2016 advising of second meeting of creditors
	Meeting of Creditors	<ul style="list-style-type: none"> Undertake the following tasks for the second meeting of creditors to be held on 5 April 2016: <ul style="list-style-type: none"> Organise a meeting room for the scheduled meeting of creditors Advertise meeting Preparation of meeting file, including agenda, statement of posting, attendance register, list of creditors, circular to creditors, advertisement of meeting and draft minutes of meeting Receipting of creditor proxy forms prior to the meeting Attendance at meeting Responding to stakeholder queries and questions immediately following the meeting
	Dealing with proofs of debt	<ul style="list-style-type: none"> Receipting, processing and filing of Informal Proofs of Debt forms (not related to a dividend)
Employees 15.0 hours \$1,725.00 <i>(Average Hourly Rate \$115.00)</i>	Employee enquiries	<ul style="list-style-type: none"> Correspondence with FEG regarding the appointment of Administrators and the status of the Voluntary Administration Receive and follow up employee enquiries via telephone and email Prepare correspondence to employees and their representatives via facsimile, email and post Update employee register
	Calculation of entitlements	<ul style="list-style-type: none"> Continue to liaise with the Company's staff Officer regarding employee details, documentation and calculation of entitlements Receive and follow up employee enquiries regarding entitlement calculations via telephone and written correspondence Prepare and distribute updated correspondence to employees regarding the calculation of their entitlements
	Other employee matters	<ul style="list-style-type: none"> Reconciliation and payment of all employee related expenses including wages, payroll tax, superannuation, PAYG and workers compensation insurance

Task Area	General Description	Includes
Trade On 52.0 hours \$18,655.00 <i>(Average Hourly Rate \$358.75)</i>	Trade on management	<ul style="list-style-type: none"> • Staff attendance at Gosford site • Maintain purchase order register • Authorising purchase orders • Oversight of operations at Gosford site • Attend to production issues to maintain continued production for the business • Various correspondence with suppliers and freight providers • Arranging the payment of invoices incurred by the Administrators during trade-on period • Receiving and following up supplier enquiries via telephone and email • Meetings with staff providing updates throughout the course of the Administration • Review & maintain OH&S policies • Liaising with state revenue offices regarding payroll tax issues
	Processing receipts and payments	<ul style="list-style-type: none"> • Preparing and authorising payment vouchers • Preparing and authorising receipt vouchers • Reconciling post-appointment sales receipts • Entering receipts and payments into the accounting system
	Budgeting & financial reporting	<ul style="list-style-type: none"> • Monitoring actual trading and cash flow to forecast and ongoing review of forecasts • Various meetings throughout the appointment to discuss trading position
Investigations 30.0 hours \$10,475.00 <i>(Average Hourly Rate \$349.17)</i>	Conducting investigation	<ul style="list-style-type: none"> • Review the Company's books and records • Conduct preliminary investigations into the affairs of the Company, including possible insolvent trading actions • Summarise statutory searches undertaken throughout the appointment • Review of specific transactions • Preparation of investigation file
Administration 36.0 hours \$9,710.00 <i>(Average Hourly Rate \$269.72)</i>	Bank Accounts	<ul style="list-style-type: none"> • Monitor and reconcile Administrators' bank account • Reconciling debtor receipts received into the pre-appointment account • Correspondence with Commonwealth Bank Australia Limited regarding specific transfers
	Correspondence	<ul style="list-style-type: none"> • Receipt of general correspondence • Processing return to sender correspondence
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> • Filing of documents • File reviews • Updating checklists
	ASIC Forms	<ul style="list-style-type: none"> • Advertise the second meeting of creditors on the ASIC Insolvency Notices website
	ATO and other statutory reporting	<ul style="list-style-type: none"> • Various communications with ATO and State Revenue Offices • Preparation and lodgement of monthly Business Activity Statements for GST and PAYG amounts
	Fees & Billing	<ul style="list-style-type: none"> • Preparation of remuneration reports and supporting fee calculations
	Internal Planning & Review	<ul style="list-style-type: none"> • General task allocation
Total 188.0 hours \$60,490.00 <i>(Average Hourly Rate \$321.76)</i>		

Part 4: Calculation of Remuneration

4.1: Resolution 1 - Calculation of Current Remuneration – 8 January 2016 to 11 March 2016 (inclusive)

Please see the table at **Attachment 1**.

4.2: Resolution 2 - Calculation of Future Remuneration – 14 March 2016 to 5 April 2016 (inclusive)

Please see the table at **Attachment 2**.

Part 5: Statement of remuneration claim

5.1 Statement of remuneration claim – current remuneration 8 January 2016 to 11 March 2016 (inclusive)

The following resolution in relation to the Administrators' current remuneration will be proposed to the meeting of creditors of A.C.N. 095 550 977 Pty Ltd (Administrators Appointed):

“That the remuneration of the Administrators, their partners and staff, for the period of the Administration from 8 January 2016 to 11 March 2016 is fixed at a sum equal to the cost of time spent by the Administrators and the Administrators' partners and staff, calculated at the hourly rates as detailed in the Remuneration Report of 29 March 2016 of fees equalling \$505,224.00 plus GST and disbursements, and that the Administrators can draw the remuneration as required.”

5.2 Statement of expenses and disbursements claim – incurred for the period 8 January 2016 to 11 March 2016

For completeness, the following resolution in relation to the Administrators' actual expenses and disbursements incurred for the period 8 January 2016 to 31 January 2016 will be proposed to the creditors of A.C.N. 095 550 977 Pty Ltd (Administrators Appointed):

“That the Administrators' expenses and disbursements incurred for the period 8 January 2016 to 11 March 2016 are fixed at a sum equal to the actual cost incurred by the Administrators and the Administrators' partners and staff, calculated at rates as detailed in the Remuneration Report of 29 March 2016 equalling \$33,413.21 plus GST, and that the Administrators can draw the disbursements and expenses as required.”

5.3 Statement of remuneration claim – future remuneration 14 March 2016 to 5 April 2016 (inclusive)

The following resolution in relation to the Administrators' future remuneration will be proposed to the meeting of creditors of A.C.N. 095 550 977 Pty Ltd (Administrators Appointed):

“That the prospective remuneration of the Administrators, their partners and staff, for the period of the Administration from 14 March 2016 to 5 April 2016 is fixed at a sum equal to the cost of time spent by the Administrators and the Administrators' partners and staff, calculated at the hourly rates as detailed in the Remuneration Report of 29 March 2016 of fees equalling \$60,490.00 plus GST and disbursements, and that the Administrators can draw the remuneration as incurred. Should a lesser amount be actually incurred, only the lesser amount will be drawn. Should the fees be a greater amount, then the amount will be subject to a separate fee approval and will not be drawn until approved.”

Part 6: Disbursements

Disbursements are divided into three types: **A, B1, B2**

- A** Disbursements are externally provided professional services - these are recovered at cost. An example of an A type disbursement is legal fees.
- B1** Disbursements are externally provided non-professional costs such as travel, accommodation, search fees, meeting room hire and advertising. B1 type disbursements are recovered at cost.
- B2** Disbursements are internally provided non-professional costs such as telephone calls, photocopying, printing and postage. These disbursements, if charged to the Administration, would generally be charged at cost; though some expenses such as telephone calls, photocopying and printing may be charged at a rate which recoups both variable and fixed costs. The recovery of these costs must be on a reasonable commercial basis.

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

The following disbursements totalling \$33,413.21 plus GST have been incurred by the Administrators to our firm for the period 8 January 2016 to 11 March 2016.

Where amounts have been paid by our firm for externally provided services and costs, those payments are in reimbursement of costs previously paid by our firm, either due to lack of funds in the Administration at the time the payment was made, or the direct invoicing of our firm by the supplier.

Type	Disbursement	Amount (\$)	GST (\$)	Total (\$)
B1	Advertising	3,357.94	335.79	3,693.73
	Search & Filing Fees	289.67	28.97	318.64
	Travel - Local - Flights/accom/meals	320.48	32.05	352.53
	Travel -Taxi/train/tolls/parking/mileage	9,006.88	900.69	9,907.57
	Sub-Total	12,974.97	1,297.50	14,272.47
B2	Other	454.74	45.48	500.22
	Photocopying telephone & faxes	19,983.50	1,998.35	21,981.85
	Grand Total	33,413.21	3,341.33	36,754.54

Part 7: Queries

Should you have any queries regarding this remuneration report, please contact George Simos on telephone (02) 9322 5447 or by email at gsimos@deloitte.com.au.

Part 8: Information Sheet

Refer to **Appendix D** of the Report to Creditors for ASIC Information Sheet 85 *Approving fees: a guide to creditors*.

A.C.N. 095 550 977 Pty Ltd (formerly Ellton Conveyors Pty Ltd)
(Administrators Appointed)

Attachment 1

ACN 095 550 977

Actual Remuneration for the period 8 January 2016 to 11 March 2016 (inclusive)

Employee	Position	\$/hour (ex GST)	Total actual hours	Total (\$)	Task Area											
					Assets		Creditors		Employees		Trade on		Investigations		Administration	
					Hours	Total (\$)	Hours	Total (\$)	Hours	Total (\$)	Hours	Total (\$)	Hours	Total (\$)	Hours	Total (\$)
Strawbridge, Vaughan	Appointee	615.00	141.9	87,268.50	50.6	31,119.00	16.4	10,086.00	0.6	369.00	30.1	18,511.50	0.4	246.00	43.8	26,937.00
Lombe, David	Partner	615.00	6.2	3,813.00	-	-	1.3	799.50	-	-	-	-	-	-	4.9	3,013.50
Parker, Jonathon	Director	510.00	315.0	160,650.00	170.0	86,700.00	4.5	2,295.00	4.0	2,040.00	119.5	60,945.00	3.5	1,785.00	13.5	6,885.00
Bennett, Paul	Manager	440.00	113.2	49,808.00	-	-	60.9	26,796.00	-	-	-	-	29.4	12,936.00	22.9	10,076.00
George, Tanya	Manager	440.00	14.4	6,336.00	-	-	-	-	-	-	14.4	6,336.00	-	-	-	-
Tran, Jennie	Manager	440.00	0.2	88.00	-	-	-	-	-	-	-	-	-	-	0.2	88.00
Wollinski, Christopher	Manager	440.00	52.7	23,188.00	4.7	2,068.00	5.0	2,200.00	0.2	88.00	41.0	18,040.00	1.0	440.00	0.8	352.00
Carter, Matt	Senior Analyst	330.00	39.0	12,870.00	-	-	30.9	10,197.00	-	-	-	-	-	-	8.1	2,673.00
Clark, Carol	Senior Analyst	330.00	6.5	2,145.00	-	-	-	-	-	-	-	-	-	-	6.5	2,145.00
De Paoli, Elizabeth	Senior Analyst	330.00	0.4	132.00	-	-	0.4	132.00	-	-	-	-	-	-	-	-
Makvana, Bharat	Senior Analyst	330.00	3.0	990.00	-	-	-	-	-	-	-	-	-	-	3.0	990.00
Simos, George	Senior Analyst	330.00	311.7	102,861.00	4.0	1,320.00	10.0	3,300.00	-	-	278.2	91,806.00	19.5	6,435.00	-	-
Spowart, Naty	Senior Analyst	330.00	2.6	858.00	-	-	-	-	-	-	-	-	-	-	2.6	858.00
Rodrigues, Dale	Analyst	220.00	100.1	22,022.00	85.8	18,876.00	6.5	1,430.00	2.0	440.00	-	-	-	-	5.8	1,276.00
Henderson, Emma	Analyst	220.00	37.9	8,338.00	-	-	20.2	4,444.00	-	-	-	-	-	-	17.7	3,894.00
Whittingham, Andrew	Analyst	220.00	0.6	132.00	-	-	0.6	132.00	-	-	-	-	-	-	-	-
Hanrahan, Will	Graduate	115.00	192.2	22,103.00	34.5	3,967.50	32.7	3,760.50	58.1	6,681.50	43.0	4,945.00	4.0	460.00	19.9	2,288.50
Chew, Shanni	Graduate	115.00	5.1	586.50	0.5	57.50	2.6	299.00	-	-	-	-	-	-	2.0	230.00
Yao, Anthony	Graduate	115.00	9.0	1,035.00	-	-	1.5	172.50	-	-	7.5	862.50	-	-	-	-
TOTAL			1,351.7	505,224.00	350.1	144,108.00	193.5	66,043.50	64.9	9,618.50	533.7	201,446.00	57.8	22,302.00	151.7	61,706.00
GST				50,522.40												
TOTAL (including GST)				\$555,746.40												
Average hourly rate (\$/hour ex. GST)				\$ 373.77		\$ 411.62		\$ 341.31		\$ 148.20		\$ 377.45		\$ 385.85		\$ 406.76

A.C.N. 095 550 977 Pty Ltd (formerly Ellton Conveyors Pty Ltd)
 (Administrators Appointed)

Attachment 2

ACN 095 550 977

Forecast Remuneration for the period 14 March 2016 to 5 April 2016 (inclusive)

Employee	Position	\$/hour (ex GST)	Total actual hours	Total (\$)	Task Area											
					Assets		Creditors		Employees		Trade On		Investigations		Administration	
					Hours	Total (\$)	Hours	Total (\$)	Hours	Total (\$)	Hours	Total (\$)	Hours	Total (\$)	Hours	Total (\$)
Strawbridge, Vaughan	Appointee	615.00	15.0	9,225.00	5.0	3,075.00	8.0	4,920.00	-	-	2.0	1,230.00	-	-	-	-
Lombe, David	Partner	615.00	3.0	1,845.00	-	-	2.0	1,230.00	-	-	-	-	-	-	1.0	615.00
Parker, Jonathon	Director	510.00	15.0	7,650.00	2.0	1,020.00	8.0	4,080.00	-	-	5.0	2,550.00	-	-	-	-
Bennett, Paul	Manager	440.00	30.0	13,200.00	-	-	-	-	-	-	10.0	4,400.00	15.0	6,600.00	5.0	2,200.00
George, Tanya	Manager	440.00	2.0	880.00	-	-	-	-	-	-	-	-	-	-	2.0	880.00
Clark, Carol	Senior Analyst	330.00	3.0	990.00	-	-	-	-	-	-	-	-	-	-	3.0	990.00
Simos, George	Senior Analyst	330.00	60.0	19,800.00	5.0	1,650.00	5.0	1,650.00	-	-	30.0	9,900.00	10.0	3,300.00	10.0	3,300.00
Hanrahan, Will	Graduate	115.00	60.0	6,900.00	-	-	20.0	2,300.00	15.0	1,725.00	5.0	575.00	5.0	575.00	15.0	1,725.00
TOTAL			188.0	60,490.00	12.0	5,745.00	43.0	14,180.00	15.0	1,725.00	52.0	18,655.00	30.0	10,475.00	36.0	9,710.00
GST				6,049.00												
TOTAL (including GST)				\$ 66,539.00												
Average hourly rate				\$ 321.76		\$ 478.75		\$ 329.77		\$ 115.00		\$ 358.75		\$ 349.17		\$ 269.72



Appendix F - Notice of Meeting

CORPORATIONS ACT 2001

NOTICE OF MEETING OF CREDITORS

ACN 095 550 977 PTY LIMITED
(FORMERLY ELLTON CONVEYORS PTY LTD)
(ADMINISTRATORS APPOINTED)
ACN 095 550 977
("THE COMPANY")

NOTICE is given that a meeting of the creditors of the Company will be held at **10:00am (AEST) on Tuesday, 5 April 2016** at the following address:

Central Coast Leagues Club
1 Dane Drive
GOSFORD NSW 2250

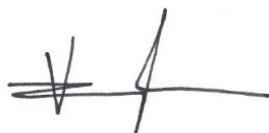
A G E N D A

1. To receive a Statement about the Company' business, property, affairs and financial circumstances.
2. To receive the report of the Administrators pursuant to Section 439A of the *Corporations Act 2001*.
3. Questions from creditors.
4. For creditors to resolve:
 - a. that the company execute a Deed of Company Arrangement; or
 - b. that the administration should end; or
 - c. that the company be wound up.
5. To fix the remuneration of the Joint Administrators.
6. If the Company is to be wound up, to consider appointing a Committee of Inspection.
7. To consider the destruction of the books and records at the conclusion of the winding up.
8. Any other business that may be lawfully brought forward.

Proxies to be used at the meeting should be lodged at the office of the Joint Administrators **by 4.00pm on (AEST) on Monday, 4 April 2016**. A creditor can only be represented by proxy or by an attorney pursuant to Corporations Regulations 5.6.28 and 5.6.32 (inclusive) and if a body corporate by a representative appointed pursuant to Section 250D.

In accordance with Regulation 5.6.23(1) of the Corporations Regulations, creditors will not be entitled to vote at this meeting unless they have previously lodged particulars of their claim against the Company in accordance with the Corporations Regulations and that clause has been admitted for voting purposes wholly or in part by the Voluntary Administrators.

DATED this 29th day of March 2016



Vaughan Neil Strawbridge

For and on behalf of

Vaughan Strawbridge and David John Frank Lombe
Joint and Several Voluntary Administrators

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
SYDNEY NSW 2000

Appendix G - Proof of Debt

INFORMAL PROOF OF DEBT FORM

Regulation 5.6.47

ACN 095 550 977 PTY LIMITED
(FORMERLY ELLTON CONVEYORS PTY LTD)
(ADMINISTRATORS APPOINTED)
ACN 095 550 977
("THE COMPANY")

Name of creditor:

Address of creditor:

.....

ABN:

Telephone number:

Amount of debt claimed: \$..... (including GST \$.....)

Consideration for debt (i.e, the nature of goods or services supplied and the period during which they were supplied):

.....
.....
.....

Is the debt secured? YES/NO

If secured, give details of security including dates, etc:

.....
.....
.....

Other information:

.....
.....

.....
Signature of Creditor
(or person authorised by creditor)

.....
Dated

Notes:

Under the Corporations Regulations, a creditor is not entitled to vote at a meeting unless (Regulation 5.6.23):

- a. his or her claim has been admitted, wholly or in part, by the Joint & Several Administrators; or
- b. he or she has lodged with the Joint & Several Administrators particulars of the debt or claim, or if required, a formal proof of debt.

At meetings held under Section 436E and 439A, a secured creditor may vote for the whole of his or her debt without regard to the value of the security.

Proxies must be made available to the Joint & Several Administrators.



Appendix H - Form of Proxy

CORPORATIONS ACT 2001

APPOINTMENT OF PROXY
CREDITORS MEETING

**ACN 095 550 977 PTY LIMITED
(FORMERLY ELLTON CONVEYORS PTY LTD)
(ADMINISTRATORS APPOINTED)
ACN 095 550 977
("THE COMPANY")**

*I/*We (1)
of
a creditor of the Company, appoint (2)

or in his or her absence

as *my/our *general/special proxy to vote at the meeting of creditors to be held at Central Coast Leagues Club, 1 Dane Drive, Gosford, NSW, 2250 on Tuesday, 5 April 2016 at 10:00am (AEDT), or at any adjournment of that meeting. (3)

(i) to vote on all matters arising at the meeting (IF GENERAL PROXY)

OR

(ii) to vote for or against the following resolutions (IF SPECIAL PROXY)

ONLY COMPLETE THE FOLLOWING IF YOU HAVE APPOINTED A SPECIAL PROXY ABOVE:

Please circle your preferred voting option.

1. To consider and if thought fit, pass one of the following resolutions (choose ONE of a, b or c):

a. *"That the Company execute a Deed of Company Arrangement"* OR **FOR / AGAINST / ABSTAIN**

b. *"That the Administration end"* OR **FOR / AGAINST / ABSTAIN**

c. *"That the Company be wound up and Vaughan Strawbridge and David Lombe be appointed Joint and Several Liquidators"*
FOR / AGAINST / ABSTAIN

2. To consider and if thought fit, approve the Joint and Several Administrators' current remuneration for the period 8 January 2016 to 11 March 2016 (inclusive):

"That the remuneration of the Administrators, their partners and staff, for the period of the Administration from 8 January 2016 to 11 March 2016 is fixed at a sum equal to the cost of time spent by the Administrators and the Administrators' partners and staff, calculated at the hourly rates as detailed in the Remuneration Report of 29 March 2016 of fees equalling \$505,224.00 plus GST, and that the Administrators can draw the remuneration as required."

FOR / AGAINST / ABSTAIN

3. **To consider and if thought fit, approve the Joint and Several Administrators' current disbursements and expenses for the period 8 January 2016 to 11 March 2016 (inclusive):**

“That the Administrators' expenses and disbursements incurred for the period 8 January 2016 to 11 March 2016 are fixed at a sum equal to the actual cost incurred by the Administrators and the Administrators' partners and staff, calculated at rates as detailed in the Remuneration Report of 29 March 2016 equalling \$33,413.21 plus GST, and that the Administrators can draw the disbursements and expenses as required.”

4. **To consider and if thought fit, approve the Joint and Several Administrators' prospective remuneration for the period 14 March 2016 to 5 April 2016 (inclusive):**

“That the prospective remuneration of the Administrators, their partners and staff, for the period of the Administration from 14 March 2016 to 5 April 2016 is fixed at a sum equal to the cost of time spent by the Administrators and the Administrators' partners and staff, calculated at the hourly rates as detailed in the Remuneration Report of 29 March 2016 of fees equalling \$60,490.00 plus GST and disbursements, and that the Administrators can draw the remuneration as incurred. Should a lesser amount be actually incurred, only the lesser amount will be drawn. Should the fees be a greater amount, then the amount will be subject to a separate fee approval and will not be drawn until approved.”

FOR / AGAINST / ABSTAIN

5. **To consider and if thought fit, should creditors resolve that the Company be wound up, pass the following resolution:**

“That a Committee of Inspection be appointed.”

FOR / AGAINST / ABSTAIN

I am prepared / not* prepared to sit on the Committee of Inspection.

6. **In the event that the creditors vote to wind up the Company, to consider and if thought fit, approve destruction of the books and records of the Company at the conclusion of the winding up:**

“That subject to obtaining the approval of the Australian Securities and Investments Commission under section 542(4) of the Corporations Act 2001, the books and records of the Company and of the Liquidation be disposed of by the Liquidators 6 months after the dissolution of the Company or earlier at the discretion of the Australian Securities and Investments Commission.”

FOR / AGAINST / ABSTAIN

DATED this _____ day of _____ 2016.

Signature

CERTIFICATE OF WITNESS

This certificate is to be completed only if the person giving the proxy is blind or incapable of writing. The signature of the creditor, contributory, debenture holder or member must not be witnessed by the person nominated as proxy.

I, of
certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him or her before he or she signed or marked the instrument.

Dated:

Signature of Witness:

Description:

Place of Residence:

* Strike out if inapplicable

- (1) If a firm, strike out "I" and set out the full name of the firm.
- (2) Insert the name, address and description of the person appointed.
- (3) If a special proxy add the words "to vote for" or the words "to vote against" and specify the particular resolution.

Appendix I – Summary of Receipts and Payments

8 January 2016 to 11 March 2016

	(\$)
RECEIPTS	
Bank Interest	231
Cash at Bank on Appointment	8,800
Debtors	489,871
EFIC Refund	6,050
Liquid Asset Management Loan	111,662
Mark D Elliot Loan	28,000
Miscellaneous Income	127
Sale of Business & Assets	1,050,000
Sales	225,573
Sales (GST Free)	5,533
SOGO Golf Loan Repayment	626
GST	22,570
TOTAL RECEIPTS	1,949,042
PAYMENTS	
ASIC fees	38
CBA Motor Vehicle Leases Interest	1,384
CBA Motor Vehicle Leases Payout	63,889
CBA Secured Creditor Payment	650,000
Credit Card Fees	2,194
Equipment Hire	4,960
Freight	11,597
Freight (GST Free)	1,541
Insurance	34,079
Labour Hire	3,544
Mark D Elliot Loan Repayment	28,000
Meeting Room Hire	273
Employee Novated Lease	2,764
Other Government Charges	2,951
Other Property Expenses	471
Payroll Tax	5,352
Postage	221
Purchases COGS	134,849
Purchases COGS (GST Free)	17,958
Rent	48,258
Stamp Duty	810
Stationery & Printing	1,109
Storage Costs	20,152
Sub-Contractors	59,954
Sundry Expenses	5,464
Telephone & Fax	1,667
Transport / Courier	5,892
Travelling Expenses	1,769
Travelling Expenses (GST Free)	529
Valuers Fees	6,000
Vehicle Running Costs	2,052
Wages & Salaries	146,339
PAYG Withheld	(41,941)
GST	45,724
TOTAL PAYMENTS	1,269,843
Cash at Bank	679,199