



ASIC

Australian Securities & Investments Commission

Updated statement on ACR

23 August 2007

This statement updates the statement about ACR made by Mr Tony D'Aloisio, Chairman, Australian Securities and Investments Commission to the Senate Standing Committee on Economics on 30 May 2007.

Background

1. ACR is a property development financier that used a similar business model to that of Fincorp.
2. The key legal structure of ACR, and the securities it issued, is as follows:
 - (a) ACR raised money from the public through 'Deposit Notes'. Deposit Notes are unsecured notes issued by ACR, the repayment of principal and interest of which rank behind repayment of secured debt by ACR and equally with other unsecured loans owed by ACR.
 - (b) ACR on-lent the money it raised from the public to the Estate Property Group, which comprises over 26 companies. ACR's main asset is 'loan receivables' from companies in the Estate Property Group (EPG), which was worth \$339 million as at 30 April 2007. EPG in turn used the borrowings from ACR to develop properties and make property investments, mainly in the residential property market. ACR's loans to EPG were secured by first or (more commonly) subsequent mortgages. Where a subsequent mortgage is taken, repayment priority of the ACR loan is behind the first-ranking mortgage loan. ACR would only lend to EPG, according to its prospectus, up to 85% of the security value of the properties that secured the loan.
 - (c) EPG, which owns 21 property developments, raised first mortgages against up to 18 of those properties (e.g. from banks) as at May 2007. The mortgages have priority over repayment of borrowings from those companies to ACR.
3. ACR was placed into voluntary administration, along with the companies in the Estate Property Group, on 28 May 2007. Representatives of McGrathNicol were appointed as administrators of both ACR and the Estate Property Group. ACR had issued approx \$330 million of Deposit Notes to approximately 7000 investors.

Update since 30 May 2007

4. The first meetings of creditors were held on 4 June 2007. At this time the Trustee exercised its vote in relation to ACR to have PricewaterhouseCoopers appointed administrator of ACR.
5. Since the commencement of the administration, ASIC has worked closely with both McGrathNicol and PricewaterhouseCoopers. It has also made its own inquiries about the affairs of the companies.
6. The administrators have concentrated on strategies to realise the best return for noteholders and creditors. ASIC has been in discussions with the administrators on the options available. ASIC will continue these discussions leading up to the next creditors meeting in early September at which a formal proposal will be put to the creditors.
7. ASIC is also making inquiries in relation to the affairs of ACR and working with the administrators on potential avenues for further investigation. In particular, ASIC is reviewing:
 - (a) the advertising undertaken by ACR;
 - (b) disclosure by ACR to investors and prospective investors;
 - (c) investments made subsequent to the date of the interim stop order placed on ACR's final prospectus on 9 March 2007;
 - (d) valuations obtained by ACR and EPG for the development properties; and

(e) related party transactions.

8. ASIC's inquiries are continuing, as are those of the administrators. Further information will be provided in the administrator's report to creditors. The second meetings of the creditors is due to be held on or before 13 September 2007.