

17 May 2018

TO THE CREDITOR AS ADDRESSED

Contact: Kurt Hopcroft
Email: khopcroft@hlbnsw.com.au
Phone: (02) 9020 4236

Dear Sir / Madam

**All Filtration Technologies Australia Pty Ltd
(Administrators Appointed)
ACN: 130 590 957 ("AFTA")**

I advise that Barry Taylor and I were appointed Joint and Several Administrators of AFTA on 18 April 2018, by the Director of AFTA under section 436A of the Corporations Act 2001 ("the Act").

Please find enclosed the following for your information:

- Administrator's Report to Creditors;
- Declaration of Independence, Relevant Relationships and Indemnities;
- Creditor Information Sheet;
- Remuneration Approval Report;
- Notice of Meeting;
- Proxy Form; and
- Proof of Debt for Voting Purposes.

Please complete the Proof of Debt Form for Voting Purposes at the meeting and return the completed document to this office by 5.00pm on the day before the meeting. If you need to complete the Proxy Form, I also request this by 5.00pm on the day before the meeting.

At the meeting, creditors will be asked to vote on the following regarding the future of AFTA:

1. The Company executing a Deed of Company Arrangement ("DOCA");
2. The Company being voluntarily wound up;
3. The Administration ending; or
4. The meeting being adjourned for a period not exceeding 45 business days.

Administrators' Recommendation

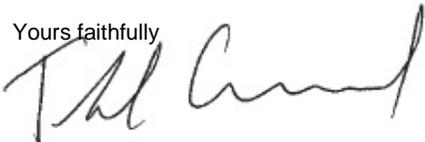
In the absence of other options and AFTA being insolvent, the Administrators are of the opinion that it would be in the interests of creditors to resolve for AFTA to be wound up.

Should AFTA be wound up, employees will be notified to begin the process to access the Fair Entitlements Guarantee ("FEG") scheme.

At this stage, a return to priority and unsecured creditors is not expected, unless there is a significant recovery in the Liquidation.

If you have any queries, please liaise with the above contact.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Todd Gammel'.

Todd Gammel – Joint Administrator of
All Filtration Technologies Australia Pty Ltd (Administrator Appointed)
ACN: 130 590 957

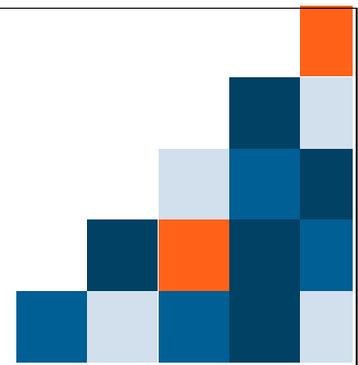
HLB Mann Judd (NSW) Pty Ltd ABN 32 001 500 358

Level 19 207 Kent Street Sydney NSW 2000 Australia | Telephone +61 (0)2 9020 4000 | Fax +61 (0)2 9020 4190

Email: mailbox@hlbnsw.com.au | Website: www.hlb.com.au

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All Filtration Technologies Australia Pty Ltd (Administrator Appointed)

ACN: 130 590 957

(“AFTA”)

Administrators’ Report to Creditors

Provided pursuant to Section 75-225 of the Insolvency Practice Rules (Corporations) 2016

Dated 17 May 2018

Administrators	Todd Gammel & Barry Taylor
Appointment Date	18 April 2018
Second Meeting of Creditors	12:00pm, Thursday 24 May 2018
Location	Ourimbah Lisarow RSL Club, 6/20 Pacific Highway, Ourimbah NSW 2258
Contact	Kurt Hopcroft
Telephone Number	(02) 9020 4236

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Level 19 207 Kent Street Sydney NSW 2000 Australia | Telephone +61 (0)2 9020 4000 | Fax +61 (0)2 9020 4190

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Annexure	Description
A	Declaration of Independence, Relevant Relationships and Indemnities
B	PPSR Creditor Summary
C	Creditor Information Sheet
D	Remuneration Approval Report
E	Notice of Meeting
F	Proxy Form
G	Proof of Debt for Voting Purposes

1 Introduction

We, Todd Gammel and Barry Taylor were appointed as Joint and Several Administrators of All Filtration Technologies Australia Pty Ltd (Administrators Appointed) ACN 130 590 957 ("AFTA") under Part 5.3A of the Corporations Act 2001 ("the Act") on 18 April 2018 by the Director via a resolution pursuant to Section 436A.

The purpose of the appointment of an Administrator is to allow for an independent Insolvency Practitioner to take control of and investigate the affairs of an insolvent Company.

During that time, the claims of creditors are put on hold. At the end of that period, we are required to provide creditors with information and recommendations to assist creditors to decide upon the Company's future.

The purpose of this report therefore is to provide creditors with sufficient information for Creditors to make an informed decision about the future of AFTA, including:

- Background information about AFTA;
- Details of the assets and liabilities of AFTA;
- The results of the Administrators' investigations into the past affairs of AFTA and prospects of future recoveries if AFTA is placed into liquidation;
- Details of the proposed Deed of Company Arrangement ("DOCA") (if applicable);
- The estimated returns to creditors under DOCA and liquidation scenarios; and
- The options available to creditors, and our opinion on each of these options including which option is in the creditors' interests.

We have undertaken the following investigations to prepare this report and formulate our opinion:

- Review of the recent trading of AFTA, both independently and as a member of the AFTI Group;
- Analysis of the financial position of AFTA including any security held by financiers, and various other charge holders to obtain an estimate of potential funds available for unsecured creditors;
- Examination of the books and records of AFTA;
- Review of possible breaches of insolvent trading and voidable transactions provision of the Act and other possible offences under the Act;
- Review of claims of related parties in relation to their entitlement to vote at the second meeting of creditors and for dividend forecasting purposes;
- Review of the asset and liability position of AFTA and the potential to recover funds from various parties; and
- Various investigatory tasks, including, statutory searches, group financial analysis, and examination of the records of the Company and payments made to creditors and suppliers.

At the meeting of creditors to be held on Thursday, 24th May 2018, creditors will be asked to make a decision regarding the future direction of AFTA by passing an ordinary resolution in respect of options available to them.

In this report we have recommended creditors resolve to wind up AFTA and have detailed why this option is, in the Administrators' opinion, in the best interests of creditors.

2 Summary of Key Terms

Defined Term	Definition
Act	<i>Corporations Act 2001</i>
Administrators	Todd Andrew Gammel and Barry Anthony Taylor
AEST	Australian Eastern Standard Time
AFTA	All Filtration Technologies Australia Pty Ltd (Administrators Appointed)
AFTC	All Filtration Technologies (Suzhou) Pty Co Ltd
AFTH	All Filtration Technologies Holdings Pty Ltd
AFTHK	All Filtration Technologies (Hong Kong) Ltd
AFTI Group	All Filtration Technologies Investments Pty Ltd, Solaft Water Solutions Pty Ltd, All Filtration Technologies Holdings Pty Ltd, All Filtration Technologies Inc, All Filtration Technologies (Hong Kong) Ltd, All Filtration Technologies (Suzhou) Pty Co Ltd, All Filtration Technologies Australia Pty Ltd (Administrators Appointed), All Filtration Technologies Tecidos Tecnicos Ltda, and SOLAFT Filtration Solutions Pty Ltd.
AFTTT	All Filtration Technologies Tecidos Tecnicos Ltda
ARITA	Australian Restructuring, Insolvency and Turnaround Association
ASA	Asset Sale Agreement
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
AUD	Australian Dollars
BV	Book Value
CA	Confidentiality Agreement
COB	Close of Business
Director	Justin Gallagher
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities
DOCA	Deed of Company Arrangement
EBITDA	Earnings before interest, tax, depreciation and amortisation
EOI	Expressions of Interest
ERV	Estimated Realisable Value
FEG	Fair Entitlements Guarantee
FY	Financial Year
GSA	General security Agreement
GST	Goods and Services Tax
k	Thousands
m	Million
NRG	NRG Gladstone Operating Services Pty Ltd
OSR	Office of State Revenue
P&E	Plant and Equipment
PAYG	Pay As You Go Withholding
PPSA	Personal Property Securities Act
PPSR	Personal Property Securities Register
RATA	Reports as to Affairs
SFS	SOLAFT Filtration Solutions Pty Ltd
TCFUA	Textile, Clothing and Footwear Union of Australia
Tiger	Tiger Asset Group
YTD	Year To Date

3 Executive Summary

The following Executive Summary of the key matters and recommendations for the attention of creditors:

Key Issue for Creditors	Summary/Status	Report Reference
Sale of Assets	The Administrators received an offer from related entities to purchase the majority of the assets and assume certain liabilities of AFTA. The offer was accepted.	Section 5.3
Administrators Investigation	The Administrators have undertaken a review of AFTA's affairs based upon the books and records provided. Investigations have revealed several transactions with related parties that require further investigation to assess if they constitute recoverable transactions . Further investigation into these transactions will be made following the expected Liquidation of AFTA.	Section 11
Estimated Return to Creditors	The Administrators estimate that there will not be any funds available for the payment of a dividend to any class of creditors, unless a significant recovery is made in the Liquidation. Employees will be notified to begin the process to access the Fair Entitlements Guarantee ("FEG") scheme.	Section 12
Administrators Recommendation	As Administrators of AFTA, we recommend that creditors resolve for AFTA to be placed into Liquidation.	Section 13
Second Meeting of Creditors	A second meeting of creditors has been convened for Thursday, 24 May 2018, at 12pm at the Ourimbah Lisarow RSL Club, 6/20 Pacific Highway, Ourimbah NSW 2258	Notice of Meeting, Appointment of Proxy form and Formal Proof of Debt forms are enclosed at the rear of this report.
Administrators Remuneration	The Administrators seek approval of their remuneration of: <ul style="list-style-type: none"> ▪ \$85,000 (excluding GST) for the period 18 April 2018 to 11 May 2018; and ▪ \$15,000 (excluding GST) for the period 14 May 2018 to the completion of the Administration. At present it is unclear if all remuneration will be paid.	Section 14
Liquidators Remuneration	The Administrators seek approval of initial Liquidators' remuneration of \$50,000 (excluding GST) for the Liquidation period to 30 September 2018 , should creditors resolve to wind up AFTA. The approval relates to the FEG process and further investigations.	Section 14

4 Declarations by Administrator – Indemnities and relevant relationship

Pursuant to Section 436DA of the Act, a Declaration of Independence, Relevant Relationships and Indemnities ("DIRRI") was enclosed with our circular to creditors dated 20 April 2018. The DIRRI was tabled at the first creditors meeting of AFTA on 30 April 2018 and is attached as **Annexure A**.

There are no circumstances that have arisen that would require amendment to the Administrators' Declaration of Independence, Relevant Relationships and Indemnities dated 20 April 2018.

5 Summary of Administration to Date

5.1. First Meeting of Creditors

A first meeting of creditors was held on Monday 30 April 2018. At the meeting, creditors did not resolve to remove the Administrators and appoint alternate Administrator(s).

Furthermore, creditors did not resolve for the appointment of a Committee of Creditors.

In accordance with the Act, the Administrators now report to creditors regarding AFTA's business, property, affairs and financial circumstances and the alternatives available to creditors in deciding the future of AFTA.

5.2. Administrators actions to date

Following appointment, the Administrators took possession and control of the assets of AFTA and undertook an urgent review of AFTA's financial position and ability to continue to trade.

It was identified by the Administrators that there was not any funding available to meet ongoing trading costs, particularly wages and rent. Accordingly, the Administrators had little option other than to cease operations of AFTA and terminate the majority of Employees.

The Administrators took control of the assets of AFTA. A sale of assets to SOLAFT Filtration Solutions Pty Ltd ("SFS") occurred and is discussed below at Section 5.3.

To date, five AFTA employees are still employed by AFTA to assist with the transition of assets sold to SFS.

The Administrators have conducted an investigation of transactions that may be voidable against a Liquidator as required by the Act and Regulations and reports on the same below at Section 11 of this report.

Additional tasks have been undertaken in respect of liaising with employees and creditors, and attending to various statutory matters, such as reporting to, and convening meetings of, creditors.

Actions during the Administration include:

Matter	Task
Compliance and Administrative Duties	<ul style="list-style-type: none"> ▪ Advertising the Administrators' appointment and first meetings of creditors on the ASIC Insolvency Notices website; ▪ Notifying statutory authorities of our appointments; ▪ Convening and holding first meeting of creditors; ▪ Liaising with AFTA's Director to obtain the RATA, questionnaire and review same; and ▪ Preparing this report.
ASIC	<ul style="list-style-type: none"> ▪ Preparation of lodgement of relevant notices with the ASIC; and ▪ Lodging the RATA minutes of first Meetings of Creditors on 30 April 2018.
Creditors	<ul style="list-style-type: none"> ▪ Attending to telephone discussions, correspondence and queries from creditors; ▪ Review and discussion regarding creditor claims and the administration process.
Employees	<ul style="list-style-type: none"> ▪ Reviewing AFTA's records regarding unpaid employee entitlements; ▪ Liaising with SFS in relation to unpaid employee entitlements and preparing a preliminary verification of claims; ▪ Engagement with Textile, Clothing and Footwear Union of Australia ("TCFUA") in respect to the termination of employees; ▪ Engagement with the Department of Employment in relation to outstanding employee entitlements and lodgement of FEG claims; and ▪ Correspondence with employees in respect to employee entitlement calculations.

Insurance	<ul style="list-style-type: none"> ▪ Notifying insurance brokers of Administrators appointment; and ▪ Liaising with insurance brokers to ensure that appropriate insurance coverage had been implemented.
Investigation, Legal & Strategic Matters	<ul style="list-style-type: none"> ▪ Analysis of AFTA's records; ▪ Review of AFTA's profitability on a single entity basis, and on a consolidated group basis; ▪ Meeting with the Director and AFTI management regarding the investigation process; ▪ Review of documentation and records regarding major transactions; and ▪ Preliminary investigation into possibly voidable transactions with related entities.
Tax	<ul style="list-style-type: none"> ▪ Completing and lodging statutory ATO forms; and ▪ Assessment of the pre-appointment tax position and outstanding lodgements.
Operations	<ul style="list-style-type: none"> ▪ Liaising with landlord of the Lisarow premises in respect of vacation of premises; and ▪ Discussions with SFS regarding removal of equipment.
Sale Program	<ul style="list-style-type: none"> ▪ Collation of relevant information to provide Tiger and to interested parties; ▪ Review of sale offer from SFS; ▪ Obtaining valuation of plant & equipment from Tiger Asset Group; ▪ Review of security interests in assets included in sale offer; ▪ Review of residual asset listing and approaching interested parties to clarifying their interest; and ▪ Contacting interest parties to discuss due diligence.

Further detail regarding the Administrators' actions, and tasks undertaken relating to the sale of assets, is provided below and in the attached Remuneration Report.

5.3. Sale of Assets to SFS

Shortly following appointment, the Administrators received an offer from SFS & All Filtration Technologies Holdings Pty Ltd ("AFTH") to purchase the majority of the AFTA assets and take assignment of specific liabilities of AFTA.

The proposed offer contained the following in consideration for the transfer of the majority of fixed assets, a bank guarantee, all inventory on hand, and the intellectual property of AFTA:

- Payment of \$160k to AFTA;
- Assumption by SFS of any warranty claim arising against AFTA;
- Assumption by SFS of AFTA's debt to AFTH; and
- Assumption by AFTH of AFTA's liability to SFS.

The warranty claim liability referred to in the proposal pertains to any liability of AFTA which may arise in respect of any product or warranty claim made by NRG Gladstone Operating Services Pty Ltd ("NRG") in respect of products supplied by AFTA to NRG prior to the appointment date.

In addition to the above, the Administrators negotiated the inclusion of the payment of all outstanding wages and superannuation of AFTA employees as at the date of appointment, which were valued at \$49.8k.

A summary of the offer is set out in the table over:

Items	Value \$
Assets	
Fixed Assets	
Inventory	160,000
Intellectual Property	
NRG Guarantee	
Total Cash Portion	160,000
Liabilities	
Secured Debt (AFTH)	956,564
Unsecured Debt (AFTH)	1,288,563
Unsecured Debt (SFS)	2,062,681
Warranty Claims from NRG	Unknown
Employee Entitlements	49,814
Total Debt Reduction	4,357,622
Total Offer	4,517,622

5.4. Assessment of Offer

The Administrators considered the offer after analysing the following key factors:

- Ability to realise assets given relevant security, rights of AFTA, uncertainty of realisations, and timeline for realisation (including costs to hold assets);
- Costs of realisation avoided and/or disputes over security (as AFTH advised as secured creditor it would not consent to the sale of assets to another party), assets and liabilities;
- Reduction of liabilities from secured, unsecured loans and impact on creditor classes; and
- Settlement of pre-appointment superannuation and wages.

5.5. Acceptance of Offer

After consideration of all relevant information available, the Administrators determined to accept the offer for the following reasons:

- The existence of a security claim held by AFTH over the assets of AFTA (which is discussed further below at Section 6.5), and the absence of consent from AFTH to sell the assets to any third parties;
- The offer enabled recovery of value in stock and equipment without the risk and costs of auction;
- Improvement of the position of employees through the payment of pre-appointment wages and superannuation;
- Significant reduction in the value of the creditor pool;
- Preservation of all rights to pursue any potentially arising claims and actions, should AFTA enter Liquidation;
- AFTA was no longer a going concern and as the Administration was unfunded the cost of continuing to identify and explore alternative options would ultimately met by creditors; and
- Expert advice confirming that there did not appear to be an alternative which would provide for a better return to creditors.

6 Background and Statutory Information

6.1. Background

Albany International founded a filtration division in Australia in 1966 in which the business has subsequently grown into a vertically integrated supplier of industrial filter media, and services throughout Australia, Asia and the Americas.

The business manufactured industrial filtration media, technical textiles and speciality yarns for a wide range of applications with emphasis on the alumina, aluminium and power generation industries.

The table below provides a high level timeline of key events and back ground to AFTA, from AFTA's Director or identified in the Administrators review of AFTA's affairs:

Date/Period	Event/Matter/Description
1966	Albany International created and founded a filtration division in the Australian market which company focused on: <ul style="list-style-type: none"> ▪ Supplying fume scrubbing to Australian smelters; and ▪ De-watering for lead and zinc extraction.
1972	Operations expanded with filtration operations commencing in Brazil under Albany International.
2005	AFT China was established.
2008	Albany International sells Albany Filtration Technologies to ANZ Private Equity and AFTA is established
29 September 2008	Manufacturing and Supply Agreement executed between All Filtration Technologies (Hong Kong) Limited ("AFTHK") and Albany International Applied Technology (Suzhou) Co Ltd ("AFTC") in which Hong Kong as the intellectual property owner of the dry filtration product range authorises China to manufacture on it's behalf.
2009	AFT Brazil was established.
2012	ANZ Private Equity sells the business to three private investors
2013	AFTA transitions to a new trading name of SOLAFT Filtration Solutions
13 May 2014	Distribution Agreement signed between Solaft Filtration Solutions Australia Pty Ltd ("SFS") and AFTA for the distribution of the products manufactured by China on behalf of Hong Kong
2014	AFTA revenue in FY14 was \$18.2m producing a net profit of \$100k.
29 October 2014	Distribution Agreement signed between AFTHK and SFS for the distribution of the products manufactured by AFTC on behalf of AFTHK.
2015	AFTA sales totalled \$16.2m in FY14 and a net loss of \$3.2m was recorded.
2016	In FY16, AFTA revenue further decreased to \$15.8m achieving a net loss of \$1.7m.
8 September 2016	Distribution Restructure: Notification sent from SFS to AFTA that sub distribution agreement will be terminated with offers made to acquire assets and enter into call option agreements.
2017	In FY17, AFTA revenue declined to \$6.31m resulting in a net loss of \$1.3m.
January 2018	AFTI lodge notice with ASIC in respect of share buyback in the amount of circa \$645k
18 April 2018	AFTA recorded revenue for YTD18 of \$688k generating a net loss of \$1.1m.
18 April 2018	Administrators are appointed to AFTA.

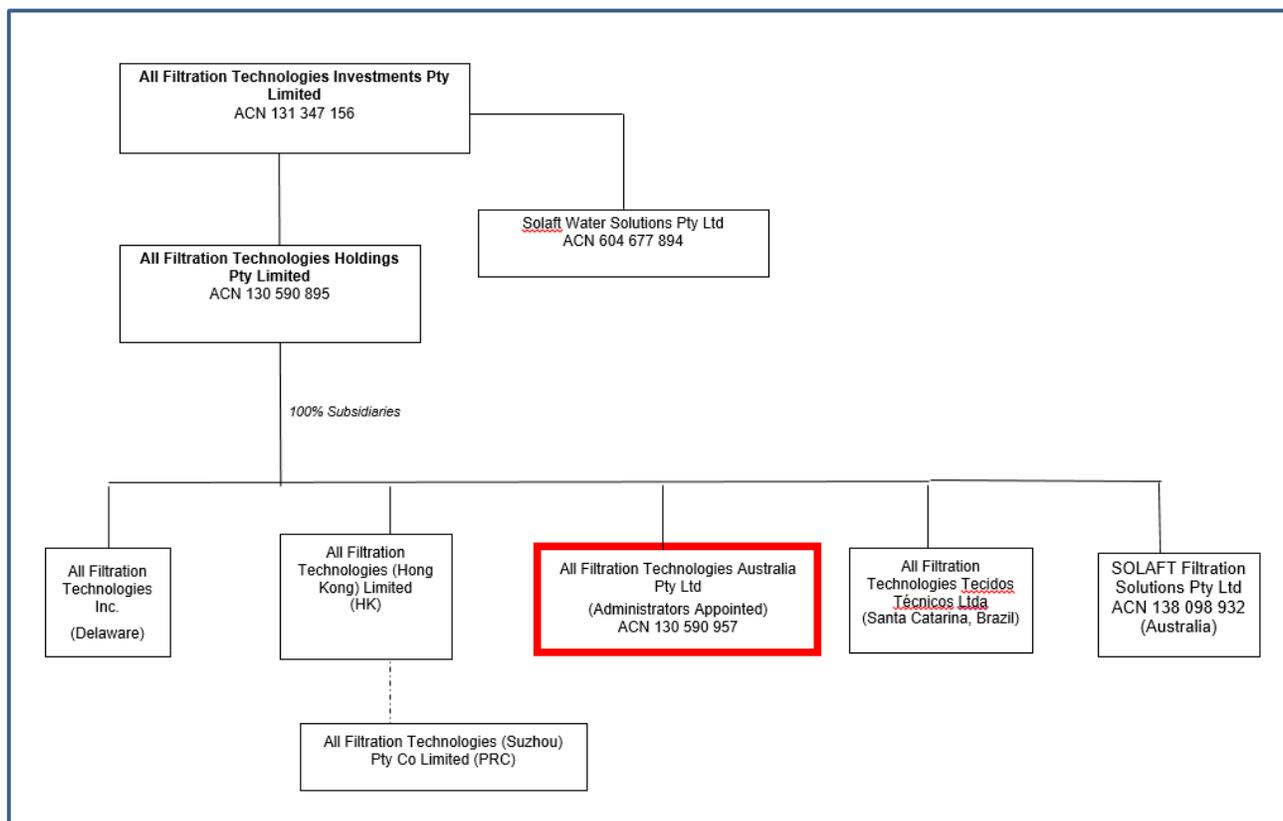
6.2. Statutory Information

AFTA's statutory information is set out below as extracted from the Australian Securities & Investments Commission's database:

Company Name	All Filtration Technologies Australia Pty Ltd (Administrators Appointed)	
ACN	130 590 957	
ABN	29 130 590 957	
Date of Incorporation	11/04/2008	
Registered Office	Suite 2, Level 1, 810 Pacific Highway, Gordon NSW 2072	
Principle Place of Business	Suite 2, Level 1, 810 Pacific Highway, Gordon NSW 2072	
Director	Justin Gallagher	
Authorised & Issues Share Capital	2 Ordinary Share Fully Paid	
Shareholders	All Filtration Technologies Holdings Pty Ltd	2 Ordinary

6.3. Group Structure

Below is an organisational chart of the AFTI Group. AFTA is a wholly owned subsidiary of AFTH, and AFTA's ultimate parent is All Filtration Investments Pty Ltd ("AFTI") (as the parent of AFTH). AFTA has 4 related entities including SFS. From the chart it can be seen that AFTI Group consists of entities incorporated not only in Australia but also in Asia and the Americas.



A brief summary of the role of each entity is detailed below:

Entity	Role/Activities
All Filtration Technologies Investments Pty Ltd ("AFTI")	Overall holding company for the group. No operating activities.
All Filtration Technologies Holdings Pty Ltd ("AFTH")	Contains all head office functions of the group.
All Filtration Technologies Inc. ("AFTU")	Contains all sales undertaken in USA.
All Filtration Technologies (Hong Kong) Limited ("AFTHK")	Sales and distribution business for all activities in all unallocated territories (outside of Australia, China, USA, South America and New Zealand) in which SFS does not have a subsidiary.
Albany International Applied Technologies (Suzhou) Co Ltd ("AFTC")	Contains all manufacturing and sales undertaken in China.
All Filtration Technologies Australia Pty Ltd ("AFTA")	Manufacturing activities in Australia.

All Filtration Technologies Tecnicos Ltda ("AFTT")	Contains all manufacturing and sales undertaken in Brazil and certain other activities in South America.
Solaft Filtration Solutions Australia Pty Ltd ("SFS")	Selling, customer support and logistics activities for Australia and New Zealand markets.

6.4. Registered Security Interests

The Personal Property Securities Register ("PPSR") is a public register of all registered security interests.

A search of the Personal Property Securities Register ("PPSR") revealed numerous security interests registered against AFTA. A summary of all registered security interests as at the date of our appointment is attached as **Annexure B**.

Following appointment, the Administrators issued a circular to all entities that had a registered security interest. A response has been received from most parties clarifying their interest.

The Administrators continue to liaise with suppliers who held validly registered security interests in respect to inventory and plant & equipment supplied. Any assets sold were sold subject to these interests.

Several parties have formally discharged their interests, whilst the Administrators are currently in ongoing discussions in relation to the remaining plant & equipment on hand and will continue to attempt to resolve these matters.

6.5. Registered Security Interest – Related Party

The review of the PPSR also revealed that AFTA's debt to AFTH was secured by an All Present and After Acquired Property ("All PAP") registration lodged on 8 August 2017 pursuant to a General Security Agreement (GSA) between the two entities. The value of the secured loan was \$956k as at the date of the Administrators' appointment.

AFTH advised the Administrators that it was not willing to consent to the release of its security to facilitate the sale of assets by the Administrators to third parties.

As discussed above at Sections 5.3 and 5.4, the debt to AFTH was assumed by SFS as part of the asset sale agreement.

6.6. AFTI Group Restructure

From initial discussions with the Director and AFTA management, AFTA was part of an overall restructure of the AFTI Group throughout FY14 to FY16.

The restructure impacted the performance of AFTA which is highlighted through the significant trading losses from FY15 onwards.

The Director has advised that the restructure intended to have a single operating entity in each geographic area as well as a legal entity containing head office activities. This would enable assessment of each trading entity including AFTA as a standalone business, so the management reporting and decision-making would be enhanced.

As part of the restructure, the following distribution agreements were entered into between the AFTI Group:

- On 13 May 2014, a distribution agreement signed between SFS and AFTA for the distribution of products manufactured by AFTC and on behalf of AFTHK; and
- On 29 October 2014, a distribution agreement signed between AFTHK and SFS for the distribution of products manufactured in AFTC on behalf of AFTHK.

The implications of the above are discussed further in section 11 and will be further investigated in the Liquidation.

Termination of Sub-distribution Agreement between SFS and AFTA

Board minutes of AFTA dated 8 September 2016 ("Board Minutes"), identifies correspondence from SFS of their intention to terminate the sub distribution agreement between SFS and AFTA. As part of this correspondence was a proposal which included SFS undertaking the sales of products made by AFTA, to purchase all finished goods stock held by AFTA and to take over the employment of AFTA's sales and customer service personnel.

Amongst other factors, the Board Minutes disclose the proposal was accepted as a result of the following:

- Divestment of finished goods inventory enabled a significant reduction in creditors and removed the need for any finished goods inventory to be held in the future;
- Transfer of the ongoing costs and employment liabilities associated with the sales and customer service team;
- Secures a channel for distribution of all products manufactured by AFTA including those that are currently sold below standard cost on the standard intercompany terms;
- Reduction in management fee from AFTA given reduced function with AFTA; and
- The further option of divesting assets at a premium to holding value.

As outlined above, the implications of the above are discussed further in section 11 and will be further investigated in the Liquidation.

Review of the above, will include consideration as to whether the Director of AFTA acted in the interests of AFTA as required by the Corporations Act. These findings will be made available to ASIC in the Administrators report pursuant to section 533 of the Act.

7 Historical Financial Performance

We have been provided with AFTA's audited financial statements or management accounts for the following periods:

- Audited financial accounts for the financial years ended 30 June 2014 ("FY14"), 2015 ("FY15") and 2016 ("FY16"); and
- Management accounts for financial year ended 30 June 2017 ("FY17") and Year to date, being 6 April 2018 ("YTD 18").

7.1. Profit and Loss

The Profit and Loss statements of AFTA for FY14 to FY17 and YTD18 are summarised below:

Profit and Loss A\$'000	FY 14 \$	FY 15 \$	FY 16 \$	FY 17 \$	YTD 18 \$
Sales	18,293	16,295	15,882	6,111	668
Less: Cost of Goods Sold	(12,518)	(12,522)	(13,323)	(5,176)	(695)
Gross Profit	5,775	3,773	2,559	935	(27)
Gross Profit Margin	31.57%	23.15%	16.11%	15.30%	-4.04%
Administration Costs	230	217	177	159	39
Communication Costs	80	69	72	56	24
Debt Collection Fees	27	23	(17)	8	-
Foreign Exchange Loss	53	482	137	-	-
General Expenses	4	9	18	(184)	14.00
Insurance	-	-	-	-	66
Intercompany Management Fee	2,400	1,200	1,560	960	405
Professional fees	284	313	218	27	26
Rental Outgoings	114	143	130	80	-
Travel Expenses	263	348	109	22	2
Employee Benefits	2,223	2,327	1,750	915	393
Write Back of Intercompany Loans	(441)	1,863	-	-	-
Total Expenses	5,237	6,994	4,154	2,042	969
EBITDA	538	(3,221)	(1,595)	(1,107)	(996)
Income tax (expense) / benefit	17	(251)	(33)	34	6
Depreciation	406	280	158	114	66
Other Income	15	(7)	41	19	(1)
Net Profit/(Loss) After Tax	100	(3,243)	(1,761)	(1,274)	(1,067)
Removal Of Intercompany Transactions:					
EBITDA	538	(3,221)	(1,595)	(1,107)	(997)
Intercompany Management Fee	2,400	1,200	1,560	960	405
Write Back of Intercompany Loans	(441)	1,863	-	-	-
EBITDA excl intercompany transactions	2,497	(158)	(35)	(147)	(592)

(Source: Financial Statements for FY14, FY15 & FY16 and Management Accounts for FY17 & YTD18)

We provide the following comments regarding the profit and loss statements above:

- Revenue decreased from \$18.29m in 2014 to \$15.88m in 2016, then fell significantly to \$6.11m in 2017 and \$668k for the year to 18 April 2018. This sharp decline appears to relate to the impact of the restructure as mentioned in section 6.6;
- COGS climbed as percentage of sales over the same period from 68% in 2014, to 84.7% in 2017 and eventually 104% for the 2018 year to date. This eroded gross profit margin as a percentage of sales from 31.57% in 2014 to 15.30% in 2017 indicating that costs were not able to be managed in accordance with the decline in revenue;
- Employee expenses were reduced, though not strictly in line revenue from \$2.32m in 2015 to \$915k in 2017 and \$393k in 2018;
- Significant inter-company management fees were charged against AFTA. Ranging from \$2.4m in 2014 (42.5% of total expenses), \$1.2m (16.5% of total expenses) and \$1.56m (21.5% of total expenses) in 2015 and 2016 respectively. When intercompany management fees and adjustments for intercompany loans are removed, the overall performance of AFTA improves but is still generating losses other than in FY14 as shown below.

Profit and Loss A\$'000	FY 14 \$	FY 15 \$	FY 16 \$	FY 17 \$	YTD 18 \$
EBITDA	538	(3,221)	(1,595)	(1,107)	(996)
Intercompany transactions	1,959	3,063	1,560	960	405
Revised EBITDA	2,497	(158)	(35)	(147)	(591)

(Source: Financial Statements for FY14, FY15 & FY16 and Management Accounts for FY17 & YTD18)

7.2. Balance Sheet

The Balance Sheets of AFTA as at 30 June 2014, to 30 June 2017, 31 March 2018 and 18 April 2018 are summarised below:

Balance Sheet	30-Jun-14	30-Jun-15	30-Jun-16	30-Jun-17	31-Mar-18	18-Apr-18
A\$'000	\$	\$	\$	\$	\$	\$
Current Assets						
Cash and Cash Equivalents	1,628	424	13	39	71	7
Trade & Other Receivables	2,808	1,793	3,186	116	40	28
Inventories	2,456	1,989	2,112	938	607	405
Intercompany receivables	131	198	108	-	570	-
Other Assets	141	128	173	231	217	365
Total Current Assets	7,164	4,532	5,592	1,324	1,505	805
Non-Current Assets						
Property, Plant & Equipment	731	496	334	220	155	155
Intercompany loans receivable	1,819	49	711	-	-	-
Deferred Tax Assets	421	571	557	526	460	460
Total Non-Current Assets	2,971	1,116	1,602	746	615	615
Total Assets	10,135	5,648	7,194	2,070	2,120	1,420
Current Liabilities						
Trade & Other Liabilities	803	772	1,044	387	415	282
Intercompany payables	3,251	2,440	4,217	-	-	-
Borrowings	-	-	669	-	-	-
Provisions Current	1,131	1,310	1,401	1,270	1,288	1,288
Total Current Liabilities	5,185	4,522	7,331	1,657	1,703	1,569
Non-Current Liabilities						
Provisions	54	71	67	-	-	-
Deferred Tax Liability	210	109	63	66	-	-
Intercompany Loans	1,791	1,294	1,842	3,837	4,784	4,308
Total Non-Current Liabilities	2,055	1,474	1,972	3,903	4,784	4,308
Total Liabilities	7,240	5,996	9,303	5,560	6,487	5,877
Net Assets	2,895	(348)	(2,109)	(3,490)	(4,367)	(4,457)
Equity						
Issued Capital	0.002	0.002	0.002	0.002	0.002	0.002
(Accumulated Losses) Retained Earnings	2,895	(348)	(2,109)	(3,383)	(4,366)	(4,456)
Total Equity	2,895	(348)	(2,109)	(3,383)	(4,366)	(4,456)
Analysis of Net Asset Position:						
Internal Net Assets	(3,092)	(3,488)	(5,240)	(3,837)	(4,213)	(4,308)
External Net Assets	5,987	3,140	3,131	348	(152)	(149)
Revised Net Assets	2,895	(348)	(2,109)	(3,489)	(4,366)	(4,456)

(Source: Financial Statements for FY14, FY15 & FY16 and Management Accounts for FY17 & YTD18)

We provide the following comments regarding the material issues identified from the Balance Sheets above:

- Cash significantly decreased over the 4 years from FY14 to FY17 falling from \$1.6m to \$1.5k. At appointment cash totalled \$7.5k;
- Book Value of Inventory depleted from \$2.45m to \$405k as at appointment;
- Trade debtors fell most significantly from \$3.1m at 30 June 2016 to \$116k as at 30 June 2017, with a balance of only \$28k as at appointment as sales were conducted by other entities;
- Plant & Equipment reduced from \$731k at FY14 to \$155k at appointment indicating a lack of reinvestment and ageing plant;
- A intercompany receivable of \$570k was eliminated during the 18 days between 31 March 2018 and 18 April 2018;
- Above reductions constituted a fall in current assets from \$7.1m at 30 June 2014 to \$805k as at appointment. As outlined above, this significant reduction in current assets and working capital also coincides with the AFTI Group restructure throughout 2015 and 2016;
- AFTA's provision for employee entitlements remained relatively constant decreasing by only 9% from \$1.4m in 2016 to \$1.29m as at the date of our appointment; and
- Third party trade creditors reduced from \$1.04m to \$282k over the same period.

Overall the net asset position of AFTA deteriorated from negative \$348k in 2015 to negative \$4.4m as at the date of appointment. At appointment, AFTA was subject to \$4.3m in intercompany loan liabilities representing the majority of the net asset shortfall.

7.3. Group Financial Performance

As set out above at Section 6.3, AFTA is part of the larger AFTI Group structure. The remainder of the AFTI Group continues to trade in the normal course of business.

Accordingly, historical financial performance of AFTA has also been considered from the perspective of its contribution/cost to the overall group financial performance as highlighted in the table below:

\$000's	AFTI Group (Consolidated)					AFTA				
	Jun-14	June 15	June 16	June 17	Total	June 14	June 15	June 16	June 17	Total
Revenue	32,218	38,699	33,997	38,881	143,795	17,889	15,626	15,471	6,111	55,097
	Revenue of AFTA fell by \$9.63m during the 2017 financial year; however, over the same period revenue rose by \$4.9m for the AFTI Group on a consolidated basis.									
COGS	18,812	24,478	21,969	24,650	110,626	8,291	7,944	8,394	5,786	45,663
	AFTA's COGS decreased by \$2.6m while the balance of the Group's entities increased their COGS by \$2.7m over the 2017 financial year.									
Debtors	6,103	6,152	9,868	8,694		2,808	1,793	3,186	116	
	The value of AFTA's debtors decreased over FY17 by \$3.1m whilst during the same period an increase of \$1.2m in debtors was seen across the balance of the AFTI Group entities.									
Inventory	7,116	7,386	6,256	6,990		2,456	1,989	2,112	938	
	AFTA's inventory decreased in value from \$2.1m in FY16 to \$938k in FY17. Over the same period, the value of inventory across the AFTI Group as whole, increase from \$6.25m to \$6.99m.									
Net Asset Position	14,971	14,553	10,133	11,108		2,894	(348)	(2,109)	(3,383)	
	The net asset position of AFTA deteriorated by \$1.27m over FY17, while the balance of the AFTI Group entities improved their net asset position by \$975k.									

(Source: Financial Statements for FY14, FY15 & FY16 and Management Accounts for FY17 & YTD18)

8 Company's Business, Property, Affairs and Financial Circumstances

Under Section 438B of the Act, the Director is required to provide the Administrators with a Statement of AFTA's Business, Property, Affairs and Financial Circumstances which is also referred to as a RATA.

The RATA represents the Director's assessment of the asset and liability position of AFTA on a book value ("BV") and estimated realisable value ("ERV") basis.

The RATA was required to be submitted within five business days of appointment being 30 April 2018; however, was only received by the Administrators on 7 May 2018. The RATA submitted by Mr Gallagher is summarised below:

Summary Report as to Affairs	Note	Book Value	Directors ERV
A\$000's		\$	\$
Assets not specifically charged:			
Sundry Debtors	8.1	28	28
Cash at Bank/Hand	8.2	7	7
Stock on Hand	8.3	530	53
Plant and Equipment	8.4	155	155
Other Assets	8.5	222	164
Total Assets not Charged		942	407
Less: Priority Employee Entitlements	8.6	1,143	1,143
Available to Secured Creditors:		(201)	(736)
Less: Amount owing	8.7	957	957
Available to Unsecured Creditors		(1,157)	(1,693)
Creditors:			
Unsecured Creditors	8.8	3,640	3,640
Total Unsecured Claims		3,640	3,640
Surplus/(Deficiency) to Shareholders		(4,797)	(5,333)

(Source: Directors RATA)

It appears the Director's estimate of the financial position is reasonable, subject to the comments and clarifications below.

We make the following comments regarding the RATA:

8.1. Sundry Debtors

Sundry Debtors totalling \$27.8k was disclosed comprising debtors of \$34k less a provision for doubtful debts in the amount of \$6.8k. The doubtful debts relate to companies that are either in Liquidation or have disputed the debt for several years. There does not appear to be any recoverability to these debtors.

The Administrators to date have collected debtors totalling \$43k; however, approximately \$15k appears to have been received in respect of a debt owing to SFS and may accordingly need to be transferred to SFS.

There is circa \$1.5k of debtors still outstanding; however, they are not due and payable until 30 May 2018.

8.2. Cash at Bank

AFTA held cash at bank of AU\$4.7k and US\$1.5k at appointment across four bank accounts held with ANZ Bank.

The Administrators have recovered the cash at bank and the accounts have remained open to facilitate the collection of debtors and other receipts.

8.3. Inventory

The RATA shows a book value of inventory of \$530k, based on the books and records at the date of appointment.

The Director has estimated that the inventory will be realised for circa \$53k or 10% of its book value.

As detailed above at Section 5.3, all inventory was sold to SFS following appointment as part of an ASA at a value higher than the Director's estimated value and auction value produced by Tiger.

8.4. Plant and Equipment

The RATA disclosed P&E with a book value of \$155k comprised of leasehold Improvements, machinery & equipment, motor vehicles, office furniture/fittings and computer hardware.

The Director estimated a realisable value of \$155k being the written down value net of accumulated depreciation.

As detailed in Section 5.3, the P&E was subject to an AllPAAP security interest in favour of AFTH. As a result, the majority of P&E was sold to SFS as part of the ASA. Further detail in respect of the Administrators assessment of the P&E is discussed in section 5.4.

The Administrators have engaged Tiger to approach interested parties whom have expressed interest in the residual P&E.

8.5. Other Assets

The RATA discloses Other Assets with a book value of \$222k, comprising the following:

Other Assets	Book Value	ERV
\$A		
Rental Bond	97,998	97,998
Bank Guarantee	26,543	26,543
Prepaid Insurance	39,385	39,385
Prepaid Expenses	58,550	-
Total	222,476	163,926

It is unlikely that these assets will have any recoverable value with the exception of the Prepaid Insurance. The Administrators have notified AFTA's insurance providers to cancel the pre-appointment policy and are awaiting a response to determine if a refund will be received.

A bank guarantee was lodged by AFTA as part of a trade agreement with NRG. As AFTA is unable to honour its trade agreement with NRG, and transferred liability for warranty claims potentially arising from the trade agreement to SFS

as part of the ASA, NRG was not expected to release the guarantee to AFTA. Accordingly, the bank guarantee was also assigned to SFS as part of the ASA. The agreement is discussed above at Section 5.3.

8.6. Priority Employee Entitlements

The Director's estimate of the value of outstanding priority employee entitlements of \$1.143m is based on the Books and Records of AFTA.

The Administrators' review of AFTA's Books and Records has resulted in the identification of outstanding amounts, as detailed below. Employees hold statutory priority over:

- The ordinary unsecured creditors of AFTA for unpaid wages, superannuation contributions, annual leave and any other entitlements pursuant to Section 556 of the Act; and
- Creditors secured pursuant to a circulating security interest pursuant to Section 561.

\$000's	Terminated Employees	Transition Employees	Total
Wage Payments			
Unpaid Wages	-	-	-
RDO's	12.23	2.46	14.69
Attendance Bonus	7.82	1.10	8.91
Superannuation	-	-	-
Salary Sacrifice	-	-	-
Leave Entitlements			
Annual Leave	173.66	37.86	211.53
Leave Loading	27.09	2.98	30.08
LSL	354.91	88.76	443.67
Retrenchment Entitlements			
PILN	175.14	36.28	211.42
Redundancy	2,821.53	340.76	3,162.29
Personal Leave	472.79	123.26	596.05
Total	4,045.17	633.46	4,678.64

As employees have already been advised, in the event that there are insufficient funds available to meet outstanding entitlements, the Fair Entitlements Guarantee ("FEG"), operates to provide a certain level of funding or assistance for these entitlements upon AFTA's liquidation.

8.7. Secured Creditors

The RATA disclosed amounts owing to secured creditors totalling \$956k. The amount related to a loan amount owed to related party AFTH.

AFTH had a first ranking All PAP security interest in respect of AFTA's business and assets. The security interest was registered with respect of the intercompany loan arrangement between AFTH and AFTA.

AFTH's debt was assumed by SFS as part of the ASA discussed above at Section 5.3, hence reducing AFTA's outstanding secured creditor's pool subject to the terms of the ASA.

8.8. Unsecured Creditors

The RATA identified unsecured claims totalling \$3.61m including related party claims; however, as part of the ASA discussed above at Section 5.3, the debt payable to SFS was assumed by AFTH and conversely the debt payable to AFTH was assumed by SFS.

Accordingly, the total value of unsecured creditor claims has been reduced to approximately \$243k. The final balance of unsecured creditors is subject to adjudication of any proof of debts received.

8.9. Contingent Assets & Liabilities

The Director did not detail any contingent assets or contingent liabilities of AFTA in the RATA.

Notwithstanding, AFTA has a rental bond which is a contingent asset of AFTA as recovery is subject to return of the bond after settlement of claims by the landlord for rental arrears and make good.

Landlord claims are contingent liabilities particularly for any claim over and above the value of the rental bond as outlined previously.

The likelihood of any recovery from the rental bond is unlikely given the costs of make good and the balance of the lease period.

9 Reasons for Failure

The Director was provided with a questionnaire that included provisions for the Director to outline the factors that led to the appointment of Administrators. The Director completed this questionnaire and below is a summary of his responses:

“Set out below are some of the key events that led to the Director’s decision to appoint Administrators. Obviously, the decision was not taken lightly, and was the result of support to the Company from the broader group coming to an end off the back of deteriorating trading conditions.

The business experienced a number of adverse trading events in FY15 which included the closure of the site and one major customer (Alcan Gove), the loss of the wet filtration business with Alcoa and significant downward pressure on prices for South 32 and Rio Tinto Yarwun due to increased competition from offshore product. These particular examples are just part of the broader challenges facing the manufacturing industry, which challenges also include increase in the costs of wages, rent and utilities. These factors all had a material adverse effect on the financial performance of the Company.

The full extent of this downward performance was to some extent masked by the performance of the broader global business, and the full impact of these events became more apparent during an internal restructure that was undertaken in September 2016, which resulted in separate financial report of the individual business divisions within the group.

Since these challenges were identified, management have sought to implement a number of changes to improve the financial performance of the Company which included rental reductions, headcount reductions and wage reductions. Whilst some progress was made the total benefits realised were not sufficient to deliver the company to a profitable position.

The group has financially supported the Company, however, with the Company having tried to adopt the above initiatives, and not returning to a profitable position, this financial support was withdrawn on 18 April 2018. Without this financial support, the Director determined that an administrator should be appointed to the Company.”

The Administrators have considered the views of the Director and partially agree with his comments subject to the further comments below.

9.1. Administrators' Opinion on Reasons for Failure

In addition to the above external issues, other matters have been identified which appear to have been pivotal in the decline of AFTA:

- Management charges imposed on AFTA from related entities to maintain operations;
- Declining sales and deterioration of AFTA's asset position due to the impact of the restructure; and
- Inability to improve efficiency and performance to a breakeven level;
- Finally, the inability to fund payment of employee entitlements.

Should creditors elect to place AFTA into Liquidation, further investigation would be conducted into these areas amongst others.

10 Administrators Receipts & Payments

A summary of the Administrators' receipts and payments to 15 May 2018 is detailed below.

Administrators Receipts & Payments	
18 April 2018 to 15 May 2018	
\$000's	Amount \$
Receipts	
Sales of Assets	80.35
Pre-appointment Debtors	43.00
Cash at Bank	6.28
Bank Interest	0.28
Refund of Pre-Appointment Superannuation	0.54
Refund of Pre-Appointment Wages	0.05
Contribution from SFS	31.31
Employee Liabilities	9.57
GST Receipts	8.04
Total Receipts	179.41
Payments	
Lease payments	5.12
Rent Paid - Lisarow Premises	44.52
Sundry Expenses	0.04
Bank Charges	0.05
Legal Fees	16.53
Employee Costs	27.65
Payroll Facility Costs	0.58
Pre-appointment Superannuation	31.31
GST Payments	6.68
Withholding Tax (PAYG) Withheld	(4.44)
Total Payments	128.04
Balances in Hand	51.38

We make the following comments in respect of the Administrators Receipts & Payments:

- As discussed in section 5.3, the majority of AFTA's assets were sold to SFS for \$80k. Other minor asset realisations have also been made;
- Pre-appointment debtors totalling \$43k have been collected; however, circa \$15k may be required to be remitted to SFS as the debtor paid into the wrong account;
- As a condition of the ASA, the Administrators requested that all pre-appointment wages and superannuation be paid in full. Due to the payroll facility used by AFTA requiring a pre-appointment account with insufficient funds to be direct debited, SFS advanced the funds to the Administrators account for payment. These funds have since been paid to each employees' nominated superannuation fund;
- Employee liabilities relate to superannuation and other costs to be paid when due and payable;
- Rent for the Lisarow premises was paid in the amount of \$44.5k to enable the Administrators to facilitate the removal and transition of P&E sold in the ASA;
- Legal fees to date totalling \$16.5k have been paid; and
- Employee wages and other costs totalling \$27.65k have been paid to the staff still employed by the Administrators who are assisting with the removal of P&E and the transition process.

11 Administrators' Investigations

As outlined above in section 6.6 and in our historical financial analysis in section 7, there have been several transactions as part of the overall restructure throughout the AFTI Group that have impacted the financial position and performance of AFTA. Some of the Administrators key findings include the following:

- The separate business of AFTA originated when ANZ Private Equity made its acquisition. There was extensive disputes over the acquisition and the warranties provided. It has been asserted that this acquisition led to the business and structure

being laboured with excessive debt that has been shouldered for an excessive period. Details of the original acquisition and the warranty dispute has been provided and review is underway;

- In January 2018, a notice of a share buyback for AFT Investments to the value of circa \$645k was lodged with ASIC. Given AFTA was placed into voluntary administration following cessation of support from its parent, further investigation into the rationale of the share buyback is required and has been requested;
- Revenue throughout the AFTI Group increased from \$34m in FY16 to \$38.8m in FY17; however, revenue in AFTA decreased significantly from \$15.8m to \$10.3m over the same period. Additionally, external revenues have reduced from a peak of \$15.5m in FY16 to \$600k in YTD18 as the changes in the sales structure have been implemented;
- Several items of plant & equipment were transferred to AFTB in early 2018. Further information from AFTI regarding these transfers has been requested;
- Since 2014 circa, \$6.5m have management fees have been charged from head office to AFTA. The fees are in respect of head office staffing (general management, finance, HR, operations etc) and overheads. Over this period, the \$6.5m reflects 355% of overall trading EBITDA of \$1.8. Assessment of the reasonableness of these charges is underway;
- A loan receivable of \$570k was owing to AFTA by AFTC at 31 March 2018. The asset was subsequently adjusted to nil, prior to the Administrators' appointment. Supporting documentation explaining the adjustment has been requested; and
- Intercompany loans payable peaked at \$6.1m in FY16 with \$4.2m owing to AFTC. In FY17 the intercompany payable loans were reduced by a net \$2.1m, with \$0.2m of the AFTC balance reduced to nil and replaced by a \$2m secured debt. This coincided with a \$3.8m release of working capital as the \$10m reduction in revenue occurred. Supporting documentation to enable assessment of the reasonableness of these loans (and transfers) has been requested.

An update regarding these matters will be provided at the creditors meeting.

The implications of the above transactions are discussed below and will be further investigated in a Liquidation scenario. Findings of the investigation will be reported to the ASIC in accordance with Section 533 of the Act.

11.1. Voidable Transactions

Insolvent transactions (Section 588FC)

Insolvent transactions are unfair preferences or uncommercial transactions entered into when a company was insolvent or became insolvent as a result of entering into the transaction.

Our investigations into this matter are set out below:

Unfair preferences (Section 588FA)

Unfair preferences are transactions where a company transacts with a creditor resulting in that creditor receiving more than the creditor would receive if the transaction were set aside and the creditor claimed the same amount in a liquidation.

Unfair preferences paid by a company within six months of the relation-back day (the day of the liquidator's appointment) are void as against the Liquidator. This timeframe is extended to four years should a related entity be a party to the transaction (s588FE(4)).

As outlined in section 11.2 below, the Administrators initial determination is that AFTA became insolvent as at the appointment date on 18 April 2018. Should an earlier date of insolvency be established with further investigation, there are transactions that will require further investigation; however, at this stage our investigations have not identified any potential preferences.

Uncommercial transactions (Section 588FB)

Uncommercial transactions are transactions entered into that a reasonable person would not have entered, having regard to the benefits and detriment to the company and to the other parties involved in the transaction. Uncommercial transactions entered into by a company are voidable against the Liquidator if they were entered into within two years of the relation-back day.

As the Administrators have determined AFTA only became insolvent as at the date of appointment on 18 April 2018, should an earlier date of insolvency be established with further investigation, there are transactions that will require

further investigation particularly as the majority of transactions are with related parties including sales, sale of equipment and liability charges.

Unfair loans to a company (Section 588FD)

Unfair loans to a company are loans made to a company where interest and other charges on the loan are extortionate. These transactions can be recovered regardless of when they were entered into as long as they were entered into on or before the winding up begun.

A number of transactions already identified above as requiring further investigation, may potentially also constitute unfair loans.

Unreasonable director-related transactions (Section 588FDA)

Unreasonable director-related transactions are insolvent transactions entered into by a company and a director, close associate of a director, or person on behalf of a director, which a reasonable person would not have entered into. The transaction must be a payment by a company, the transfer of property by a company, or the incurrence of an obligation of a director's by a company. These transactions are voidable if they were entered into within four (4) years of the relation-back day.

As the Director of AFTA is also a Director of AFTA's parent and relate trading entities. Further investigation will be undertaken to confirm if there are any transactions that may represent unreasonable director-related transactions. A request for information regarding asset sale/transfer and the restructure has been requested as part of this process. Notwithstanding, to date investigations have not identified any transactions that may be pursued.

Transactions entered into for the purpose of defrauding Creditors (Section 588FE (5))

Transactions entered into for the purpose of defrauding Creditors are insolvent transactions entered into for the purpose of defeating, delaying or interfering with the rights of creditors and were entered into within a period of ten (10) years prior to the relation-back day.

At this stage, there have not been any transactions identified by the Administrators as a transaction entered into for the purpose of defrauding creditors; however, should an earlier date of insolvency be established with further investigation, there are transactions that will require further investigation.

Circulating Security Interest created within six months (Section 588FJ)

Where a circulating security interest is granted by a company within six months of the relation-back day, the security interest is void against the liquidator unless valuable consideration was given or the company was solvent at the time of granting of the circulating security interest.

Our search of the PPSR has identified that AFTH registered a circulating security interest against AFTA on 23 March 2018; however, as discussed above in section 6.4, the registration would appear to be invalid against a Liquidator on the basis that it was registered within the six months prior to the appointment of the Administrators.

Notwithstanding, AFTH already held a valid All PAAP registration over AFTA registered on 8 August 2017. The All PAAP registration was reviewed and assessed as valid confirming security and priority rights were established.

Entering into agreements to avoid employee entitlements (Section 596AB)

A person must not enter into an agreement or transaction with the intention of preventing the recovery of the entitlements of employees or significantly reducing the amount of the entitlements of employees of a company that can be recovered.

This is a key and fundamental area of focus for the Administrators (and Liquidators post winding up) given the significant quantum of the debt owed to employees of \$4.68m and the movement of assets across the AFTI Group as part of the restructure (as discussed above in sections 6.6 and 7).

Therefore, the restructure, related transactions regarding assets/business and the intent/implications of same on AFTA is a key investigation matter.

11.2. Insolvent Trading

Whilst AFTA reported trading deficits for a number of years prior to the appointment of Administrators, it is not necessarily deemed to be insolvent. The common director of the AFTI Group and AFTA has advised that AFTA was operating with the financial support of its parent and the AFTI Group.

Accordingly, it was as at the date that the financial support was withdrawn and the Director of AFTA acted to avoid insolvent trading by appointing Administrators.

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 sued for insolvent trading if the company is in Liquidation.

For general information about Insolvent Trading, please refer to the attached information sheet (**Annexure C**).

Directors' duty to prevent Insolvent Trading (Section 588G)

A Director of a company has a duty to prevent a company from incurring a debt when the company is insolvent or, there are reasonable grounds to suspect that the company is or would become insolvent.

A Director would fail to fulfil that duty if the Director was aware of the grounds for suspecting the company is or would become insolvent or a reasonable person in a like position would be aware of such grounds.

The defences available to a Director are as follows;

- i. The Director had reasonable grounds to expect, and did expect, that the company was solvent and would remain so; or
- ii. The Director had reasonable grounds to believe, and did believe, that a competent and reliable person was providing adequate information to the Director and based on that information the Director expected the company to be solvent and to remain so; or
- iii. The Director did not take part in the management of the company at the time due to illness or other good reason; or
- iv. The Director took reasonable steps to prevent the company from incurring the debt.

Given the timing of the appointment of Administrators, it is considered likely that the Director would successfully claim the defence of having taken reasonable steps to prevent the company from incurring further debt.

Solvency Analysis

We have undertaken an assessment of the following attributes to determine whether AFTA had continued to trade whilst insolvent prior to our appointment:

Test / Review	Summary / Definition / Implementation
Balance Sheet Test	The balance sheet test assesses the net asset position of AFTA. A negative net asset position indicates an entity may be insolvent; however, the definitive is the cash flow test.
Cash Flow Test	The cash flow test assesses whether a Company has the ability to realistically settle its debts as they become due and payable. Case law has also identified various factors that form part of this assessment. Relevant factors identified for AFTA are as follows:
Current Ratio/Working Capital Analysis	The current ratio performance compares current assets to current liabilities. A current ratio greater than 1.0 indicates a likelihood to satisfy its current liabilities as and when they become due and payable. Consequently, a current ratio less than 1.0 indicates difficulty or potential inability to satisfy their current liabilities when due and payable.
Creditors Ageing	Creditors being paid outside normal trading terms or industry norms is an indicator of insolvency.

Test / Review	Summary / Definition / Implementation
Demands for Payment & Payment Arrangements	Informal and formal demands for payment or payment arrangements are assessed and reviewed as indicate of an entity being unable to pay its debts as and when they fall due.
Statutory Liabilities	Statutory obligations are generally due and payable at the required lodgement dates. Therefore, non-payment is an indicator of an inability to pay debts as and when they fall due.

The findings of our solvency review of AFTA are outlined below:

Test / Review	Summary of Findings
Balance Sheet Test	<p>We make the following comments in relation to the balance sheet analysis:</p> <ul style="list-style-type: none"> ▪ AFTA has traded with a negative net asset position since 30 June 2015; and ▪ Intercompany loans are significant part of AFTA's liabilities totalling circa \$4.3m at appointment.
Cash Flow Test	The analysis carried out for the cash flow test is set out below.
Current Ratio/ Working Capital Analysis	The current ratio analysis indicates AFTA would have difficulty satisfying current liabilities between 30 June 2016 and appointment without support of the AFTI Group.
Creditors Ageing	It appears that AFTA was able to pay creditors as and when they fell due as the majority of creditors were only aged between 0-30 days from July 2017 to the appointment of Administrators.
Creditors Demands for Payment and Payment Arrangements	We have not identified any formal demands for payment issued to AFTA. Further, we have not identified any creditors that have commenced informal action against AFTA for unpaid debts.
Statutory Liabilities	<p>Australian Taxation Office</p> <p>The Administrators requested that the ATO provide copies of all taxation statements, accounts and correspondence in respect of AFTA's taxation affairs following our appointment.</p> <p>We have not been provided the requested documents to date; however, management have supplied limited documents relating to the taxation affairs and advised that all tax lodgements were up to date.</p> <p>The AFTI Group reported on a consolidated basis and the income tax return for FY17 is expected to be lodged in the coming weeks.</p> <p>Other Statutory Obligations</p> <p>As outlined above in section 5.3, the Administrators ensured SFS paid all outstanding wages and superannuation entitlements as a condition of the ASA. The Administrators have paid these liabilities.</p> <p>Additionally, we have been advised that all payroll tax lodgements were current and paid in full to the end of March 2018. Reporting requirements and liabilities for April 2018 had not yet fallen due and payable when Administrators were appointed.</p> <p>Workers Compensation policies were paid up to date when the next instalment due in May 2018.</p>

Conclusion - Insolvent Trading

The table below is a summary of the Administrators' findings from the insolvent trading analysis:

Factor	Analysis
Key Indicators of Insolvency	<p>The following is a summary of our analysis of AFTA's insolvency:</p> <ul style="list-style-type: none"> ▪ AFTA received significant funding and continued support from shareholders and related parties from FY14 onwards to meet working capital requirements. Amounts owing to related parties were \$4.3 at appointment; however, was not due and payable; ▪ With the removal of intercompany loans, AFTA had a positive net asset position at 31 March 2018 and only a minimal net asset deficiency at appointment following the write-off of a related party debtor; ▪ The majority of creditors, other than related entities, were either current or aged between 1-30 days in the 6 months prior to the appointment of the Administrators; ▪ There were not any informal or formal demands for payment issued to AFTA; ▪ AFTA appeared to be up to date with all statutory lodgements; and ▪ Most importantly, AFTH as the parent company and SFS as a related entity, continued to support AFTA financially until shortly below the appointment of Administrators and had not issued demand for payment at any stage.
Date of Insolvency	As a result of the above, the Administrators are of the opinion that AFTA was insolvent from 18 April 2018, immediately prior to the appointment of Administrators.
Further Investigation & Estimate of Claim	<p>A further review of AFTA's solvency would be undertaken if AFTA is placed into Liquidation; however, our position is unlikely to change unless conflicting information is identified or received.</p> <p>Given the Administrators believe that AFTA became insolvent at the date of appointment, a claim against the Directors for insolvent trading is unlikely to have any material value or be justified to pursue commercially.</p>

11.3. Other Offences

Books and Records

Duty to ensure books and records are maintained in accordance with the Corporations Act (Section 286) – a company must keep written financial records that:

- a) Correctly record and explain its transactions and financial position and performance, and
- b) Would enable true and fair financial statements to be prepared and audited.

Overall, our preliminary view is that AFTA's books and records have been maintained in accordance with the Act.

Review of Directors' Duties and Responsibilities

The Director, as with all directors have statutory obligations regarding their conduct and duties to respective stakeholders including the creditors and members of AFTA.

When a company is nearing insolvency, the Australian Courts have found that in exercising this duty, the Directors must have regard to the interests of creditors of the company.

We have reviewed the various aspects of the Director's responsibilities and have identified a number of actions that may be considered to be breaches of the Director's duties.

In accordance with section 438D of the Act, a report will be submitted to the ASIC to inform them of any possible offences committed by the director, should they be confirmed by further investigations.

The table below outlines the potential offences identified by the Administrators:

Duty	Conduct	Concerns
Section 180 – Duty of Care and Diligence	<p>We have identified the following directors actions that <u>may</u> represent breaches of directors duties:</p> <ul style="list-style-type: none"> ▪ Transfer of assets, including sales revenue, from AFTA to other entities within the AFTI Group as outlined in section 7.3 of the report; ▪ Acceptance of significant group management charges as also referred to in Section 7.3; and ▪ Disposal of current assets for limited or no benefit to AFTA as discussed in Section 7.3. 	<p>The Directors conduct may not have been in accordance with their obligations and has negatively impacted stakeholders; however, may not have been intentional.</p>
Section 181 – Duty of good faith		
Section 182 – Duty not to make improper use of position		
Section 596AB – Entering into transactions to avoid employee entitlements		

The consequences of a breach of duties for the Directors in Liquidation could be the following:

- A Liquidator pursuing the Directors personally for the quantum of any loss suffered by the Company arising from the breach of duty;
- ASIC prosecuting the Directors for their conduct under a civil penalty provision which could result in a maximum of \$200k; and
- ASIC pursuing director banning orders prohibiting them from managing a company.

At this point it is difficult to quantify the potential losses to AFTA from these matters based on preliminary assessment. Pursuit of any claim against the Directors for breach of their duties would:

- Require significant work to be completed by the Liquidators to substantiate the losses suffered by the Company; and
- Likely result in significant costs to pursue recovery.

Entering into Transaction to Avoid Employee Entitlements

As mentioned above in section 11.1, section 596AB(1) of the Act requires that “A person must not enter into a relevant agreement or a transaction with the intention of, or with the intentions that include the intention of:

- a. Preventing the recovery of the entitlements of employees of a company; or
- b. Significantly reducing the amount of the entitlements of employees of a company that can be recovered.

An offence for contravention of the section by a person, if proved, carries a penalty of a fine up to of \$170,000 and/or 10 years imprisonment.

Whether or not a person has been convicted of an offence in relation to a contravention, a Liquidation can recover compensation from the person as a debt due to the company an amount equal to the loss and damage suffered by the employees.

If a Liquidator is, for example, without funds to pursue a recovery action then after 6 months have elapsed an employee can commence sue for compensation in their own right.

Due to the quantum of entitlements that are outstanding, it would appear that both ASIC and the Department of Employment may take interest in the Liquidators further investigations into the affairs of AFTA and the Director’s conduct. Discussions have occurred with a representative of the Department of Employment regarding these investigations.

A further update to creditors will be provided once the Liquidators investigations are finalised.

Notwithstanding, in accordance with section 438D of the Act, a report must be submitted to the ASIC informing them of any possible offences committed by the Director of AFTA.

12 Estimated Return to Creditors

A return to creditors in liquidation of AFTA is dependent upon:

1. Finalisation of Administration Position including the cost of the Administration and Liquidation;
2. Realisations from sale of the remaining assets (if any); and
3. Recoveries of any voidable transactions (if any).

The table below provides an estimate of the potential return to creditors of AFTA in liquidation on a high and low basis:

Estimated Statement of Position - 16 May 2018		
\$000's	Low (\$)	High (\$)
<i>Circulating Assets:</i>		
Cash at Bank/Hand	52	52
Plant & Equipment	-	10
Balance of Asset Sale Agreement	80	80
Debtors	-	7
<i>Potential Recoveries</i>		
Voidable Transactions	Unknown	Unknown
Total Circulating Asset Realisations	132	149
Less:		
Administrators Remuneration & Disbursements	100	100
Costs of Administration	79	79
Estimated Liquidators Remuneration & Disbursements	100	100
Employee Wages & Costs	24	24
Valuation Fees	10	10
Estimated Funds Available for Employee Entitlements	(181)	(164)
Less:		
Employee Entitlements	4,679	4,679
Estimated Dividend Return (cents / \$)	Nil	Nil
Estimated Surplus/(Shortfall) - Circulating Assets	(4,859)	(4,842)
Total Surplus/Shortfall		
Available for Unsecured Creditors	(4,859)	(4,842)
Unsecured Creditors		
Unsecured Creditors	243	243
Total Unsecured Creditor Claims	243	243
Estimated Dividend Return (cents / \$)	Nil	Nil
Total Shortfall	(5,102)	(5,085)

The above values for the potential liquidation realisations are based on low to high estimates subject to:

- The final costs of the Administration and Liquidation;
- In our general experience, short falls to leasing creditors from vacated premises may increase the value of unsecured creditor claims;
- The final amount of creditor claims including further and contingent claims received; and
- Expectations from recoveries from voidable transactions are not commercial to pursue are confirmed once further investigations are completed.

Specific comments regarding the figures presented above are presented on the following table:

Asset/Liability	Status	Reference
Cash at Bank	Cash at Bank relates to the current cash on hand held by the Administrators. There is a further security bond held in favour by the landlord of the Lisarow premises; however, it does not appear that it will be recoverable.	Section 8.2 - Cash at Bank

Plant and Equipment	<p>The majority of plant and equipment was sold as part of the asset sale to SFS detailed in section 8.4; however, there are residual assets on site at the Lisarow Premises which still to be realised by the Administrators.</p> <p>It is estimated the net realisable value of the residual plant and equipment to be between nil and \$10k.</p>	Section 8.4 – Plant and Equipment
Balance of Asset Sale Agreement	As discussed in section 5.3, a further \$80k will be payable by SFS upon completion of terms and condition of the ASA.	Section 5.3 – Sale of Assets
Debtors	<p>There are still two outstanding debtors totalling \$1.5k which are due to be paid on 30 May 2018. Additionally, there are further debtors totalling \$6.8k; however, these debtors are aged over 90 days and AFTA management have advised they do not appear recoverable</p> <p>As outlined above, a Liquidator would further review any potential voidable transaction which would be recoverable for the benefit of creditors.</p>	Section 8.1 – Sundry Debtors
Voidable Transactions	<p>At this stage, the Administrators are not able to quantify the value of the potential voidable transactions.</p> <p>A further report to creditors will be provide detailing the outcome of the Liquidators investigation should creditors resolve to wind up AFTA.</p>	Section 0 – Voidable Transactions
Costs of Administration	Costs of Administration relate to future costs payable by the Administrators which relate to the Administration period including but not limited to equipment hire, legal fees, insurance and payroll costs.	Section 10 – Receipts & Payments
Employee Wages & Costs	These costs relate to the wages and on costs of employees who were still employed throughout the Administration period to facilitate the transition and removal of plant and equipment in accordance with the sale of assets to SFS.	Section 5.3 – Sale of Assets
Administrators/Liquidators Remuneration	<p>The Administrators / Liquidators fees and costs include:</p> <ul style="list-style-type: none"> ▪ Proposed resolutions for remuneration for the Administration and Liquidation; and ▪ Estimates of the disbursements of the Administration and Liquidation. <p>Tasks in the Liquidation include sale of remaining assets, potential entitlements distributions to employees and undertaking further investigations.</p>	Section 14 - Remuneration
Employee Entitlements	Claims as per the Administrators estimates.	Section 8.6 – Priority Employee Entitlements
Unsecured Creditors	Values as per the Administrators estimates	Section 8.8 – Unsecured Creditors

At this stage, it is not likely that a return to priority or unsecured creditors will occur; however, further certainty will be provided once all asset realisations are finalised and any potential voidable transactions have been recovered.

13 Administrators' Recommendation

Pursuant to Section 439A of the Act, an Administrator must provide a statement setting out his opinion about each of the options below and to state reasons for those opinions:

- The Company execute a DOCA or

- The Administration should end; or
- The Company be wound up.

Section 75-140(3) of the Insolvency Practice Rules (Corporations) 2016 also allows for the meeting to be adjourned for a period not exceeding 45 business days.

We are obliged to give our opinion on the matters noted below. We have formed our conclusions and based our recommendations on the following matters:

- The asset and liability position of AFTA;
- The absence of any purchaser for the ongoing operation of the business;
- The absence of any DOCA proposal;
- Our investigations of voidable transactions and potential insolvent trading breach recoveries; and
- The forecasted return to creditors under a liquidation scenario.

13.1. Whether it would be in the creditors' interest for the Company to execute a DOCA

A DOCA has not been proposed and therefore cannot be considered.

13.2. Whether it would be in creditors' best interest for the Administration to end

AFTA is insolvent and accordingly, we do not recommend that the Administration end.

13.3. Whether it would be in the Creditors' interest for the Company to be Wound Up

In our opinion, a Liquidation of AFTA would be in the best interests of Creditors as it would maximise the funds available for distribution to any class of creditors.

Accordingly, we recommend this option.

14 Remuneration

As disclosed in the notice of first meeting it is intended that the Administrators' Remuneration be fixed on a time basis for the tasks undertaken by the Administrators and their staff and calculated by reference to the Administrators' scale of hourly rates.

Our initial remuneration notice estimated the remuneration for the Administration to be \$75k. This amount has increased to \$100k as a result of the following:

- The unforeseen issues in respect of reviewing employee entitlements for employees employed under the EBA;
- Time spent negotiating with AFTH and SFS and seeking legal advice in respect of the ASA; and
- Increased time required for the investigation of the affairs of AFTA due to the intercompany loan structure and transactions.

Attached to this report as **Annexure D** is a Remuneration Report detailing the basis on which we request creditors approve our remuneration in this matter.

A summary of actual and prospective remuneration that will be sought by the Administrators at the Second Creditors meeting scheduled for 24 May, 2018 is on the following table:

Appointment	Resolution	Amount \$ (Excluding GST)
Actual – Administrators Remuneration	To consider and, if thought fit, approve the remuneration of the Administrators, their partners and staff for the period from 18 April 2018 to 11 May 2018 to be fixed and paid calculated by reference to the hours worked and the hourly rates notified to creditors as being charged by HLB Mann Judd for work of this nature in the amount of \$85,000.00 (excluding GST and disbursements).	\$85,000.00

<p><i>Prospective –</i></p> <p>Administrators Remuneration</p>	<p>To consider and, if thought fit, approve the estimated future remuneration of the Administrators, their partners and staff for the period from 14 May 2018 to completion of the Administration to be fixed and paid calculated by reference to the hours worked and the hourly rates notified to creditors as being charged by HLB Mann Judd for work of this nature in the amount of \$15,000.00 (excluding GST and disbursements).</p>	<p>\$15,000.00</p>
<p><i>Prospective –</i></p> <p>Liquidators Remuneration</p>	<p>If a Committee is not appointed and the creditors have resolved to wind up the Company, to consider and, if thought fit, approve the estimated future remuneration of the Liquidators, their partners and staff from the commencement of the Liquidation to 30 September 2018, to be drawn as and when incurred, calculated by reference to the hours worked and hourly rates notified to creditors as being charged by HLB Mann Judd for work of this nature subject to the limit of \$50,000.00 (excluding GST and disbursements).</p>	<p>\$50,000.00</p>

The total costs of the external administrations of AFTA will vary depending on the work required to be performed by the external administrator and his partners and staff in respect of issues arising from the administration of the Company. In respect to the external administrator's Remuneration, we advise that the firm charges professional fees on the basis of time spent by the Principal Appointee and staff at rates reflecting their level of experience.

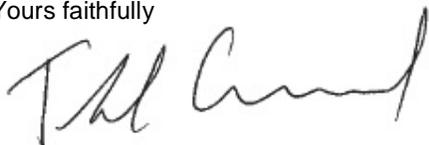
In accordance with the Australian Restructuring Insolvency & Turnaround Association ("ARITA") Code of Professional Conduct, additional details concerning the approval of the external administrator's remuneration are specified in the enclosed Remuneration Approval Report dated 17 May 2018.

15 Meeting Details and Voting Instructions

The meeting date is Thursday 24 May 2018 at 12:00pm. A copy of the Notice of Meeting, Appointment of Proxy form and Formal Proof of Debt form are attached to this report as **Annexure E, F and G** respectively.

If you would like assistance with completing your Proof, please contact this office prior to attending the Meeting of Creditors. It is requested that your Proof be lodged with our office not less than one (1) business day before this meeting.

Yours faithfully



Todd Gammel – Joint Administrator of
All Filtration Technologies Australia Pty Ltd (Administrator Appointed)
ACN 137 134 16

DECLARATION OF INDEPENDENCE, RELEVANT RELATIONSHIPS AND INDEMNITIES**ALL FILTRATION TECHNOLOGIES AUSTRALIA PTY LTD
(ADMINISTRATORS APPOINTED) ACN 130 590 957****Independence**

We, Todd Andrew Gammel and Barry Anthony Taylor, of HLB Mann Judd have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as Voluntary Administrators of All Filtration Technologies Australia Pty Ltd (“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.

Circumstances of appointment

We were initially approached by Robert Kardos, of Kardos Scanlan, to attend a meeting with the Company’s Director, Mr Justin Gallagher, regarding a potential matter. Mr Gammel had the following pre-appointment discussions/meetings:

- On 21 March 2018, a meeting was held with Mr Robert Kardos, Partner of Kardos Scanlan, Mr Matthew Hocking of the Administrators office and Mr Gallagher, at which Mr Kardos and Mr Gallagher provided a summary of the Company’s business, a high level summary of the current financial situation of the Company including its assets and liabilities and the options being considered; and
- On 13 April 2018, a further meeting with Mr Kardos and Mr Gallagher for the purposes of receiving an updated high level summary of the position of the Company and the options being considered. During the meeting, we were asked to consider accepting being appointed Administrators of the Company. Additionally the Voluntary Administration process was discussed, what the information requirements of an Administrator would be, the estimated costs of the Administration and whether the Mr Gammel and Mr Taylor would accept the appointment.

Our appointment is not affected by this pre-appointment communication for the following reasons:

- The Courts and the ARITA’s Code of Professional Practice (“the ARITA Code”) 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;
- The nature of the communication provided to the Director of the Company is such that it would not be subject to review and challenge during the course of the Voluntary Administration;
- No other information or advice was provided beyond that outlined in this declaration; and
- We received no payment for these discussions.

Relevant Relationships

Neither of us, nor our firm, have had within the preceding 24 months, any relationships with the Company, an associate of the Company or a former insolvency practitioner appointed to the Company or any person or entity that has a charge over all or substantially whole of the Company’s property, except that:

We have previously referred unrelated matters to Kardos Scanlan and been referred unrelated matters by Kardos Scanlan. We may in the future refer matters to or be referred matters by Kardos Scanlan.

We do not consider this creates a conflict of interest or duty as these referrals are based on the quality of the professional service and expertise provided and further we do not believe Kardos Scanlan are in a position to influence any decisions we may have to make by virtue of other work provided to us.

We are not aware of any other relevant relationships, including personal, business relationships from the previous 24 months that should be disclosed.

Prior Engagements with the Insolvent

Neither us, nor our Firm, have undertaken any prior engagements for the Company, its related entities or Director.

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 and disbursements.

Dated: 20th day of April 2018



.....
TODD ANDREW GAMMEL
ADMINISTRATOR



.....
BARRY ANTHONY TAYLOR
ADMINISTRATOR

NOTE: If circumstances change, or new information is identified, we are required under the ARITA *Code of Professional Practice and the Act* to update this Declaration and provide a copy to creditors with our next communication as well as table a copy of any replacement declaration at the next meeting of the company's creditors.

Summary of Registered Security Interests

ABN 29 130 590 957 Registration Summary					
Registration	Start Date	Trans	Collateral	PMSI	Secured Parties
201708140053481	14/08/2017	No	Motor Vehicle	Yes	Custom Service Leasing Pty Ltd

ACN 130 590 957 Registration Summary					
Registration	Start Date	Trans	Collateral	PMSI	Secured Parties
201201300241134	30/01/2012	No	Motor Vehicle	No	Custom Service Leasing Pty Ltd
201201310046796	31/01/2012	No	Motor Vehicle	Yes	Custom Service Leasing Pty Ltd
201202210039448	21/02/2012	No	Motor Vehicle	Yes	Fleet Partners Pty Limited
201203130034863	13/03/2012	Yes	Other Goods	No	Tridon Australia Pty Ltd
201205180037232	18/05/2012	No	Motor Vehicle	Yes	Force Corp Pty Ltd
201207110059997	11/07/2012	No	Other Goods	Yes	Royal Wolf Trading Australia Pty Limited
201209140048211	14/09/2012	Yes	Other Goods	Yes	ERA Polymers Pty Ltd
201307120060267	12/07/2013	No	Motor Vehicle	Yes	Komatsu Forklift Australia Pty Ltd
201401300063293	30/01/2014	Yes	Other Goods	Yes	Bidvest Australia Limited
201401310354940	31/01/2014	Yes	Other Goods	Yes	Cetnaj Pty Ltd
201405190024254	19/05/2014	No	Motor Vehicle	Yes	Custom Service Leasing Pty Ltd
201411110015558	11/11/2014	No	Motor Vehicle	Yes	Custom Service Leasing Pty Ltd
201411110015660	11/11/2014	No	Motor Vehicle	No	Custom Service Leasing Pty Ltd
201411180061244	18/11/2014	No	Other Goods	Yes	Viatek New South Wales Pty Ltd
201412050009037	5/12/2014	No	Other Goods	No	De Lage Landen Pty Limited
201412050009044	5/12/2014	No	Other Goods	No	De Lage Landen Pty Limited
201412050009059	5/12/2014	No	Other Goods	No	De Lage Landen Pty Limited
201412220060129	22/12/2014	No	Other Goods	Yes	Axieo Operations (Australia) Pty Limited
201509210076585	21/09/2015	No	Other Goods	Yes	Coates Hire Operations Pty Limited
201509210076782	21/09/2015	No	Motor Vehicle	Yes	Coates Hire Operations Pty Limited
201603160010802	16/03/2016	No	Other Goods	Yes	Southern Cross Oil Pty Ltd
201701180018590	18/01/2017	No	Other Goods	Yes	Metal Manufactures Limited
201708080023456	8/08/2017	No	All PAP		All Filtration Technologies Holdings Pty Ltd
201803230070408	23/03/2018	No	Other Goods	Yes	All Filtration Technologies Holdings Pty Ltd

Creditor Information Sheet

Offences, Recoverable Transactions and Insolvent Trading

Offences

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

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

Recoverable Transactions

Preferences

A preference is a transaction, such as a payment by the company to a creditor, in which the creditor receiving the payment is preferred over the general body of creditors. The relevant period for the payment commences six months before the commencement of the liquidation. The company must have been insolvent at the time of the transaction, or become insolvent because of the transaction.

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

The company must have been insolvent at the time of the transaction, or become insolvent because 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 must be entered into before 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 payments made to or on behalf of a director or close associate of a director. 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 over company property are voidable by a liquidator:

- circulating security interest created within six months of the liquidation, unless it secures a subsequent advance;
- unregistered security interests;
- security interests in favour of related parties who attempt to enforce the security within six 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 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.

CORPORATIONS ACT 2001
IPS Division 60 & IPR 70-45

**All Filtration Technologies Australia Pty Ltd
(Administrators Appointed)
ACN 130 590 957**

Remuneration Report

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1. Declaration

We, Todd Gammel and Barry Taylor, have undertaken a proper assessment of this remuneration claim for our appointment as Administrators of All Filtration Technologies Australia Pty Ltd (Administrators Appointed) 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.

2. Executive Summary

We provide the following summary of our remuneration:

	Report Reference	Amount for Approval \$ (ex GST)	
Voluntary Administration			
Resolution 8: Administrators' Remuneration for the period 18 April 2018 to 11 May 2018	3.1, 4.1	85,000.00	Actual time costs incurred for the period are \$91,357.00 (excluding GST) however, the Administrators seek approval for \$85,000.00 (excluding GST) for this period.
Resolution 9: 14 May 2018 to finalisation of the Administration	4.2	15,000.00	Approval for future remuneration sought is based on an estimate of the work necessary to the completion of the Voluntary Administration. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.
Liquidation			
Resolution 10: Commencement of the Liquidation to 30 September 2018	4.3	50,000.00	

ANNEXURE D

3. Calculation of Remuneration

3.1 Administrators Remuneration for the period 18 April 2018 to 11 May 2018

Administration All Filtration Technologies Australia Pty Ltd (Administrators Appointed)
Firm: HLB Mann Judd (NSW) Pty Ltd
Summary of Remuneration from 18 April 2018 to 11 May 2018

Person	Position	\$/hour	Total Hours	Total \$	Task Area											
					Administration		Assets		Creditors		Employee		Investigation		Trade On	
					Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$
Todd Gammel	Partner	600.00	30.8	18,480.00			15.3	9,180.00	6.0	3,600.00	2.3	1,380.00	0.9	540.00	6.3	3,780.00
Barry Taylor	Partner	600.00	0.3	180.00			0.3	180.00								
Matthew Hocking	Manager	440.00	1.8	792.00						1.8	792.00					
Angelina Royle	Manager	440.00	19.9	8,756.00					10.4	4,576.00			9.5	4,180.00		
Andrew Mulcahy	Manager	440.00	26.3	11,550.00					9.8	4,290.00			16.5	7,260.00		
Hugh Cropley	Senior	310.00	114.4	35,464.00			13.2	4,092.00	44.0	13,640.00	26.2	8,122.00	16.4	5,084.00	14.6	4,526.00
Archie Ramsay	Senior	310.00	4.4	1,364.00									4.4	1,364.00		
Frank Flawn	Senior	270.00	33.0	8,910.00	2.0	540.00			3.5	945.00	12.5	3,375.00	15.0	4,050.00		
Kurt Hopcroft	Intermediate	240.00	4.4	1,056.00									3.7	888.00	0.7	168.00
Simon Leithhead	Intermediate	240.00	10.8	2,592.00	0.5	120.00	0.5	120.00			9.8	2,352.00				
Christopher Quinn	Cadet	160.00	13.1	2,096.00	2.2	352.00	0.1	16.00	10.2	1,632.00	0.6	96.00				
Kylie Gwodz	Secretary	130.00	0.9	117.00	0.7	91.00			0.2	26.00						
Total Remuneration			260.1	91,357.00	5.4	1,103.00	29.4	13,588.00	84.0	28,709.00	53.2	16,117.00	66.4	23,366.00	21.6	8,474.00
GST				9,135.70		110.30		1,358.80		2,870.90		1,611.70		2,336.60		847.40
Total Remuneration (Including GST)				100,492.70		1,213.30		14,946.80		31,579.90		17,728.70		25,702.60		9,321.40
<i>Average hourly rate (Excluding GST)</i>				<i>351.31</i>		<i>204.26</i>		<i>462.18</i>		<i>341.57</i>		<i>302.95</i>		<i>351.90</i>		<i>392.31</i>

Actual time costs incurred for the period are \$91,357.00 (excluding GST) however, the Administrators seek approval for \$85,000.00 (excluding GST) for this period.

4. Description of work completed / to be completed

4.1 Resolution 8 – Administrators Remuneration for the period 18 April 2018 to 11 May 2018

Company:	All Filtration Technologies Australia Pty Ltd	Period From: 18 April 2018 Period To: 11 May 2018
Practitioner(s):	Todd Gammel Barry Taylor	Firm: HLB Mann Judd (NSW) Pty Ltd
Administration Type:	Administration	

Task Area	General Description	Includes
Assets Number of hours: 29.4 Cost: \$13,588.00	Sale of Assets	Internal meetings to discuss/review offers received Collation of information to provide to interested parties Liaising with interested parties in respect to purchase of assets Advanced discussions with related parties regarding their offer for business Consideration of alternate options and outcomes for creditors Finalise asset sale deed with SFS
	Plant and Equipment	Liaising with valuers, auctioneers and interested parties Attendance on site to review plant and equipment Reviewing asset listings
	Insurance	Identification of potential issues requiring attention of insurance specialists Correspondence with broker regarding initial and ongoing insurance requirements Reviewing insurance policies Correspondence with previous brokers
	Stock	Reviewing stock values Liaising and negotiating with purchasers
	Other Assets	Tasks associated with realising other assets
	Leasing	Reviewing leasing documents Liaising with lessors/owners Negotiating terms with landlords Tasks associated with disclaiming leases
	Creditors Number of hours: 84.0 Cost: \$28,709.00	Creditor Enquiries
Creditor reports		Preparing reports to creditors
Secured Creditors		Correspondence with PPSR creditors Review PPSR creditor claims Liaising
Dealing with proofs of debt		Receipting and filing POD's when not related to a dividend Corresponding with ATO regarding POD's when not related to a dividend
Meeting of Creditors		Preparation meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. Preparation and lodgement minutes of meetings with ASIC
	Employees enquiry	Receive and follow up employee enquiries via telephone and email

ANNEXURE D

Task Area	General Description	Includes
Employees Number of hours: 53.2 Cost: \$16,117.00		Review and prepare correspondence to creditors and their representatives via facsimile, email and post Preparation of letters to employees advising of their entitlements and options available Receive and prepare correspondence in response to employees objections to leave entitlements Liaising with staff including providing updates on the Administration process, responding to individual queries and attending staff meetings to discuss issues with regard to ongoing operations and the sale process Preparation of employee termination notices and separation certificates
	Engagement with TCFUA	Correspondence with Mark Edwards of TCFUA regarding termination of employees Liaising with TCFUA in respect of employment opportunities and payment of entitlements
	Calculation of entitlements	Calculating employee entitlements Reviewing employee files and company's books and records Reconciling superannuation accounts Reviewing awards Liaising with solicitors regarding entitlements
Trade On Number of hours: 21.6 Cost: \$8,474.00	Trade On Management	Attendance on site Authorising purchase orders Preparing and authorising receipt and payment vouchers Liaising with employees in respect to termination of employees employment
	Processing receipts and payments	Entering receipt and payments into accounting system
Investigation Number of hours: 66.4 Cost: \$23,366.00	Conducting investigation	Collection of company books and records Reviewing company's books and records Review and preparation of company nature and history Conducting and summarising statutory searches Preparation of comparative financial statements Preparation of deficiency statement Review of specific transactions and liaising with director regarding certain transactions Preparation of investigation file
Administration Number of hours: 5.4 Cost: \$1,103.00	Document maintenance/file review/checklist	First month administration review Filing of documents File reviews Updating checklists
	Bank account administration	Preparing correspondence opening accounts Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including 505 etc
	ATO & other statutory reporting	Notification of appointment Correspondence regarding further information request
	Planning / Review	Discussions regarding status of administration

4.2 Resolution 9 – Administrators Remuneration for the period 14 May 2018 to finalisation of the Administration

Company:	All Filtration Technologies Australia Pty Ltd	Period From: 14 May 2018 to finalisation of the Administration
Practitioner(s):	Todd Gammel Barry Taylor	Firm: HLB Mann Judd (NSW) Pty Ltd
Administration Type:	Administration	

Task Area	General Description	Includes
Assets Number of hours: 5 Estimated Cost: \$1,250.00	Sale of Residual Plant and Equipment	Engage Tiger to undertake valuation of residual play and equipment Collection and recovery of Plant and Equipment Assets Liaise with interested parties
	Insurance	Terminate pre and post appointment insurance policies and recover any potential refunds
Creditors Number of hours: 20 Estimated Cost: \$5,000.00	Creditor Enquiries	Receive and follow up creditor enquiries via telephone and email Review and prepare correspondence to creditors and their representatives via email and post
	Creditor reports	Consider Administrators' recommendation and document Preparation of report to creditors
	Dealing with proofs of debt	Receipting and filing POD's when not related to a dividend Corresponding with ATO regarding POD's when not related to a dividend
	Meeting of Creditors	Preparation of meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes Preparation and lodgement of minutes of first creditors meeting with ASIC Respond to stakeholder queries and questions immediately following meeting
	Secured Creditors	Correspondence with PPSR creditors Reviewing PPSR creditor claims
Employees Number of hours: 5 Estimated Cost: \$1,250.00	Employees enquiry	Receive and follow up employee enquiries via telephone Review and prepare correspondence to creditors and their representatives via email and post
	Fair Entitlements Guarantee	Liaising with FEG regarding verification progress and assignment of case manager Providing employees with information regarding FEG process
	Calculation of entitlements	Calculating employee entitlements Reviewing employee files and company's books and records Reconciling superannuation accounts Reviewing EBA Undertaking further review of entitlements
Trade On Number of hours: 5 Estimated Cost: \$1,250.00	Trade On Management	Liaising with management and staff regarding operations Attendance on site Preparing and authorising receipt vouchers Preparing and authorising payment vouchers Preparing daily cash reconciliations

ANNEXURE D

Task Area	General Description	Includes
	Processing receipts and payments	Entering receipt and payments into accounting system
Investigation Number of hours: 20 Estimated Cost: \$5,000.00	Conducting investigation	Collection of company books and records Reviewing company's books and records Review and preparation of company nature and history Conducting and summarising statutory searches Preparation of comparative financial statements Preparation of deficiency statement Review of specific transactions and liaising with director regarding certain transactions Preparation of investigation file
Administration Number of hours: 5 Estimated Cost: \$1,250.00	Document maintenance/file review/checklist	First month administration review Filing of documents and file reviews Updating checklists
	Bank account administration	Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers from pre-appointment account
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including 505 etc Correspondence with ASIC regarding statutory forms
	Finalisation	Notifying ATO of finalisation Cancelling ABN/GST/PAYG registration Completing checklists
	Planning / Review	Discussions regarding status of administration

4.3 Resolution 10 – Liquidators Remuneration from the Commencement of the Liquidation to 30 September 2018

Company:	All Filtration Technologies Australia Pty Ltd	Period From: Commencement of Liquidation Period To: 30 September 2018
Practitioner(s):	Todd Gammel Barry Taylor	Firm: HLB Mann Judd (NSW) Pty Ltd
Administration Type:	Liquidation	

Task Area	General Description	Includes
Assets Number of hours: 20 Estimated Cost: \$5,000.00	Other Assets	Tasks associated with realising other assets including recovery of potential voidable transactions
	Sale of Residual Plant & Equipment	Engage Tiger to undertake valuation of residual plant and equipment Collection and recovery of Plant and Equipment Assets Liaise with interested parties
	Insurance	Terminate pre and post appointment insurance policies and recover an potential refunds
Creditors Number of hours: 20 Estimated Cost: \$5,000.00	Creditor Enquiries	Receive and follow up creditor enquiries via telephone & maintaining creditor enquiry register. Review and prepare correspondence to creditors and their representatives via email and post.
	Creditor reports	Preparing general reports to creditors.
	Dealing with proofs of debt	Receipting and filing POD's when not related to a dividend. Corresponding with OSR and ATO regarding POD's when not related to a dividend.
	Meeting of Creditors	Convene creditors meetings as required. Preparation and lodgement of minutes of meetings with ASIC. Respond to stakeholder queries and questions immediately following meeting.
Employees Number of hours: 75 Estimated Cost: \$18,750.00	Employees enquiry	Receive and follow up employee enquiries via telephone. Maintain employee enquiry register. Review & prepare correspondence to creditors and their representatives via facsimile, email & post. Preparation of letters to employees advising of their entitlements and options available. Receive and prepare correspondence in response to employees objections to leave entitlements.
	Fair Entitlements Guarantee	Liaising with FEG regarding verification progress and assignment of case manager Providing employees with information regarding FEG process Liaising with FEG in respect of verification of entitlements
	Calculation of entitlements	Calculating employee entitlements. Reviewing employee files and company's books and records. Reconciling superannuation accounts. Reviewing contracts, awards and national employment standards Verification of employee entitlements in respect to the Fair Entitlements Guarantee distribution
	Employee distribution	Correspondence with employees regarding dividend if applicable Correspondence with ATO regarding SGC proof of debt. Calculating dividend rate and preparing dividend file. Advertising dividend notice.

ANNEXURE D

Task Area	General Description	Includes
		Preparing distribution. Receipting & adjudicating POD's if required. Ensuring PAYG is remitted to ATO.
Investigation Number of hours: 80 Estimated Cost: \$20,000.00	Conducting investigation	Preparation of investigation file. Review potential claims against Director for breaches of director duties. Consider recovery action for identified claims. Lodgement of report pursuant to section 533 with the ASIC. Preparation and lodgement of supplementary report if required.
	ASIC reporting	Preparing statutory investigation reports. Liaising with ASIC.
Administration Number of hours: 5 Estimated Cost: \$1,250.00	Document maintenance/file review/checklist	Monthly administration review. Filing of documents and file reviews. Updating checklists.
	Bank account administration	Preparing correspondence opening and closing accounts. Requesting bank statements. Bank account reconciliations. Correspondence with bank regarding specific transfers.
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including 505, 524, 911 etc. Correspondence with ASIC regarding statutory forms.
	ATO & other statutory reporting	Preparing BAS'. Completing payment summaries.
	Planning / Review	Discussions regarding status of administration.
	Books and records / storage	Dealing with records in storage. Sending job files to storage.

5. Disbursements

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

A disbursements are all externally provided professional services. These are recovered at cost. An example of an A disbursement is legal fees.

B1 disbursements are externally provided non-professional costs such as travel, accommodation and search fees. B1 disbursements are recovered at cost.

B2 disbursements are internally provided non-professional costs such as photocopying, printing and postage. B2 disbursements, if charged to the Liquidation, would generally be charged at cost. HLB Mann Judd does not generally measure and charge for internal disbursements as these types of overheads are recovered as part of the hourly rate charged for remuneration.

We have undertaken a proper assessment of disbursements claimed for the Administration of All Filtration Technologies Australia Pty Ltd, in accordance with the law and applicable professional standards. We are satisfied that the disbursements claimed are necessary and proper.

Disbursements for the Voluntary Administration from 18 April 2018 to 11 May 2018:

Disbursements	Rate (Excl GST)
Externally Provided Non-Professional Services (B1)	
Statutory Searches	65.92
Travel	105.21
Total	171.13

Creditors have the right to question the incurring of the disbursements and can challenge disbursements in court. Further detail in relation to where creditors can access information in relation to remuneration and disbursements is outlined below.

6. Effect on Dividend

As outlined in the report, priority creditors are expected to be paid partial dividend.

The above remuneration and disbursements have been accounted for in the Administrators estimated outcome statement.

7. Guide to Remuneration

Business Recovery and Insolvency (NSW) – Guide to Remuneration

It is the general practice of HLB Mann Judd (NSW) to calculate remuneration for Business Recovery and Insolvency matters by reference to the hours worked by the Insolvency Practitioner, their partners and staff and an hourly rate based on the level of experience of the person performing the work.

The hourly rates (current as at 1 July 2016) for remuneration together with a general guide showing the qualifications and experience of staff engaged in the administration and the role they take are set out below:

Title	General description of experience	\$/Hour ¹
Partner/Appointee	Registered Liquidator-trustee or Partner bringing his or her specialist skills to the administration or insolvency task.	600
Director	CA or CPA qualified with generally more than 10 years insolvency experience.	500
Manager 1	More than 7 years' insolvency experience, CA or CPA qualified. Answerable to the appointee but otherwise responsible for all aspects of administration. Experienced at all levels and considered very competent.	440
Manager 2		390
Supervisor	5-7 years. CA and will normally have completed a specialist insolvency course. Will have had conduct of minor administrations and experience in control of 1-3 staff. Assists planning and control of medium to larger jobs.	350
Senior 1	3-5 years. CA (or equivalent) would normally be completed within this period. Assists planning and control medium sized jobs as well as performing some of the more difficult work on larger jobs.	310
Senior 2		270
Intermediate	2-3 years. CA (or equivalent) under-way. Required to control the fieldwork on small to medium jobs and is responsible for assisting complete fieldwork medium to large jobs.	240
Graduate 1	0-2 years. Graduate gaining professional experience. Required to assist in day-to-day fieldwork under supervision of more senior staff.	210
Graduate 2		190
Cadet	Undergraduate Required to assist in day-to-day fieldwork under supervision of more senior staff	160
Secretary	Appropriate skills including machine usage.	130

Note 1. Excluding GST, the hourly rates charged encompass the total cost of providing professional services including our office overhead and should not be compared to an hourly wage.

There are also methods, other than a Time Basis, that may be used to calculate remuneration such as: Fixed Fee arrangements, fixing a fee for an agreed set of tasks; Percentage, calculating a fee using a formula e.g. x% of gross proceeds of asset realisations.

Externally provided services (Out-of-pocket expenses) such as advertising, company searches, courier charges and legal advice are charged at cost. HLB Mann Judd (NSW) does not charge for internal disbursements such as printing, postage & stationery or telephone charges unless those services have been outsourced in which case, they are also charged at cost.

We are of the opinion that the time basis of calculating remuneration is the most appropriate method as it ensures that creditors are charged only for work performed and generally the exact extent and nature of work required to be performed in an insolvency administration is not immediately apparent.

Creditors can access an information sheet on approving remuneration on ASIC's website www.asic.gov.au/regulatory-resources/insolvency or the ARITA website www.arita.com.au

8. ASIC Information Sheet

Insolvency information for directors, employees, creditors and Shareholders

ASIC has nine insolvency information sheets to assist you if you're affected by a company's insolvency and have little or no knowledge of what's involved.

These plain language information sheets give directors, employees, creditors and shareholders a basic understanding of the three most common company insolvency procedures—liquidation, voluntary administration and receivership. There's also a glossary of commonly used insolvency terms.

The Australian Restructuring Insolvency & Turnaround Association ("ARITA"), the leading professional organisation in Australia for insolvency practitioners, endorses these publications and encourages its members to make their availability known to affected people.

List of insolvency information sheets

- Insolvency: a glossary of terms
- Voluntary administration: a guide for creditors
- Voluntary administration: a guide for employees
- Liquidation: a guide for creditors
- Liquidation: a guide for employees
- Receivership: a guide for creditors
- Receivership: a guide for employees
- Insolvency: a guide for shareholders
- Insolvency: a guide for directors

Getting copies of these information sheets

Visit ASIC's website www.asic.gov.au/insolvencyinfosheets.

You can also visit the ARITA's website www.arita.com.au/news-preview/2011/11/30/asic-insolvency-information-sheets. This site also contains the ARITA's Statements of Best Practice, applicable to ARITA members.

Important note: These information sheets contain a summary of basic information on the topic. They are not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. They 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.

CORPORATIONS ACT 2001

NOTICE OF SECOND MEETING OF
CREDITORS OF COMPANY UNDER ADMINISTRATION

ALL FILTRATION TECHNOLOGIES AUSTRALIA PTY LTD
ACN 130 590 957

On 18 April 2018 the Company under section 436A appointed Todd Andrew Gammel and Barry Anthony Taylor of HLB Mann Judd, Level 19, 207 Kent Street, SYDNEY NSW 2000 as the Administrators of the Company.

Notice is now given that a meeting of the creditors of the Company will be held at the offices of Ourimbah Lisarow RSL Club, 6/20 Pacific Highway, Ourimbah NSW 2258 on Thursday, 24 May 2018 at 12:00PM

Agenda

- 1) To receive a report from the Administrators pursuant to Section 75-225 of the Insolvency Practice Rules (Corporations) 2016.

General Resolutions

- 2) 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
- 3) Creditors may also by resolution nominate a different person(s) other than the Administrators to be the Deed Administrator(s) of any Deed of Company Arrangement or the Liquidations(s), if the Company is wound up;
- 4) Should creditors resolve that the Company execute a Deed of Company Arrangement, to consider the appointment of a Committee of Inspection;
- 5) Should creditors resolve that the Company be wound up, to consider the appointment of a Committee of Inspection;
- 6) Should creditors resolve that the company be wound up, to consider the destruction of the books and records at the conclusion of the winding up; and
- 7) Any other business.

Remuneration Resolutions

- 8) To consider and, if thought fit, approve the remuneration of the Administrators, their partners and staff for the period from 18 April 2018 to 11 May 2018 to be fixed and paid calculated by reference to the hours worked and the hourly rates notified to creditors as being charged by HLB Mann Judd for work of this nature in the amount of \$85,000.00 (excluding GST and disbursements);
- 9) To consider and, if thought fit, approve the estimated future remuneration of the Administrators, their partners and staff for the period from 14 May 2018 to completion of the Administration to be fixed and paid calculated by reference to the hours worked and the hourly rates notified to creditors as being charged by HLB Mann Judd for work of this nature in the amount of \$15,000.00 (excluding GST and disbursements); and
- 10) If a Committee is not appointed and the creditors have resolved to wind up the Company, to consider and, if thought fit, approve the estimated future remuneration of the Liquidators, their partners and staff from the commencement of the Liquidation to 30 September 2018, to be drawn as and when incurred, calculated by reference to the hours worked and hourly rates notified to creditors as being charged by HLB Mann Judd for work of this nature subject to the limit of \$50,000.00 (excluding GST and disbursements).

Proxy Forms

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 in the approved form.

A special proxy can be lodged showing approval or rejection of each resolution. Proxy forms must be given to us as Joint and Several Administrators or the person named as convening the meeting. An attorney of the creditor must show the instrument by which he or she is appointed to the Chairperson of the meeting, prior to the commencement of the meeting.

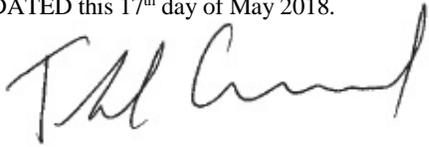
Teleconference Facilities

Telephone conference facilities will be available at the meeting. The telephone number to call is 1800 720 493 and passcode is 271 351 4244. Please note under Insolvency Practice Rules (Corporations) (IPR) Section 75-35 if you wish to participate in the meeting using such facilities you must give to the convener not later than 4:00pm Wednesday, 23 May 2018:

- (a) A written statement setting out:
- (i) the name of the person and of the proxy or attorney (if any); and
 - (ii) an address to which notices to the person, proxy or attorney may be sent; and
 - (iii) a method by which the person, proxy or attorney may be contacted for the purposes of the meeting.

Creditors wishing to attend by teleconference should contact Kurt Hopcroft of this office at khopcroft@hlbns.com.au to be provided with teleconference details.

DATED this 17th day of May 2018.



T A Gammel
Joint Administrator

HLB Mann Judd
Level 19
207 Kent Street
SYDNEY NSW 2000

Telephone: (02) 9020 4000

***Voting at a Meeting the effect of Insolvency Practice Rules (Corporations) 75-85:**

Entitlement to vote at meetings of creditors

- (1) A person other than a creditor (or the creditor's proxy or attorney) is not entitled to vote at a meeting of creditors.
- (2) Subject to subsections (3), (4) and (5), each creditor is entitled to vote and has one vote.
- (3) A person is not entitled to vote as a creditor at a meeting of creditors unless:
 - (a) his or her debt or claim has been admitted wholly or in part by the external administrator; or
 - (b) he or she has lodged, with the person presiding at the meeting, or with the person named in the notice convening the meeting as the person who may receive particulars of the debt or claim:
 - (i) those particulars; or
 - (ii) if required—a formal proof of the debt or claim.
- (4) A creditor must not vote in respect of:
 - (a) an unliquidated debt; or
 - (b) a contingent debt; or
 - (c) an unliquidated or a contingent claim; or
 - (d) a debt the value of which is not established;
 unless a just estimate of its value has been made.
- (5) A creditor must not vote in respect of a debt or a claim on or secured by a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor unless he or she is willing to do the following:
 - (a) treat the liability to him or her on the instrument or security of a person covered by subsection (6) as a security in his or her hands;
 - (b) estimate its value;
 - (c) for the purposes of voting (but not for the purposes of dividend), to deduct it from his or her debt or claim.
- (6) A person is covered by this subsection if:
 - (a) the person's liability is a debt or a claim on, or secured by, a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor; and
 - (b) the person is either liable to the company directly, or may be liable to the company on the default of another person with respect to the liability; and
 - (c) the person is not an insolvent under administration or a person against whom a winding up order is in force.

CORPORATIONS ACT 2001

APPOINTMENT OF PROXY
CREDITORS MEETING

ALL FILTRATION TECHNOLOGIES AUSTRALIA PTY LTD
(ADMINISTRATORS APPOINTED)
ACN 130 590 957

*I/*We (1)
of.....
a creditor of All Filtration Technologies Australia Pty Ltd 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 Ourimbah Lisarow RSL Club,
6/20 Pacific Highway, Ourimbah NSW 2258 on Thursday, 24 May 2018 or at any adjournment of that meeting.(3)

GENERAL PROXY - To vote on all matters arising at the meeting.....

Do not complete next section if proxy is a general proxy

SPECIAL PROXY – To vote for or against the following resolutions:

	For	Against	Abstain
1. Per Item 2 of the Agenda, that either:			
(a) The Company execute a DOCA; or	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(b) The Administration should end; or	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(c) The Company should be wound up.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To nominate a different person other than the Administrators to be Deed Administrator(s) of any Deed of Company Arrangement or the Liquidations(s), if the Company is wound up in accordance with Item 3 of the Agenda.			
3. To consider the appointment of a Committee of Inspection in accordance with Item 4 of the Agenda.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To consider the appointment of a Committee of Inspection in accordance with Item 5 of the Agenda.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To consider early destruction of the books and records of the Company in accordance with Item 6 of the Agenda.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To approve the actual remuneration of the Administrators in accordance with Item 8 of the Agenda.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To approve the estimated future remuneration of the Administrators in accordance with Item 9 of the Agenda.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To approve the remuneration of the Liquidators in accordance with Item 10 of the Agenda.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

DATED this day of 2018.

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.

INFORMAL PROOF OF DEBT FORM

Regulation 5.6.47

ALL FILTRATION TECHNOLOGIES AUSTRALIA PTY LTD
(ADMINISTRATORS APPOINTED)
ACN 130 590 957

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 Administrator; or
- b. he or she has lodged with the Administrator 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 Administrator.