

25 March 2022

AUSTRALIAN RESIN
COATINGS PTY LTD
(IN LIQUIDATION)
ACN 618 616 505
("Company")

STATUTORY REPORT TO CREDITORS

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1. Introduction

I refer to the appointment of Daniel Woodhouse and I, Nathan Stubing, as Joint and Several Liquidators of the Company on 28 December 2021, pursuant to a resolution passed at a meeting of the members of the Company.

Since the commencement of the winding up, I have conducted investigations into the Company's affairs, its financial position and the reasons for its failure, and the following is my report to creditors.

The purpose of this report is to:

- provide you with an update on the progress of the liquidation; and
- advise you of the likelihood of a dividend being paid in the liquidation.

As previously advised in my initial information to creditors, I have estimated my total remuneration for the liquidation to be \$50,000 (excluding GST). At this stage, I am not seeking any further remuneration in the liquidation.

Company Details

Company name	Australian Resin Coatings Pty Ltd (In Liquidation)
ACN	618 616 505
Date of incorporation	19 April 2017
Date of liquidation	28 December 2021
Director's name	Kim Anthony Boschman
Shareholder names	A2Z Industry Pty Ltd (10%) and Battle Jacket Pty Ltd (90%)
Registered office	Unit 1, 14 Baling Street, Cockburn Central WA 6164
Principal place of business	16 Mayor Road, Munster WA 6166
Nature of business	Applied industrial resin coating services

Liquidators' Details

Names	Nathan Stubing and Daniel Woodhouse
FTI contact	Starli Smith
FTI contact phone number	(08) 9321 8533
FTI contact email	Starli.smith@fticonsulting.com

2. Key Findings

Description	Findings	Section of Report
What happened to the Business?	The Company provided industrial grade resin coating services for ~4.5 years. During June 2021, the Company was advised of significant defects relating to works completed on two silos for a major customer. The Company explored options and commenced work on the rectification of defects. The Company exhausted significant cashflow in attempting to resolve the defects, which were ultimately unsuccessful. As a result, the Company was no longer viable to continue trading.	3.1
Sale of Business Assets	Prior to the liquidation, the Company entered a sale for certain business assets, and transferred a portion of its operations to a new operator. The Liquidators investigated the value ascribed to the assets and consider them sold for market value.	3.1
Estimated amount of assets and liabilities	I have identified assets totalling ~\$126k and liabilities of ~\$1.3m	3.3
Investigations undertaken to date	To date, I have not identified any circumstances where money or property would likely be recovered for the benefit of creditors. Notwithstanding, my investigations indicate the Company may have continued to trade whilst insolvent and as such, there potentially exists an insolvent trading claim. Given the complexities involved in pursuing an insolvent trading claim, uncertainties surrounding the Director's capacity to meet a claim, and the liquidation being without sufficient funding to pursue an action, one has not yet been commenced. If creditors wish to discuss an action, including funding, please contact the Liquidators' office. Should an area of concern warranting further investigation be identified, I will advise creditors accordingly.	4.1 to 4.3
Likelihood of dividend	A partial dividend to priority creditors may be paid in the liquidation. No dividend to unsecured creditors is anticipated.	5

3. Progress of the Liquidation

3.1. Background

The Company was incorporated on 19 April 2017 in the state of Western Australia with its registered office being Unit 1, 14 Baling Street, Cockburn Central WA 6164 and its principal place of business being 16 Mayor Road, Munster WA 6166.

The Company has issued and paid up capital of \$205,069.90 in ordinary shares as follows:

Company Shareholdings

Name	Class	Number	Issued and paid up (\$)
A2Z Industry Pty Ltd	Ordinary	100	20,506.99
Battle Jacket Pty Ltd	Ordinary	900	184,562.91
Total		1,000	205,069.90

Operations

The Company provided industrial grade resin coating services at both its principal place of business and directly at customers' sites.

In June 2021, the Company was advised of defects relating to works completed on two silos for Coogee Chemicals. These works were a significant component of the Company's FY2020 revenue.

Following the issuing of a defect notice, the Company investigated and prepared a work schedule for the rectification works. The Company exhausted significant cashflow in attempting to rectify the defects, which were ultimately unsuccessful. The Company was unable to recapitalise and sought to enter a sale to a new operator.

Sale of Business Assets

Prior to the appointment of the Liquidators, the Company took steps to sell its business. Following this, the Company entered a sale of assets, and transferred a portion of its operations to a new operator, including:

- A new independent operator, Global Coating Systems Pty Ltd ("Purchaser"), purchasing the majority of the Company's plant and equipment for \$62,920 (including GST) ("Sale Proceeds");
- A number of the Company's employees were transferred to the Purchaser, with employee entitlements adopted, except for unpaid superannuation. The Director accepted a 12-month contract to assist in the transition of the operations to the Purchaser; and
- The Purchaser entered discussions with the landlord of the Company's former premises to enter into a new lease.

Sale Proceeds

Prior to the sale, the Company commissioned a valuation from a supplier of the major equipment, valued at a 'fair current market price'. The assets were sold at the valuation price.

Independently, the Liquidators made enquiries with a separate valuer, Grays, as to the auction value of the assets sold to the Purchaser. Grays confirmed the assets were sold above the estimated auction value, and therefore, had appropriately attributed a 'value in situ' component to the sale. Accordingly, the Liquidators consider the Sale Proceeds to be at fair value for the assets.

By agreement with David Lang as Executor of the estate of Ana Punec ("Secured Creditor"), whose valid security interest entitles them to the net Sale Proceeds available after recovery costs, the Sale Proceeds are being paid via four equal monthly instalments, the last of which is due on or before 1 May 2022. To date, three payments have been received, in line with the agreed schedule and proceeds will be remitted to the Secured Creditor.

Please refer to the Estimated Outcome Statement to Creditors for further details.

Remaining Assets and Liabilities

For further details on the sale of assets, including other remaining assets not part of the sale to the Purchaser, and details of the Company's liabilities, please refer to Section 3.3 of this report.

3.2. Conduct of the Liquidation

Matters attended to since the commencement of the winding up of the Company, include but not limited to:

- Attended to all necessary statutory lodgements and reporting, accounting and administrative matters;
- Reviewed the Company's asset position to determine what property can be realised for the benefit of creditors;
- Liaised with the Secured Creditor holding an All Present and After Acquired Property Registration on the Personal Property Security Registration ("PPSR") regarding the preservation and realisation of non-circulating assets;
- Investigated assets subject to Purchase Money Security Interests ("PMSI") registered on the PPSR. Negotiated a commercial settlement of the PMSI claim in order for the sale of assets contract to settle;
- Liaised with the Australian and New Zealand Banking Group Limited regarding a security registration against a vehicle owned by the Company;
- Instructed Grays to collect and auction the Company's equipment not subject to the sale to the Purchaser;
- Investigated the market value of the Company's equipment sold to the Purchaser against the ascribed value in the contract;
- Monitored the collection of the Company's remaining debtors, including collection of the sale proceeds from the Purchaser;
- Conducted searches and undertook investigations into the affairs of the Company concerning possible recoveries of voidable and antecedent transactions;
- Attended to external enquiries concerning the status of the Liquidation; and
- Prepared two reports to creditors.

3.3. Assets and Liabilities

I advise that I have received a completed Report on Company Activities and Property Part A (Form 507) (ROCAP Part A) ("ROCAP") from the Director which has now been lodged with the Australian Securities & Investments Commission ("ASIC"). I set out below the assets and liabilities as detailed in the Company's Books and Records and supporting documentation, as well as details of the amounts expected to be realised by me following my investigations into the Company's affairs.

I do not consider there to be any unaccounted discrepancies between the ROCAP and the Liquidators' estimated realisable values.

Statement of Assets and Liabilities

	Notes	Director's ROCAP ERV* (\$)	Liquidator's ERV* (\$)	Realised to date (\$)
Non-Circulating Assets				
Sale of Assets Proceeds	1	55,550	62,920	47,190
Residual Plant and Equipment	2	55,000	9,650	9,650
Circulating Assets				
Cash at bank	3	14,000	14,380	14,380
Debtors	4	45,271	28,298	28,298
Pre-Appointment Trading Refunds		-	412	412
Total assets		169,821	115,660	99,930
Liabilities				
Secured creditor	5	(958,031)	(958,031)	(958,031)
Priority Creditors (employees)	6	(61,448)	(61,448)	(61,448)
Unsecured creditors	7	(311,145)	(466,027)	(466,027)
Total liabilities		(1,330,624)	(1,485,506)	(1,485,506)
Net surplus/ (Deficiency) subject to costs of the Liquidation		(1,160,804)	(1,369,846)	(1,385,576)

*ERV = Estimated Realisable Value

**Asset values includes GST amounts.

Notes:

The notes set out below should be read in conjunction with the above table.

1. Sale of Assets Proceeds

Please refer to Section 3.1 for the background details of the sale of assets to the Purchaser prior to the appointment of the Liquidators. To date, the Liquidators have received \$47,190 (including GST) representing three of the four monthly instalments on time and in accordance with the payment schedule. The remaining payment is to be received on or before 1 May 2022.

2. Residual Plant and Equipment (Director's ROCAP \$55,000; Liquidator's ERV \$9,650; Realised to date \$9,650.30)

Aside from the Sale Proceeds, the Company had surplus plant and equipment as follows:

- i. Insulated Sea Container Workshop
- ii. Single Phase Concrete Grinder
- iii. Karcher Vacuum
- iv. High Pressure Spray Machine; and
- v. Other tools of trade

Upon appointment, I engaged Grays to collect and sell the remaining unencumbered items at public auction. Notwithstanding that the indicative values ascribed by Grays showed the Director may have optimistically estimated the realisable value of the remaining assets, most of the discrepancy is accounted for by the Director's inclusion of a Mitsubishi utility, which he believed to be unencumbered.

Upon further investigation, however, I identified a PPSR in favour of the Australian and New Zealand Banking Group Ltd ("ANZ") that relates to the prior owner of the vehicle and not the Company. Whilst the ANZ's registration remains on the vehicle, the Liquidators are unable to deal with the asset.

In any case, if equity is available in the vehicle, it will be subject to the Secured Creditor's first ranking security and therefore, not available for the benefit of priority creditors.

The auction achieved a sale price of \$9,650.30 (including GST), before direct selling costs.

3. Cash at bank (Director's ROCAP \$14,000; Liquidator's ERV \$14,380.25; Realised to date \$14,380.25)

At the time of our appointment, the Company held a bank account with the ANZ with total funds of \$14,380.25. These funds have now been deposited into the Company's liquidation bank account.

4. Debtors (Director's ROCAP \$45,271.00; Liquidator's ERV \$32,655.70; Realised to date \$28,297.50)

At the time of our appointment, the Company's books and records disclosed debtors of \$45,271, excluding the Sale Proceeds from the Purchaser.

We have collected \$28,298 in pre-appointment debtors and identified \$17,589 having been collected in the days prior to our appointment as Liquidators, and incorrectly recorded as still owing in the Company's records. Accordingly, the debtor's ledger was overstated in the Director's ROCAP.

Additionally, the Company has an unpaid retention of \$4,358.20. The customer has advised of damages that require rectification, the costs of which, exceeded the retention held. I am assessing whether any of the retention can be collected.

Please note, there is a nominal discrepancy in the value of debtors in the Director's ROCAP against what has been accounted for in the liquidation above.

5. Secured creditor (Director's ROCAP \$958,031.00; Liquidator's ERV \$958,031.00)

A PPSR search has disclosed that the Secured Creditor holds a PPSR over All Present and After Acquired Property of the Company.

The Secured Creditor provided a loan to the Company in two tranches, totalling \$350,000 (principal), on a 2 year term commencing 16 November 2017, at a rate of 30% interest. The loan could attract a lower rate of interest (20%) if various covenants, conditions and agreements were met.

The Secured Creditor received payments totalling \$172,612 against the loan and has issued a claim for \$958,031 inclusive of interest calculated up to the appointment of the Liquidators.

6. Employee entitlements (Director's ROCAP \$61,448.34; Liquidator's ERV \$61,448.34)

As noted in section 3.1 above, employees were transferred to the Purchaser with their entitlements transferred, except for outstanding superannuation. The records of the Company show unpaid employee superannuation totals \$61,448 (before statutory interest and administrative costs).

7. Unsecured creditors (Director's ROCAP \$311,145.00; Liquidator's ERV \$466,026.62)

I am currently aware of creditor claims of \$466,026.62. The figures are an estimate only, as I have not called for proofs of debt or adjudicated upon any claims at this stage.

3.4. Receipts and Payments to Date

During the liquidation and up to 21 March 2022, the following receipts and payments have been made:

Item	Amount (\$)
Receipts	
Pre-appointment Cash at Bank	14,380
Sale of Assets Proceeds	47,190
Sale of residual PP&E	9,650
Pre-appointment Debtors	28,298
Pre-appointment Insurance Refund	412
Total Receipts	99,930
Payments	
Liquidators' Fees	(18,681)
Liquidators' Disbursements	(154)
Auctioneers Commission and Costs	(1,116)

Other Account Fees	(26)
Total Payments	(19,977)
Cash at bank held by Liquidators	79,953

4. Investigations and Recovery Actions

As Liquidators, we are required to investigate and specify whether there may be any voidable transactions in respect of which money, property or other benefits may be recoverable by us in our capacity as Liquidators of the Company.

I set out below details of our investigations to date and our findings in relation to same.

4.1. Investigations Undertaken

I advise that, to date, the following investigations have been undertaken into the Company's affairs:

- Met with the Director of the Company and discussed the Company's affairs, records and historical trading;
- Reviewed the Company's books and records including maintenance of the Company's accounting software, financial accounts, tax records and various Company correspondence;
- Reviewed the Company's bank statements and accounting file for any unusual and/or material transactions that may be recoverable in the liquidation;
- Reviewed the Company's historical asset ledger with respect to the disposal of assets and any misappropriation of Company assets;
- Reviewed the loan entered into with the Secured Creditor and the transactions relating to same;
- Conducted independent searches including, but not limited to, Company and its director and associates, property searches, Department of Transport, taxation freedom of information;
- Reviewed the pre-appointment sale contract for the Company's business assets and transfer of operations;
- Investigated the circumstances surrounding the Company's failure in the lead up to the Liquidators' appointment;
- Investigated any potential offences that may have been committed by the Company or Director.

4.2. Findings and possible recoveries

Our findings on our investigations to date are:

Date of Insolvency

Proving insolvency is often a complex exercise. Consideration of the entire financial position of a company is required to establish if it is insolvent at a particular date. This includes factors such as the value of the Company's assets relative to its liabilities and the nature of these assets and liabilities. Also, the extent to which cash is expected to be generated from future trading activities, or available from alternative sources is relevant to considering a company's solvency position.

In this matter, two key considerations relevant to assessing a date of insolvency are:

- 1) The actions taken by the Company following the identification of the defect works at Coogee Chemicals Pty Ltd back in June 2021. At this time, did the Company have the capabilities and sufficient capital to rectify the works, and continue as a going concern; and

- 2) The ability of the Company to service the loan provided by the secured creditor. The initial term of the loan was 2 years from the first advance back in November 2017. At the date of our appointment, the loan remained outstanding with considerable interest having accrued.

The Liquidators consider the Company may have been insolvent from at least June 2021 (6 months prior to the date of liquidation), being the date the defects for the Coogee Chemical works were identified. The works to complete, in conjunction with a high debt finance structure, appeared insurmountable for the Company to overcome.

Voidable and Antecedent Transactions

Proving the date on which a company became insolvent is an essential element of recovery actions with respect to unfair preferences, uncommercial transactions and insolvent trading.

Although insolvency may be provable for at least six months prior to the appointment of Liquidators, our investigations to date have not identified any voidable or antecedent transactions, involving; unfair preference payments, uncommercial transactions, unfair loans, arrangements to avoid employee entitlements and unreasonable director related transactions.

If any creditor is aware of a transaction that they consider warrants investigation, please contact the Liquidators' office.

Insolvent Trading Claim

Based on a preliminary review of all unsecured debts incurred from 1 June 2021 and remaining unpaid at the date of appointment, a potential insolvent trading claim in the order of \$321,000 may exist against the Director.

Prior to pursuing such a claim for insolvent trading, however, the Director's capacity to satisfy a claim (and therefore, for the claim to be of benefit to creditors) should be considered. In that regard, I note:

- The Director provided a number of personal guarantees on trading accounts with creditors. The total exposure of the personal guarantees is unknown;
- The Director is not shown as bankrupt;
- The Director is a joint proprietor of a property in Western Australia. The property is subject to a first ranking mortgage, as well as a caveat of a supplier to the Company, that holds a personal guarantee against the Director.

Trading whilst insolvent claims are often sought to be defended by Directors. In this instance, the Director may seek to defend an action on the reasonable belief the Company could rectify the defects with Coogee Chemicals, citing independent appraisals and work schedules for the rectification. We have not made an assessment as to a potential defence at this stage.

I have not commenced an action for an insolvent trading claim at this stage, given:

- the complexities involved in establishing a claim. It is common to obtain legal advice on the merits of a claim as a first instance;
- the costs involved in pursuing an action and the limited funds held in the liquidation;
- the uncertainties of the Director's capacity to satisfy the claim, based on the limited apparent assets available to him and particularly, the quantum of personally guaranteed debts.

If any information presents which indicates an insolvent trading claim may be successfully pursued for the benefit of creditors, I will notify creditors accordingly.

In any event, if any creditor wishes to discuss initiating a claim for insolvent trading, including funding an action or commencing an action in their own right with the consent of the Liquidator, pursuant to Section 588R of the Act, please contact the Liquidators' office.

4.3. Further Inquiries to be Undertaken

Report Pursuant to Section 533 of the Act

Section 533 of the Act requires the Liquidators to investigate any offences that may have been committed by the Director or persons who took part in the formation, promotion, administration, management or winding up of the Company and to lodge a report on our findings to ASIC. I have prepared my report and will lodge with ASIC shortly. Should ASIC wish to take further action following the submission of the report, I will advise creditors accordingly.

If creditors are aware of any other matters which require further investigation, please contact my office as soon as possible.

Insolvent Trading Claim

As noted above, I currently do not have sufficient funding in the liquidation to pursue an insolvent trading claim nor evidence that such a claim could be successfully resolved to the benefit of creditors, noting the potential merits of and defences to a claim and the uncertainty around the Director's capacity to satisfy a claim.

Creditors are requested to advise me in writing if are aware of additional information regarding the Director's personal capacity to meet a claim, they wish to fund such a claim, or in the alternate, wish to commence an action in their own right.

Please note that there is no certainty that a recovery will be successful. However, in the event that an action was successful, the Act provides the Court the power to make orders which can provide a creditor a preference to property recovered by a liquidator, where that creditor provides the liquidator funding or an indemnity for litigation costs that directly result in the recovery of that property. Creditors are advised that they should seek separate legal advice in this regard.

5. Likelihood of a Dividend

Below I provide an estimated return to creditors.

Estimated Return to Creditors	Low (\$) (excl GST)	High* (\$) (excl GST)
Non-Circulating Assets		
Sale of Assets Proceeds	62,920	62,920
Residual Plant and Equipment	8,773	18,182
<i>Less: Liquidators' Direct Fees and expenses (non-circulating)</i>	<i>(13,000)</i>	<i>(13,000)</i>
<i>Less: Auctioneers' Direct Fees and expenses (non-circulating)</i>	<i>(1,015)</i>	<i>(1,015)</i>
Estimated Funds Available to Secured Creditor (Non-Circulating Realisations)	57,678	67,087
Circulating Assets		
Pre-appointment cash at bank	14,380	14,380
Debtors	28,298	28,298
Other Realisations	412	412
Voidable Transactions		
Insolvent Trading Claim	Nil	Unknown
Estimated Circulating Realisations	43,090	43,090
<i>Less: Liquidator's Fees and expenses (circulating)</i>	<i>(37,000)</i>	<i>(45,000)</i>
Net Funds Available for Priority Creditors	6,090	Nil
Priority Creditor Balance (before statutory interest)	61,448	61,448
Estimated Cents in the \$ Return to Priority Creditors	9.9c	Nil
Estimated shortfall to Secured Creditor	900,353	890,944
Estimated Cents in the \$ Return to Secured Creditor (Circulating Realisations)	Nil	Nil
Estimated return to Unsecured Creditors	Nil	Nil

*Please note, the 'High' scenario includes an estimate of the potential equity in the Company's vehicle subject to the ANZ's PPSR.

I advise that the likelihood of a dividend being paid to creditors is:

- **Secured Creditor:** Will receive a partial dividend from the realisation of non-circulating assets, after costs;
- **Priority (Employee) Creditors:** May receive a partial dividend depending on final realisations and costs of the liquidation; and

- **Unsecured Creditors:** Will not receive a dividend in the liquidation, given the estimated shortfall in the priority and Secured Creditor's debt (after non-circulating assets are realised), which will rank ahead of unsecured claims.

A dividend to priority creditors for outstanding superannuation (if payable), will be forwarded to the Australian Taxation Office. Creditors will be notified in due course if a dividend is declared.

6. Liquidators' Remuneration

As previously advised FTI Consulting charges professional fees based on time spent by the Liquidators and their staff at rates reflecting their level of experience.

I have previously sought, and had approved, remuneration capped at \$50,000 (excluding GST) from creditors. At this stage, I am not seeking any further remuneration for work completed in the liquidation to date.

7. Way Forward

The following actions are required to proceed with the liquidation, including:

- Collect the remaining Sale Proceeds and pay a dividend to the Secured Creditor;
- Finalising the realisation of remaining circulating assets, including whether the remaining retention debtor can be collected;
- Finalise the Liquidators' investigations and submit our report pursuant to Section 533 of the Act to ASIC;
- If sufficient assets are realised, prepare a dividend to priority creditors; and
- Any other matter that lawfully arises in the liquidation.

Please note that if I receive a request for a meeting that complies with the guidelines set out in the initial information provided to you, I will hold a meeting of creditors.

I may write to you again with further information on the progress of the Liquidation.

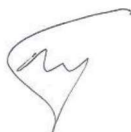
I expect to have completed this liquidation within six months.

8. Further Information

The Australian Restructuring Insolvency and Turnaround Association (“ARITA”) provides information to assist creditors with understanding liquidations and insolvency. This information, including details of your rights as a creditor, is available from ARITA’s website at www.arita.com.au/creditors.

ASIC provides information sheets on a range of insolvency topics. These information sheets can be accessed on ASIC’s website at <https://asic.gov.au/> by searching for “insolvency information sheets”.

Should you have any queries, please contact Ms Starli Smith of this office on (08 6430 1327) or by email at starli.smith@fticonsulting.com.



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Liquidator


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