

Australian Credit Forum

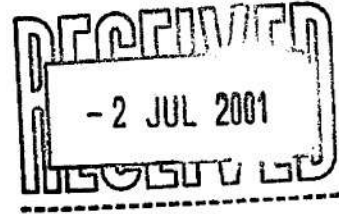
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**PLEASE ADDRESS ALL
CORRESPONDENCE TO:**
Australian Credit Forum
Attention: Gregory Brookes
c/- Australian Corporate Reporting Pty Ltd
PO Box 1553, Sydney NSW 2001

26 June 2001

Mr David Kerr
c/- Lord & Brown
Private Box N613
Grosvenor Place PO
SYDNEY NSW 1220



Dear David,

Re: IPAA Best Practice Guidelines Project – Administrators Reports

Our submission on behalf of the ACF was despatched to you on the 3rd December 1999. What we endeavoured to achieve was to provide what Credit Managers had suggested as the “minimum requirements by creditors”. Your Best Practice Statement does not contain sufficient content in our view, is still vague in some circumstances and will lead to Administrators being questioned by creditors if the IPAA does not go further with detail. Our only ambition was to try and set levels, which would avoid Administrators providing what was considered a lack of information to creditors to enable commercial decisions to be made. We therefore ask that the following additions be made to the publicised paper we have received.

- 7.1.1 Add --- *and details of registered charges.*
- We note that our submission item 2 has not been covered by your draft document. Can you please explain why.
“Such details as above should include any changes within a two year period before hand”.
- 7.3.4 We suggest it be clearly identified in that --- *identification of all related parties and a clear statement of claims, if any.*
- 7.1.3 To add --- *enclose a copy of the previous financial statements.*
- 7.1.4 To add --- *and comment on the maintenance of records under section 286 of the Corporations Law.*
- 7.3.3 To add --- *and any associate companies.*
- 7.6.(vii) To add --- *This should include a personal asset and liability statement prepared by each director and submitted at the second meeting of creditors.*

- We note that our suggestion item 9 has not been mentioned in your statement. We believe it to be necessary information and ask why such consideration appears to have been ignored. *“Any and all publicly available information on the subject company. Creditors should be immediately advised in the report of any failure by a director to provide information. Whilst we appreciate the Administrators constantly may request certain data, we think the report should contain such details as “requested A&L statement from the directors on 5 June, 12 June, 25 June not provided”. This sort of statement appearing in the creditor’s report prior to the second meeting will allow the creditors to make a commercial judgement on just how cooperative the directors may have been to the Administrator”.*
- 7.3.4 Additionally item 10 is not mentioned in your report. Quote:-
“A listing of creditors, such creditors to be aged, so that we can ascertain whether the problem is one that has occurred within recent months, or perhaps has been on-going for many, many months prior to the appointment”.
- 7.3.4 We had suggested that the *ageing of the creditors debts* was an important factor. Can you please advise why the suggestion is not covered.
- Further our suggestion item 16 does not appear within your statement.
“The Administrator should also openly seek from creditors in this report any information or any financial data that may have been disclosed to creditors either by the company, related parties, associated companies or its directors. This provides a means of assessing whether the creditors had been provided with current/accurate information at the time of opening account and furthermore, may provide the Administrator/ or potential Liquidator of the company any incomplete, inaccurate and untrue information being provided to the company’s creditors. Creditors again in the report should be encouraged to provide details of any personal guarantees held, any securities in relation to related parties etc” . This information to be available for the second meeting of creditors.
Your views would be appreciated on this aspect.

As part of our submission we suggested a method of bench marking which would enable clear guidelines to be given to all Administrators. We again repeat the suggestion and seek your views.

“Another major aspect of discussion was in respect of the Canadian model that provides two divisions that are based on dollar value of liability. Following our review it has been suggested that the bench mark may in fact be the current definition of small proprietary companies and large proprietary companies. As an example; any small proprietary company that had total liabilities under \$200,000, would be the subject of a very standard report by the Administrator, obviously to avoid the cost.

The scenario therefore could be as follows:-

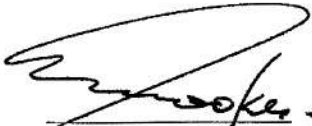
- Small proprietary company – total liability under \$200,000
A standard report covering all the main aspects, but without going into detail.
- Small proprietary company – total liability exceeding \$200,000
An extensive report and set requirement placed on the Administrator in relation to the details of the report, and

- *A large proprietary company and or public company, obviously allow for an extension of time to enable a more involved report because of the value of unsecured creditors.”*

Concern is expressed by some members as to the size of the future reports. The IPAA has failed to provide a measure between large and small and hence confusion and costs may increase. One could argue if SMALL, listings of creditors and copy of financials could be excluded, but available for inspection at Administrators office, reducing costs to creditors and increasing potential dividends.

Whilst it appears that we may be critical, there are a number of positive steps taken by the IPAA in the submission. We are simply trying to expand the level of content for the benefit of creditors. We would welcome your views after review.

Yours sincerely,



G. Brookes
Chairman

cc: G. McDonald/ M. Connelly,
G. Bebbber/ J. Laban
B. Smith