



Capital Works Constructions Pty Ltd

Formerly trading as “Freelife Homes” and “Visionaire Homes”
(Administrators Appointed) (“CWC”)

Capital Construction Hire Pty Ltd

(Administrators Appointed) (“CCH”)
(Collectively, “the Group”)

Voluntary Administrators

Jason Tracy, Joint Administrator

Date of appointment: 7 May 2015



Background and quorum

Capital Works Constructions Pty Ltd

Capital Construction Hire Pty Ltd

Opening of the meeting by the Chairperson

Jason Tracy, Deloitte – Joint Administrator

Agenda

- Propose Concurrent meetings
- Formalities of the meeting
- Purpose & Process of a voluntary administration
- Actions since appointment
- Background on the companies
- Sale of business assets
- Reasons for my appointment
- Financials
- Investigations
- Questions
- Voting/resolutions
- Creditors' Committee Appointment
- Any other resolutions or business
- Closure

Holding concurrent meetings for the 2 companies

I have determined that it is appropriate that the meetings be held concurrently for those companies for which a quorum is present.

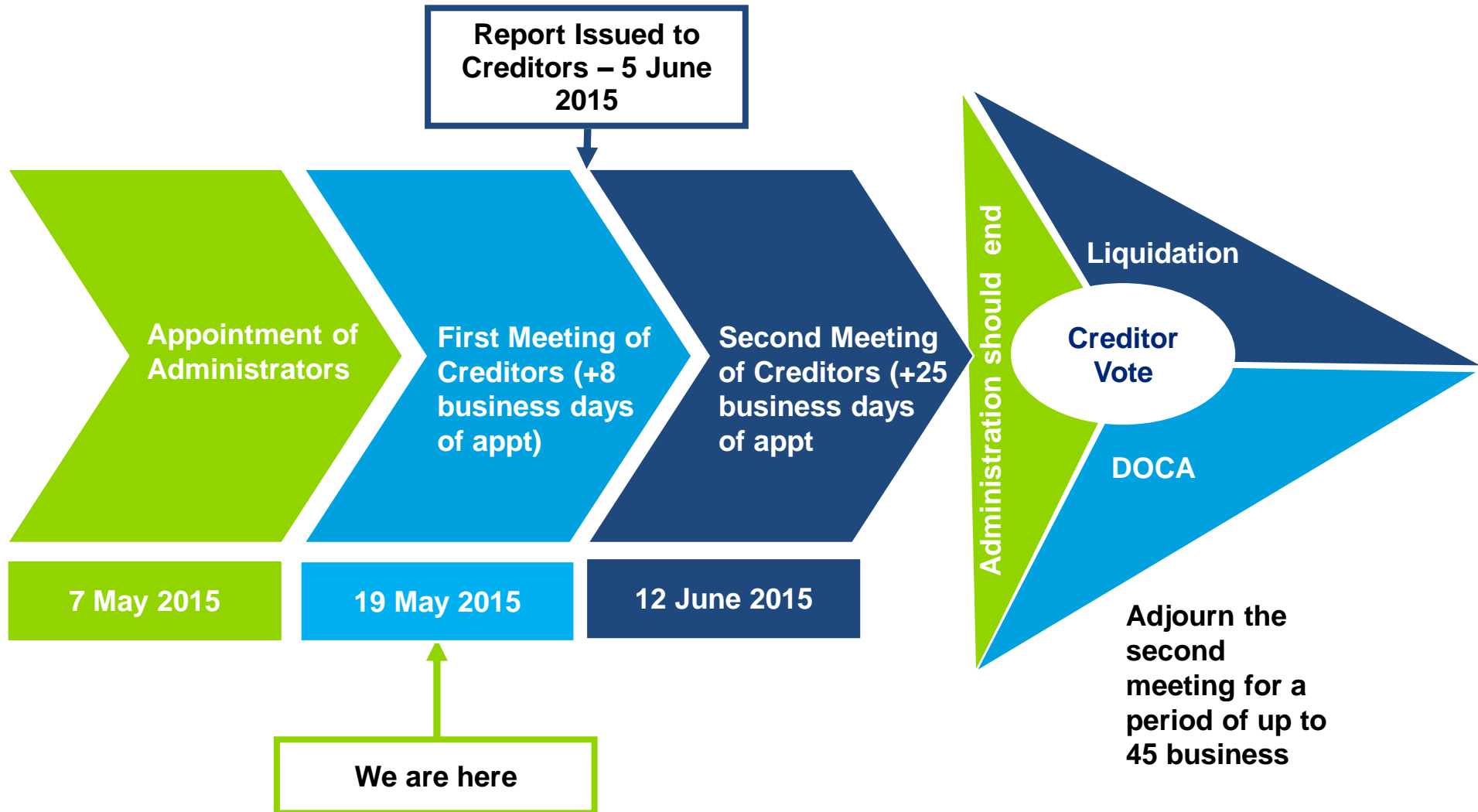
On this basis, I propose to open both meetings and hold them concurrently, subject to any objections from creditors. Are there any objections?

All formal resolutions to be put to the meeting will be put on a company-by-company basis, and only creditors of the particular company in question will be entitled to vote.

Formalities

- Attendance Register and Observers
- Proxies received
- Notice of Meeting
- Convenience for creditors
- Independence of Administrators

Purpose & Process: Indicative timeline



Actions since appointment

Statutory compliance

- ASIC filings
- Convening first meeting
- Notices to creditors and employees
- Statutory advertising

Shut down business

- Urgent assessment of financial position
- Termination of employment
- Vacate premises

Stakeholders' communications

- Employees
- Home indemnity insurer
- Building commission
- Homebuyers (including holding a homebuyers meeting on Friday 15 May 2015)
- Secured and unsecured creditors

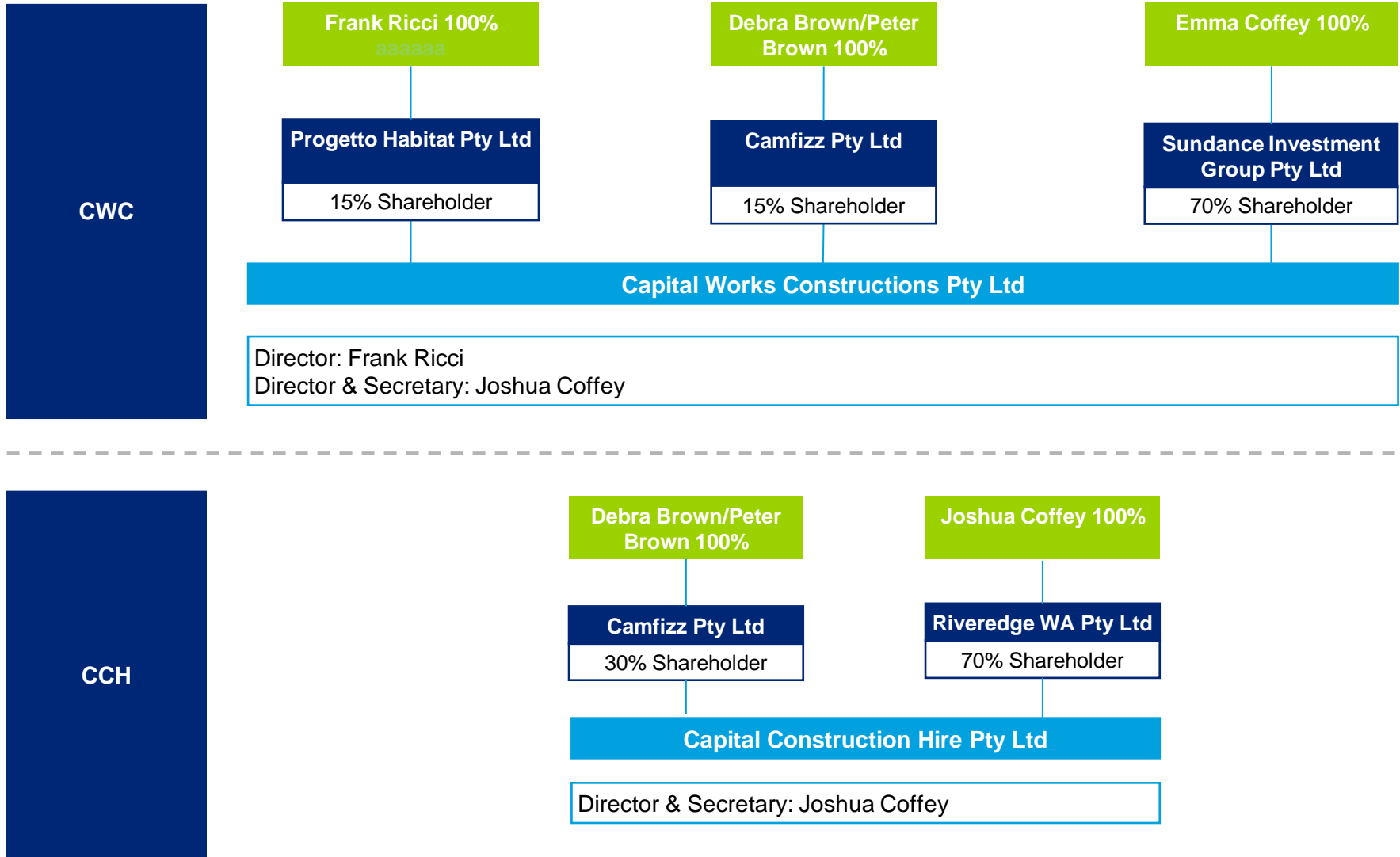
Secure assets

- Changing locks and securing company property
- Collecting assets from third parties
- Safeguarding electronic data for future investigations

Sale of assets

- Commencing a sale process

Background: Company structures



Sale of assets

- Administrators' duty to act in the best interest of all creditors
- Key business assets for realisation include customer contracts (WIP and Pipeline), intellectual property and sundry unencumbered furniture. The majority of P&E was encumbered (i.e. leased)
- Undertaking an urgent process to find a suitable party to take over customer contracts and intellectual property
- Sought Expressions of Interest by 4pm 15 May 2015 – advertised in the West Australian newspaper on 13 May and approached builders direct
- Received 18 EOI's and have written to those parties seeking better and further particulars by 4:00pm 19 May 2015 to be able to short-list preferred parties
- Successful sale may result in the buyer being willing to take over building contracts and complete construction of homes
- There is also two partly constructed display homes (Alkimos and Golden Bay and an undeveloped piece of land at Alkimos – in discussions with secured creditor)

Homebuyers

- Owners with a valid certificate of insurance may have a valid claim for incomplete or defective works
- We have mailed a circular to homebuyers detailing FAQ's
- FAQ's are on our website – www.deloitte.com/au/freelife-homes
- There was a separate homebuyer meeting on 15 May 2015 where we discussed the voluntary administration process and the insurance process. At that information session we had representatives from QBE
- Insurance queries – please contact the home indemnity insurer:
 - QBE
 - Email builderswarrantyclaims@qbe.com
 - Tel (0) 9246 2606

Reasons for Appointment

Causes

- Poor Financial Management and Control
 - Poor understanding of the financial position
- Large number of building contracts signed that were “out of the money” or unprofitable
 - No profit margin on these jobs, onerous on the company to complete

Symptoms

- Insufficient funds to pay employees and subcontractors
- Home Indemnity insurance withdrawn by the insurer on or around 30 April 2015
- Building Commission imposed a condition on building licence that CWC was unable to commence new builds
- Large number of complaints lodged with Building Commission (non-performance, quality of work etc.)
 - 30 complaints at date of appointment

Financial Analysis – P&L

YTD15, FY14 and FY13 – Comparison of Accountant and Management figures

Accountant Prepared (unaudited)

\$'000	YTD15	FY14		FY13	
		CWC	CCH	CWC	CCH
Sales	n/a	28,459	3,115	23,396	64
Cost of sales	n/a	(24,345)	(105)	(18,252)	(16)
Gross Profit	n/a	4,113	3,009	5,144	48
Overheads	n/a	(3,119)	(3,116)	(2,690)	(53)
EBITDA	n/a	995	(107)	2,454	(5)
Net Profit / (loss)	n/a	809	(110)	2,338	(5)

Management accounts (unaudited)

\$'000	YTD15	FY14	FY13
Sales	20,859	24,725	20,969
Cost of sales	(15,070)	(24,183)	(17,969)
Gross Profit	5,788	542	3,001
Overheads	(4,854)	(3,522)	(3,084)
EBITDA	935	(2,980)	(83)
Net Profit / (Loss)	730	(3,289)	(79)

- Significant discrepancies between Accountant and Management prepared financials. This is a matter for further investigation
- Lack of financial control: Management accounts do not separate out related company data
- Sales may be overstated: refer to treatment of WIP in balance sheet. This will distort margins reported in financials

Financial Analysis – Balance Sheet

YTD15, FY14 and FY13 – Comparison of Accountant and Management figures

Accountant Prepared (unaudited)

\$'000	YTD15	FY14		FY13	
		CWC	CCH	CWC	CCH
Assets					
Cash	n/a	-	-	139	28
WIP	n/a	7,070	-	3,356	-
Loans	n/a	2,245	-	2,864	-
Capital acquisitions	n/a	1,206	8	550	10
Debtors	n/a	1,514	1,338	967	33
Other	n/a	95	-	86	-
Total assets	n/a	12,130	1,346	7,961	71
	n/a				
Liabilities	n/a				
Trade creditors	n/a	6,505	44	3,852	71
Borrowings	n/a	447	276	480	4
Other liabilities	n/a	1,244	1,140	503	
Total liabilities	n/a	8,196	1,460	4,835	75
Net Assets	n/a	3,934	(114)	3,125	(5)

Management Accounts (unaudited)

\$'000	YTD15	FY14	FY13
	Group	Group	Group
Assets			
Cash	(223)	(74)	149
WIP	3,020	-	-
Loans	-	-	-
Capital acquisitions	2,010	1,150	247
Debtors	1,205	1,509	967
Other	-	288	-
Total assets	6,012	2,873	1,363
Liabilities			
Trade creditors	6,567	7,337	4,260
Borrowings	655	(1,145)	(1,551)
Other liabilities	1,490	1,620	584
Total liabilities	8,712	7,812	3,293
Net Assets	(2,700)	(4,939)	(1,929)

- Net asset movement in management accounts does not reconcile to P&L
- WIP and trade debtors may be overstated
- Insufficient liquid assets to meet short-term liabilities

Investigations

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

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)
- Insolvent trading (Section 588G)

Questions

From the floor

- Please raise your hand and wait until you are invited to ask your question by the Chairman
- Please state your name and Company name for the record before you ask the question

Voting/Resolutions

Resolutions

Motions to be resolved on the voices, unless a poll is demanded (Regulation 5.6.19, 5.6.20)

A poll could be demanded by:

- The Chairperson; or
- At least two persons entitled to vote; or
- A person representing not less than 10% of total voting rights

Creditors' Committee Appointment

- Capital Works Constructions Pty Ltd (Administrators Appointed)

Resolution – Committee of Creditors

Capital Works Constructions Pty Ltd (Administrators Appointed)

“That a committee of creditors of Capital Works Constructions Pty Ltd be formed in accordance with section 436E(1) of the Corporations Act 2001, comprising the following members...”

Note:

Ideally all groups of creditors should be represented on the Committee, including:

- Trade creditors
- Employees
- Homebuyers

Creditors' Committee Appointment

- Capital Construction Hire Pty Ltd (Administrators Appointed)

Resolution – Committee of Creditors

Capital Construction Hire Pty Ltd (Administrators Appointed)

“That a committee of creditors of Capital Works Constructions Pty Ltd be formed in accordance with section 436E(1) of the Corporations Act 2001, comprising the following members...”

Note:

Ideally all groups of creditors should be represented on the Committee, including:

- Trade creditors
- Employees

Any other resolutions

- Creditors may remove Administrators and appoint someone else as Administrator (Section 436E(4))
- Other nominations

Closure

- Any other business
- Meeting closed



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