

18 June 2024



Mirotone Pty Ltd (Administrators Appointed) ACN 000 041 136 (“the Company”)

Report to creditors – Section 75-225 of the Insolvency Practice
Rules (Corporations) 2016

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1. About this report: a guide for creditors

1.1. Purpose of this report

- We are required to prepare this report under the Corporations Act 2001 (the Act) and provide creditors with information about the Company's business, property, affairs and financial circumstances.
- This report contains the information we are required by law to include, plus other information considered materially relevant to creditors to enable them to make an informed decision about the Company's future.
- This report and its attachments contain details about the forthcoming second meeting of creditors to be held on 26 June 2024 and our opinion and recommendation about the future of the Company and what is considered to be in the creditors' interests. Creditors are required to decide whether:
 - the Company should execute a deed of company arrangement ("DOCA"), or
 - the administration of the Company should end, or
 - the Company should be wound up.
- Alternatively, creditors can vote to adjourn the meeting for up to 45 business days to allow more time to make their decision.
- All details, forms and instructions relating to the meeting have been included with the covering letter and other documents attached to this report.

1.2. Key messages and recommendations

- John Park and David McGrath were appointed as Voluntary Administrators of the Company on 21 May 2024.
- Following our appointment, we traded the business at a reduced capacity to allow for an accelerated sale process of the Company to be undertaken, within the confines of the limited liquidity available.
- We engaged in discussions with parties who expressed an interest in restructuring the Company or buying the business, with the objective of achieving a sale of the business as a whole on a going concern basis. Unfortunately, no offers capable of acceptance were put forward and as a result of insufficient funds available to be able to continue to trade the business, we ceased operations of the business on 31 May 2024. As a result, the bulk of the workforce was made redundant.
- Following the cessation of trading we took the following key steps to realise value for creditors:
 - Retained a small number of staff to assist with the sale of remaining inventory and collection of receivables.
 - Executed a transaction to sell the Company's Polycure business and several other smaller transactions to sell various other assets.
- Following this report, the remaining key actions to realise value for creditors are to sell the Company's 100% shareholding in Mirotone NZ Limited (**Mirotone NZ**) and its interest in a Thai Joint Venture, Mirotone (Thailand) Co, Ltd. (**Mirotone Thailand**).
- A DOCA has not been proposed for the Company.

- Our preliminary investigations indicate that the Company may have been insolvent from July 2023, or possibly earlier.
- We note that the Directors had engaged Safe Harbour advisers from January 2023 onwards, so it is possible that even if an insolvent trading claim could be quantified and proven, the Directors may have a valid defence.
- Significant further work would be required to ascertain whether there is a valid insolvent trading claim. At present, we do not anticipate having sufficient funds to advance those investigations, absent the provision of funding from a third party.
- At present, we do not expect there will be a return to unsecured creditors. If the Company proceeds to liquidation, employee creditors may have recourse to the Fair Entitlements Guarantee in respect of some or all of their entitlements.
- **In our opinion it is in the creditors' best interests for the Company to be wound up.**
- **Section 2** of this Report summarises the items considered to be the most important for creditors.
- **Section 3** provides the Administrators' recommendation to creditors on the future of the Company.

1.3. Second meeting of creditors

- The Administrators are required under law to convene a second meeting of creditors, at which time creditors will vote on the future of the Company.
- As mentioned above, the second meeting of creditors for the Company will be held on **Wednesday 26 June 2024 at 11.00am (AEST)** using virtual meeting facilities. The following documents relating to the meeting are contained at **Appendix 2**.
 - Notice of Second Meeting of Creditors of the Company;
 - Form – Appointment of Proxy; and
 - Formal Proof of Debt or Claim Form
- Should you wish to attend the second meeting of creditors, please complete and return the relevant forms outlined below, to our office by no later than **4:00PM (AEST), Tuesday 25 June 2024**.
- Meeting forms are also available to download from the FTI Consulting Creditor Portal:
<https://www.fticonsulting.com/creditors/mirotone-pty-ltd>

1.4. How to participate in the meeting

In order to attend the meeting, you must complete and return the below forms via email to Mirotone@fticonsulting.com by no later than **4:00PM (AEST), Tuesday 25 June 2024**.

1. Meeting Registration Form

You must complete this online form if you wish to attend the meeting of creditors, and vote at the meetings:

Link to meeting registration form: <https://forms.office.com/r/su5LH44b0P>

A unique creditor identifier will also be provided to be used for voting at the meeting.

2. Proxy Form

You must complete this form if you wish to appoint another person to attend the meeting on your behalf (corporate creditors must complete this form).

Non-individual creditors (corporate, trusts, etc.) who want to be represented must appoint an individual to act on its behalf by executing a proxy form.

Individuals may choose to appoint a proxy/representative to vote on their behalf by executing a proxy form.

3. Proof of Debt Form

You must complete this form in order to vote at the meeting.

This form is required to register your claim against the Company for voting purposes only (if not submitted already).

Documents to substantiate your claim (e.g. invoices) must also be provided.

1.5. Questions and help

- Please contact this office on (02) 8247 8000 or Mirotone@fticonsulting.com if you are unsure about any of the matters raised in this report or the impact that any decision about the Company's future may have on you.
- Our postal address is:
Mirotone Pty Ltd (Administrators Appointed)
c/- FTI Consulting
PO Box R367
ROYAL EXCHANGE NSW 1225

2. Key messages

2.1. Overview of administration strategy

Administrators' Strategy and Major Actions

Strategy & Trading	Traded the Company at a reduced capacity, requiring engagement with critical suppliers and service providers.	Commenced an accelerated sale campaign for the Company's business and assets, including approaching parties that had been in discussions with the Company prior to our appointment and relevant industry participants, and advertising in the Australian Financial Review.	Established a data room, and prepared a confidentiality agreement and transaction documentation. Responded to extensive information requests and facilitated and attended site visits. Negotiate with numerous interested parties in relation to various parcels of assets.	As no offers were put forward for the business as a whole on a going concern basis and due to insufficient funds being available to continue to trade the business, the Company ceased trading on 31 May 2024. Consequently, the bulk of the workforce was made redundant at that time.	Executed a number of sale transactions with third parties in respect of various parcels of assets.
Statutory matters & Investigations	Attended to all required statutory obligations and requirements.	Conducted property, company, PPSR, motor vehicle and other searches. Engaged with an extensive list of PPSR creditors, assessed the validity of PPSR claims	Undertook investigations into the performance and position of the Company leading up to our appointment.	Secured and reviewed the Company's records to identify voidable transactions and other recoveries realisable in a liquidation scenario.	Formed preliminary opinion on existence of voidable transactions and other claims or breaches of the Act.

		and facilitated the inspection of and collection of goods where appropriate.			
Stakeholders	Issued Circulars and other correspondence to creditors, employees, customers and suppliers.	Prepared for and attended the first meeting of creditors.	Engaged with employees concerning their termination of employment and entitlements.	Calculated employee entitlements and attended to employee queries on same. Preparation of separation certificates.	Preparation of this report pursuant to Section 75-225 of the Insolvency Practice Rules (Corporations) 2016.

Key messages

2.2. Key messages for creditors

Set out below is a summary of the key messages and recommendations that are detailed in this report. Please read this summary in conjunction with the remainder of the report including the terms of reference contained in **Appendix 1** and any other attachments.

Key areas	Commentary	Analysis
Explanations for the Company's difficulties	Our investigations indicate the failure of Mirotone was due to, among other things: ■ The impact of delays associated with transitioning the Company's operations to leased premises in Yennora over the period 2019 to 2022, including delays caused by Covid-19; ■ Consistent trading losses from at least July 2021; ■ High cash burn despite the implementation of numerous cost reduction initiatives; ■ Inability to bring trade creditors within terms notwithstanding numerous cash injections; and ■ Inability to obtain new or alternative long-term funding, or achieve a sale of the business, notwithstanding an extensive sale process conducted prior to our appointment.	Section 4.6
Administrators' actions and strategy	Our strategy for the administration has been to trade the business at a reduced capacity during the initial period of the administration to allow for the commencement of an accelerated sale campaign for the Company's business and assets. Subsequently, as no offers were put forward for the business as a whole on a going concern basis, and due to insufficient funds being available to continue to trade the business, we ceased trading the business on 31 May 2024. Consequently, the bulk of the workforce was made redundant at that time.	Section 5.1
Estimated date of insolvency	Our preliminary view is that the Company may have been insolvent from July 2023, or possibly earlier.	Section 6.2
Voidable transactions and offences	Based on our investigations to date, we consider there may be transactions which a liquidator could pursue which might result in property or money being recovered for the benefit of creditors. These include potential unfair preference payments by Mirotone to two creditors, totalling \$71,000.00. The commerciality of pursuing any claims would need to be considered by a liquidator, if appointed.	Section 6.3
Offences by directors	Based on our investigations date, it is possible that the Directors may have traded the business whilst insolvent from July 2023, or possibly earlier, in breach of s588G of the Act. We note that the Directors took Safe Harbour advice from January 2023 and, accordingly, may have a valid defence to an insolvent trading claim.	Section 6.3
Liability for insolvent trading	Based on the estimated date of insolvency, it is possible that there is a material insolvent trading claim. However, significant further work would be required to validate the estimated date of insolvency, determine the resultant quantum of any claim and assess the likely success of such a claim given the potential defences available (namely Safe Harbour). At present we do not expect to be funded to undertake these further investigations, in the absence of third party funding.	Section 6.2

	We do not yet have a firm conclusion on the Directors’ ability to meet a successful insolvent trading claim and we note that the Directors have provided personal guarantees for debts that remain outstanding, including in relation to the ScotPac Facility.																			
Proposal for a deed of company arrangement	No proposal for a deed of company arrangement has been received.	N/A																		
Estimated outcome for creditors	The estimates shown are based on the information presently available, our view of the Company’s estimated realisable value of assets and estimated claims of creditors:	Section 7																		
	<table><tr><th></th><th>Liquidation Low (c/\$)</th><th>Liquidation High (c/\$)</th></tr><tr><td>Priority Creditors</td><td>5.9</td><td>20.1</td></tr><tr><td>First Ranking Secured Creditor (ScotPac) – Non-circulating Distribution</td><td>33.6</td><td>33.6</td></tr><tr><td>First Ranking Secured Creditor (ScotPac) – Receivables Distribution</td><td>66.4</td><td>66.4</td></tr><tr><td>Second Ranking Secured Creditors (Shareholder Creditors)</td><td>TBD</td><td>TBD</td></tr><tr><td>Unsecured Creditors</td><td>Nil</td><td>Nil</td></tr></table>			Liquidation Low (c/\$)	Liquidation High (c/\$)	Priority Creditors	5.9	20.1	First Ranking Secured Creditor (ScotPac) – Non-circulating Distribution	33.6	33.6	First Ranking Secured Creditor (ScotPac) – Receivables Distribution	66.4	66.4	Second Ranking Secured Creditors (Shareholder Creditors)	TBD	TBD	Unsecured Creditors	Nil	Nil
			Liquidation Low (c/\$)	Liquidation High (c/\$)																
	Priority Creditors		5.9	20.1																
	First Ranking Secured Creditor (ScotPac) – Non-circulating Distribution		33.6	33.6																
	First Ranking Secured Creditor (ScotPac) – Receivables Distribution		66.4	66.4																
	Second Ranking Secured Creditors (Shareholder Creditors)		TBD	TBD																
Unsecured Creditors	Nil	Nil																		
The key factors and variables impacting the estimated return to creditors include: ■ The level of further recoveries from residual asset sales, including plant and equipment and the shares in Mirotone NZ and Mirotone Thailand. ■ The level of recovery from the receivables book; and ■ The costs involved in realising assets and completing the wind up of the Company’s affairs.																				
Timing of payments to creditors	The indicative (estimated) timing of dividends are set out below for each class of creditor under a DOCA and liquidation scenario: <table><tr><td></td><td><u>Liquidation</u></td></tr><tr><td>■ Secured Creditors</td><td>6 months</td></tr><tr><td>■ Priority employee claims</td><td>6 months</td></tr><tr><td>■ Unsecured Creditors</td><td>N/A</td></tr></table>		<u>Liquidation</u>	■ Secured Creditors	6 months	■ Priority employee claims	6 months	■ Unsecured Creditors	N/A	Section 7.6										
		<u>Liquidation</u>																		
	■ Secured Creditors	6 months																		
■ Priority employee claims	6 months																			
■ Unsecured Creditors	N/A																			
The key factors and variables impacting the estimated timing include: ■ The time required to collect out the receivables book; and ■ The time required to realise residual assets noted above.																				
Remuneration	Under Div 60-10 of the Insolvency Practice Schedule, the remuneration of the external administrator can be fixed by resolution of the creditors at the second meeting of creditors. We are seeking approval for our remuneration (excluding GST) at the second meeting of creditors as summarised below.	Appendix 8																		

Period	Amount (\$) (excluding GST)
Voluntary Administration Resolution 1: 21 May 2024 to 13 June 2024	\$399,283.00
Voluntary Administration Resolution 2: 14 June 2024 to 26 June 2024	\$50,000.00
Liquidation Resolution 3: 27 June 2024 to the finalisation of the Liquidation	\$175,000.00

3. Recommendation on the Company's future

In our opinion it is in the creditors' interests that the Company be wound up and a liquidator appointed. Details about the estimated return to creditors and other information about what creditors can decide at the meeting are provided at **Sections 1.3 and 8** of this report.

Options available to creditors	Option 1: Execute a DOCA	Option 2: Administration end	Option 3: Liquidation
Description	Whether it would be in the creditors' interests for the Company to execute a DOCA	Whether it would be in the creditors' interests for the administration to end	Whether it would be in the creditors' interests for the Company to be wound up
Key factors to consider	As no DOCA has been proposed, creditors cannot resolve to accept a DOCA at this time	The Company is insolvent with no cash to pay all due debts and no confirmed prospects of obtaining external funding	We have not been provided with a proposal for a DOCA for consideration and it is not appropriate that the administration ends as the Company is insolvent.
Our opinion	Not in the creditors' interests that the Company execute a DOCA	Not in the creditors' interests that the administration should end	Is in the creditors' interests that the Company be wound up
Recommended option	Not recommended	Not recommended	Recommended
Potential to adjourn the meeting to a future date	- Creditors may wish to adjourn the second meeting for up to 45 business days to allow more time to make their decision regarding the future of Mirotone. - It is a matter for creditors to decide if they wish to adjourn the meeting.		

4. Background information

4.1. Appointment of Administrators

- John Park and I were appointed Joint and Several Administrators of Mirotone Pty Ltd on **21 May 2024** in accordance with a resolution passed at a meeting of the Company's directors pursuant to section 436A of the Act.
- In a voluntary administration, the Administrators take control of a company and its affairs, superseding the powers of the directors and officers to make decisions and perform management functions.
- We also have a duty to investigate the Company's business, property, affairs and financial circumstances.

4.2. Outcome of the first meeting of creditors

- The first meeting of creditors was held on 31 May 2024 to consider the formation of a committee of inspection and whether or not to appoint different persons to be the Administrators of the Company.
- No committee was formed and there were no nominations to replace us as Administrators.

4.3. Administrator's prior involvement and independence

- In accordance with s 436DA of the Act, we provided a DIRRI with our first communication to creditors. This DIRRI included the circumstances that led to our appointment as Administrators.
- A copy of our DIRRI is provided at **Appendix 5**, as provided with our first circular to creditors and referred to at the first creditors' meeting.
- There is no change to our assessment regarding our independence or to the information provided in the DIRRI.

4.4. Company information and historical performance

Appendix 2 includes statutory information about the Company, a summary of the Company's historical performance and our preliminary analysis and comments about the existence and form of financial statements prepared by the Company.

4.5. History of the Company and events leading to our appointment

- Mirotone was incorporated in 1938. The Company is the head Company in a Group of companies that own Mirotone NZ and Mirotone Thailand.
- The Company's business involves the manufacture and sale of interior and exterior surface coatings for timber and various other substrates. These coatings are used extensively in domestic, architectural

and commercial applications including furniture, kitchen, commercial fit outs, pre-finished panels, flooring and decking.

- The Company has a wholly owned subsidiary, Mirotone New Zealand Limited and a minority interest in Mirotone Thailand, the majority interest being held by the joint venture partner, Thailand Paints & Chemical Co., Ltd.
- As at the date of our appointment, the Company was an employing entity with approximately 55 full time employees employed. The Company operated distribution facilities across locations in Sydney, NSW, Brisbane, QLD, Melbourne, VIC, and Perth, WA, providing national coverage.
- A timeline of events leading up to appointment is contained in **Section 6.2**.

4.6. Directors' explanation for the Company's difficulties

The directors of the Company have provided a detailed explanation for the reasons for the Company's difficulties, which is attached as **Appendix 5**. This can be summarised as follows:

- **Historical losses:** Following a successful period of trading in the 1990s, over the period 2000 to 2012, the Company made losses as it failed to adapt to changing market conditions. Notwithstanding the appointment of a new CEO and Board in 2013 and improving profitability thereafter, legacy debt remained in respect of the prior unprofitable trading period.
- **Relocation issues:** Mirotone moved from two owned manufacturing sites into a new, leased manufacturing site (Yennora) over the course of 2019 to 2022. There were several issues associated with this move which placed financial strain on the Company, including:
 - Delays to the move due to Covid-19 which impacted rental costs, and production capacity;
 - Stock outs and supply chain problems due to Covid-19 generally;
 - A 60% cost overrun in the cost of the fit out of the new Yennora site; and
 - Loss of production capability and associated revenue due to fit-out being fully completed several months later than contracted.
- **Shortage of working capital:** arising from the issues noted above.
- **Inability to sell the business:** the Directors were engaged with interested parties from July 2023 until May 2024 but economic deterioration in 2024 and uncertainty associated with high interest rates increased the difficulty of achieving a sale.

From our investigations to date, we have identified the following possible causes for the Company's failure:

- The impact of delays associated with transitioning the Company's operations to leased premises in Yennora over the period 2019 to 2022, including delays caused by Covid-19;
- Consistent trading losses from at least July 2021;
- High cash burn despite the implementation of numerous cost reduction initiatives;
- Inability to bring trade creditors within terms notwithstanding numerous cash injections; and
- Inability to obtain new or alternative long-term funding, or achieve a sale of the business, notwithstanding an extensive sale process conducted prior to our appointment.

4.7. Opinion about books and records

Section 286(1) of the Act requires a company to keep written financial records that correctly record and explain its transactions and financial position and performance and would enable true and fair financial statements to be prepared and audited.

In considering compliance with this section, since our appointment we have:

- reviewed various financial reports to help us understand the Company's asset and liability positions;
- reviewed various correspondence files and documents relevant to the Company's financial position and performance of the Company;
- undertaken investigations and reviews incorporating financial records and data; and
- discussed with the Company's finance function, processes and record keeping practices with its directors and management.

In our view, as at the date of our appointment the financial records of the Company appear to have been maintained in accordance with s 286 of the Act.

4.8. Outstanding winding up applications

Based on searches performed at the time of our appointment, no winding up applications appear to have been lodged with a Court against the Company.

5. Strategy and financial position

5.1. Actions and strategy to date

5.1.1. Summary of actions and strategy

Since our appointment we have secured the assets of Mirotone and reviewed the available options for the Company, including an accelerated sale campaign.

Our key strategies and actions have involved:

5.1.2. Trading and customers

- Prepared and issued our Initial Information for Customers.
- Trading the Company at a reduced capacity to allow for an accelerated sale process for the business to be undertaken, to improve the prospects of debtor recoveries and to allow existing inventory to be monetised.
- Engaging with critical suppliers and service providers to enable the continuity of operations on a limited basis.
- As no offers for the business as a whole on a going concern basis were put forward, and as a result of insufficient funds to be able to continue to trade, operations of the business were ceased on 31 May 2024.

5.1.3. Debtors

- Liaised with ScotPac in relation to the Company's Debtor Finance Facility (**ScotPac Facility**).
- Retained one Company staff member to assist with collecting the remaining debtors.
- Issued correspondence to debtors with material overdue balances.

5.1.4. Inventory

- Reviewed the Company's inventory position on appointment.
- Considered various options for realising the Company's inventory.
- Dealt with incoming inventory shipments.

5.1.5. Employees

- Prepared and issued our Initial Information for Employees
- Organised a meeting with employees and advised them of our appointment.
- Organised a meeting with employees and terminated their employment.

- Calculated employee entitlements and issued correspondence to employees on same.
- Completed and issued separation certificates to employees.
- Liaised directly with employees regarding specific issues and queries.

5.1.6. Premises and Landlords

- Notified the Company's four landlords of our appointment and discussed ongoing occupation of relevant premises during the Voluntary Administration.
- Conducted negotiations with Yennora (NSW) landlord regarding the ongoing occupation of the premises, make good obligations and other property related issues.
- Exited the premises at Dandenong (VIC), Perth (WA) and Wacol (QLD) on 31 May 2024.
- Entered into discussions with the Yennora (NSW) landlord in relation to ongoing occupation of the premises.
- Exited the Yennora (NSW) premises on 12 June 2024.
- Continued to engage with the Yennora landlord post exiting the premises to discuss the options for realising value for the residual assets on site (plant & equipment and inventory).

5.1.7. Statutory

- Notified applicable statutory and government bodies of our appointment.
- Prepared and issued our Initial Information for Creditors and Suppliers, which included our DIRRI.
- Held the First Meeting of Creditors.
- Prepared and attended to lodgement of required ASIC forms.
- Prepared this report pursuant to s.75-225 of the Insolvency Practice Rules (Corporations) 2016.

5.1.8. Investigations

- Conducted and reviewed searches in relation to the Company and its officers.
- Obtained relevant books and records of the Company and access to systems.
- Obtained all records concerning the assets of the Company and took steps to ensure protection of these assets.
- Undertook searches to identify any further assets of the Company.
- Reviewed and analysed the Company's financial books and records.
- Undertook an insolvency analysis using financial and other records to form a preliminary view on the likely date of insolvency.
- Reviewed all available books and records and other information concerning the Company to form a preliminary view on any potential breaches of the Act or potential voidable transactions where money or property may be recoverable for the benefit of creditors.

Further details of specific tasks undertaken are included in our Remuneration Approval Report at **Appendix 8**.

5.2. Sale of business

5.2.1. Marketing and sale process

- We conducted an urgent campaign for the sale and or recapitalisation of the Company in the limited timeframe available. As part of this process we:
 - Developed a strategy and timeline for the sale process, which originally contemplated NBIOs being due by 5:00pm 28 May 2024, and binding offers being due by 5:00pm on 3 June 2024. The NBIO offer deadline was extended to 5:00pm 31 May 2024.
 - Compiled a list of likely interested parties based on the list of parties engaged with the Company prior to our appointment, our own understanding of the industry and the market more generally and discussions with management.
 - Advertised the business for sale in the Australian Financial Review.
 - Prepared a range of sale materials including an investment flyer, confidentiality agreement, and populated a virtual data room.
 - Engaged with more than 18 interested parties, including facilitating their due diligence activities where appropriate.
 - Reviewed and assessed 8 NBIOs received between 31 May 2024 and 6 June 2024 and undertook a comparative analysis of the offers relative to each other and a liquidation scenario.
 - Engaged with the parties who submitted NBIOs in order to provide due diligence material and answer questions to allow those parties to submit final offers by 3 June 2024.

5.2.2. Sale outcomes

- As noted earlier, no party put forward a proposal to acquire the business as a whole on a going concern basis.
- One party put forward a proposal to acquire the intellectual property associated with the Company's Polycure product line. We executed an Asset Sale Agreement (**Polycure ASA**) in respect of those assets on 11 June 2024.
- Of the other offers received, most were for selected items of plant & equipment located at Yennora. There are challenges with removing plant & equipment from the site due to:
 - The site being a hazardous goods facility with a residual amount of flammable and dangerous goods on site.
 - The risk of damage that could occur to the site as a result of purchasers attempting to remove plant & equipment.
- We continue to liaise with the Yennora landlord in relation to potential recoveries in respect of plant & equipment.

5.3. Company's financial position at appointment

5.3.1. Report on Company Activities and Property Part A by the directors

- Immediately after appointment, we requested that the directors of the Company provide a statement about the Company's business, property, affairs and financial circumstances in the form of a ROCAP Part A (Form 507) ("ROCAP Part A").
- We received a ROCAP Part A completed by the directors of the Company on 27 May 2024, 28 May 2024, and 7 June 2024, and ROCAP Part B on 3 June, 5 June, and 13 June.
- Part A of the ROCAP is lodged with ASIC and is publicly available for review, whereas Part B of the ROCAP is a confidential document for the use of the Administrators in performing their duties.

5.3.2. Summary of the ROCAP Part A and Administrators' ERV as at 21 May 2024

Report on Company Activities and Property				
Part A				
\$'000s	Notes	Directors' ROCAP ERV	Administrators' Low ERV	Administrators' High ERV
Assets				
Cash at Bank	1	403	403	403
Receivables	2	2,746	2,246	2,246
Inventory	3	2,813	200	200
Property, Plant & Equipment	4	5,178	Commercially Sensitive	Commercially Sensitive
Intangible Assets	5	-	750	Commercially Sensitive
Investment in Subsidiaries	6	4,696	Commercially Sensitive	Commercially Sensitive
Total Assets		15,836	Commercially Sensitive	Commercially Sensitive
Liabilities				
Secured Creditors	7	(5,582)	(5,674)	(5,674)
Priority Creditors	8			
Wages & Superannuation		(188)	(100)	(100)
Annual Leave		(396)	(400)	(400)
Long Service Leave		(276)	(356)	(356)
Redundancy		(922)	(644)	(644)
PILN		-	(263)	(263)
Unsecured Creditors	9	(3,633)	(3,633)	(3,633)
Intercompany Loan Liability	10	(3,212)	(3,212)	(3,212)
Total Liabilities		(14,209)	(14,281)	(14,281)
Net Assets		1,628	Commercially Sensitive	Commercially Sensitive

- We have provided a High and Low ERV. The difference between the two cases is that the Low case includes only the proceeds from the Polycure ASA, whereas the High Case assumes we are able to realise further funds from the sale of other components of the Company's IP.

Notes:

1. Cash at Bank

- The Directors' ROCAP provided the balance of the Company's main operating and blocked accounts as at 21 May 2024.
- Upon appointment the Administrators issued correspondence to all major banking institutions notifying them of our appointment and to confirm all bank accounts held by the Company.
- The Administrators' ERV reflects the balance of cash in the operating account received on appointment.

2. Receivables

- The Directors' have provided an aged debtors trial balance as at 21 May 2024.
- The Administrators' ERV reflects a reduction to account for an element of challenged collectability under certain scenarios.

3. Inventory

- The Directors' ROCAP was based on a stock listing as at 21 May 2024 totalling c.\$2.8m.
- The majority of the inventory was located at Yennora. The Administrators' ERV reflects recoveries to date in respect of that inventory. Given that site has now been exited, any remaining recoveries will be subject to the agreement of the sale of that inventory with a purchaser and to the consent of the landlord with regards to its removal from the site.
- We note that a large quantity of inventory was subject to PPSR claims – where those claims were valid, those creditors have had the opportunity to undertake a site visit to quantify and collect their inventory.
- We also note the inventory balance included a large quantity of comingled solvents produced specifically for the Company's purposes which had limited alternative use and therefore limited recoverable value.

4. Property, Plant and Equipment

- The Directors' provided a fixed asset register in their ROCAP's, totalling c.\$5.2m. The fixed assets register primarily reflected plant & equipment and capitalised expenses related to the Yennora fit out.

5. Intangible Assets

- The Administrator's low ERV includes only the proceeds from the Polycure ASA.
- The high ERV assumes further recoveries from the sale of other components of the Company's IP, but these are currently commercially sensitive.

6. Investment in Subsidiaries

- The Director has provided details regarding the estimated asset value of the Company's 100% interest in Mirotone NZ and 49% interest in Mirotone Thailand, a joint venture between the Company and Thailand Paints.
- We note that in 2023 the Company pledged approximately 30% of its 49% interest in the Mirotone Thailand to Thailand Paints in return for a loan from Thailand Paints of approximately A\$170k. On the basis the Company is not in a position to repay this loan, we

expect Thailand Paints will take possession of these shares, diluting the Company's interest down to 19%.

- We have marked the Administrators' ERV for these assets as commercially sensitive on the basis that sale processes for those interests have commenced or will shortly commence and providing an estimate of those recoveries would be prejudicial to obtaining the best possible price for those assets.

7. Secured Creditors

- ScotPac and the Shareholder Creditors currently hold ALL PAAP security registrations over all of the Company's assets.
- ScotPac holds the first ranking ALLPAAP as a result of a deed of priority entered into with certain of the Shareholder Creditors with earlier dated registrations.

8. Priority Creditors

- The Director's ROCAP reflects entitlements calculated by the Company.
- The Administrators' high and low ERV reflect entitlements calculated by the Administrators in accordance with employee contracts.

9. Unsecured Creditors

- The Director's ROCAP ERV is representative of accounts payable per the aged creditors trial balance provided as at 21 May 2024.

10. Intercompany Loan Liability

- The following loans are owed by the Company to other entities within the Mirotone Group of Companies per the Company's records:

Other Mirotone Entities	Amount (\$)
Mirotone New Zealand Limited	3,041,417
Thailand Paints & Chemical Co Ltd	171,000

- Intercompany loans are an unsecured creditor claim in the Administration of the Company. The Administrators' high and low ERV represent the claim as per the Director's ROCAP.
- The loan from Mirotone New Zealand Limited represents funds advanced by that entity to the Company prior to our appointment.
- The Thailand Paints & Chemical Co Ltd loan reflects the loan entered into in 2023, as referenced earlier in this section, plus accrued interest.

5.3.3. Related party creditors and claims

In addition to information contained in the ROCAP Parts A and B, we reviewed the Company's records (trade creditor listings, financials statements and other available documentation and correspondence) and spoke with Company staff to determine the existence and amount of related party claims.

The following related party creditor claims have been identified:

Mirotone Pty Ltd (Administrators Appointed)						
Shareholder Loans Summary						
Date \$'000s			RA Dennis	SD Dennis	LM Dennis	RA Stallworthy
Opening Balance	3,505.2	01-Jul-23	117.0	846.4	514.9	2,026.9
31-Jul-23	3,384.2		117.0	725.4	514.9	2,026.9
31-Aug-23	3,384.2		117.0	725.4	514.9	2,026.9
31-Oct-23	3,640.6		120.4	746.0	529.8	2,244.5
30-Nov-23	3,480.6		120.4	746.0	529.8	2,084.5
31-Jan-24	3,581.5		123.8	767.2	544.6	2,146.0
30-Apr-24	3,890.3		127.3	788.7	559.9	2,414.4
Closing Balance	3,890.3		127.3	788.7	559.9	2,414.4

Source: Shareholder Loans as at 21 May 2024

6. Investigations, offences and voidable transactions

6.1. Overview – voidable transactions and insolvency

6.1.1. Duty to investigate

The law requires us to investigate and specify whether there appear to be any voidable transactions in respect of which money, property or other benefits may be recoverable by a liquidator under Part 5.7B of the Act.

We have sought to ascertain whether the Company was insolvent at any particular point in time prior to our appointment as Administrators, in order to determine a point in time from which these provisions may apply.

6.1.2. Relevance of insolvency and liquidation

The ability to challenge voidable transactions and recover money/property for creditors is contingent on two elements:

- The Company being placed into liquidation, and
- A liquidator being able to establish that the Company was insolvent at the time it entered into any particular transaction, or that the Company became insolvent as a consequence of that transaction.

6.1.3. Work performed

We have made enquiries into the financial affairs of the Company. In this section, we set out our preliminary views and findings about:

- Offences that may have been committed.
- The solvency position of the Company.
- Existence of voidable transactions – including unfair preferences/loans, uncommercial transactions, arrangements to avoid employee entitlements, and unreasonable director related transactions.
- Charges that may be voidable.
- Whether there is the prospect of a claim for insolvent trading.
- Safe Harbour protection from personal liability for insolvent trading liabilities which may be available to the Directors.

Please note the investigations we have undertaken are only indicative of the actions that may be possible in the event of liquidation.

6.1.4. Date of insolvency

Our key workings and other analysis are contained in **Appendix 4**.

In the appendix we have also included some general comments and information about recoveries via voidable transactions, insolvent trading and common factors that indicate insolvency.

The summary of our findings and views on the Company's solvency position are on the following pages.

6.1.5. Creditors' information sheet and other explanations

Provided at **Appendix 6** is an information sheet to assist creditors in understanding potential offences under the Act, recoverable transactions and insolvent trading.

Creditors should read this information in conjunction with our comments in this section of the report.

6.1.6. Relevance of liquidation versus DOCA

Voidable transactions and other actions that a liquidator can take are not available if the Company executes a DOCA.

As a result, creditors have to assess the advantages to them of a DOCA (and any benefits that may be available to them in this scenario), compared to the likely return in a liquidation (and any recoveries that may be available where a liquidator is appointed).

To help creditors, where a DOCA is proposed, the Estimated Return to Creditors section of this report will include a comparison between liquidation and any DOCA, highlighting the differences in estimated recoveries and outcomes. There may also be timing differences and these too are discussed as applicable.

6.2. Insolvency and liability for insolvent trading

6.2.1. Background and context

The table below sets out a summary of events in the years leading up to our appointment. This information provides relevant background and context for our conclusions in respect of insolvency and liability for insolvent trading, as set out later in this section.

The events described in the timeline below are based on information provided by the Directors, management and information gleaned from our own investigations.

This information should be read in conjunction with the further analysis and commentary on our investigations set out in **Appendix 4**.

Date	Event
January 2013	■ The current Board and a new CEO are appointed following a sustained period of operating losses (2000 to 2012).
2014 to 2017	■ The Company experiences a period of profitable trading.
January 2018	■ Board and Management plan for the move to Yennora to reduce costs from operating out of two sites (Chipping Norton and Revesby), and to enable realisation of operational efficiencies and support future growth. Additionally,

Date	Event
	the cost of remaining at the Revesby site and upgrading it was not cost effective and significant insurance increases further supported the sale and relocation to a more modern site.
Mid 2019	Detailed planning commenced for move to Yennora, including commencement of discussions with Yennora landlord regarding construction and fit out of new leased premises.
September 2019	Sales contract signed for the Revesby land.
2019	Significant losses are incurred, which the Directors have attributed to a market downturn.
January 2020	- The Revesby sale settles, for consideration of \$8.2m. - Mirotone agreed a lease back of the Revesby site until May 2021, as completion of the Yennora site is targeted for April 2021.
March 2020	Covid-19 delays the commencement of the development of the Yennora site by 12 months.
March 2021	Yennora factory construction begins, following construction delays.
July 2021	While the Company had been generally profitable at a gross profit level, gross profits were eroded by relatively high overheads and selling expenses, which resulted in consistent trading losses since at least July 2021 through to our appointment.
June 2022	- The Company is forced to exit the Revesby site earlier than expected, impacting production capability whilst Yennora factory construction was still being completed. - From this point, the Company had a large arrears of outstanding creditors, with majority of creditors overdue since June 2022 and continuing to our appointment in May 2024. It is possible that there were material overdue trade creditor balances prior to June 2022, but we have not yet been provided with aged payables detail for those periods with which to validate this assumption.
September 2022	Cash injections via shareholder loans commence.
November 2022	Mirotone makes a large cash payment of c.\$1.4m to acquire Pylon Coatings, with the objective of increasing overall sales revenue and margins. According to the Directors, the full potential of the Pylon acquisition could not be realised due to delays with the build and commissioning of the Yennora site.
December 2022	- After delays, Sardik Engineering deliver a fully functional and compliant factory, which they had been contracted to deliver in May 2022. - As a result of delays, production capacity had been reduced by 30-40% for several months.
January 2023	Directors seek Safe Harbour advice, engaging KordaMentha to conduct a better outcome review.

Date	Event
March 2023	■ Injection of capital via significant shareholder loans.
May 2023	■ Directors again seek Safe Harbour advice, from Vantage Performance, to monitor the Company's Safe Harbour compliance from June 2023 onwards.
June 2023	■ The Company raises \$2m in secured debt funding from Felicitas Finance, secured over its interest in the Wacol property.
July 2023	■ The Company enters into a payment plan with the Australian Taxation Office (ATO) in respect of PAYGW liabilities. The plan requires monthly payments for 35 months.
September 2023	■ Australian Operations Manager, John Davey resigns. ■ CEO resigns, to exit December 2023. ■ Grahame Pond appointed Executive General Manager (GM) (to commence 1 November 2023). ■ The Company commences a sale process, engaging Lloyds Business Brokers (Lloyds) and distributing an Information Memorandum to interested parties. Vantage Performance were also looking for PE investment or purchase options of the Company.
October 2023	■ Operations Manager finishes and new Head of Operations, Simon Harris, is recruited. ■ A further \$160k of secured debt was advanced by one of the Shareholder Creditors.
November 2023	■ Simon Harris, new Head of Operations commences at Mirotone. ■ Management begins developing cost reduction initiatives including headcount reduction and SKU reduction processes. Poor inventory management processes are uncovered, and subsequently reform actions are put in place. ■ Sale process for Auckland property (owned by Mirotone NZ) is completed, with settlement in December 2023. ■ New GM commences work on supplier payment plans, with the intention of paying suppliers in weekly instalments. Unstable revenue across December 2023 and January 2024 resulted in payment plans not being put in place until February and March 2024. ■ Weekly cash flow meetings held with Vantage Performance to review operating cash flow.
December 2023	■ CEO departs the Company on 15 December 2023. ■ \$1m in proceeds from the sale of Auckland property are transferred to the Company from Mirotone NZ. These funds were used for business as usual activities, including wages, salaries, and creditor payments across December 2023 and January 2024.
January 2024	■ Stocktake conducted at Yennora, delivering a material unreconciled position.

Date	Event
	- Discussions continue with suppliers in relation to payment plan arrangements. - Management introduces weekly payments meetings to review aged creditors.
February 2024	- GM begins communications with all major suppliers in relation to payment plans. Strategy is to clear oldest balances first, i.e. those payments overdue by more than 90 days, within a month. In turn, when subsequent months balance ages, the oldest debt will be cleared. - Majority of suppliers are accepting of payment plan requests. However, multiple advised of broken payment arrangements in prior periods. - Payment plan with the ATO is broken due to non-payment of monthly instalment.
March 2024	Initial payment plans commence with key suppliers, enabling greater flow of materials into the business.
April 2024	- Management engages in daily cash flow meetings with Vantage Performance. - Additional c.\$400k payment events confirmed for April, including: - Trade finance loan for an order from Sapici (an offshore supplier of raw materials), falls due on 11 April. Vantage approach the trade finance lender, ScotPac, for extension, which is declined. - Salaries, paid on 12 April. - Superannuation, paid on 22 April. - The sale of Wacol puts further stress on the cash position, with c.\$90k required to pay back rent prior to settlement. - Further \$200k cash injection from a Shareholder Creditor. - Wacol sale settles and the proceeds are used for business as usual activities. - Vantage advise Mirotone to commence VA planning.
May 2024	- Mirotone continue to engage and negotiate with interested parties in relation to sale of business and/or assets. - No offers eventuate, the Board and Management prepare for a VA. 21 May 2024 Board Meeting ratified VA and FTI were appointed as Administrators.

6.2.2. Estimated date of insolvency

Our preliminary view is that the Company may have been insolvent from July 2023, or possibly earlier, and remained so up until the time of our appointment on 21 May 2024.

The primary reasons for our views are set out below:

- Despite the Company being able to generate gross profits, since at least July 2021 Mirotone had experienced consistent trading losses, associated with high overheads.

- From as early as June 2022, the Company's aged creditors reports have shown a material balance of overdue creditors, indicating many creditors were likely being paid outside of terms. As set out in **Section 12.3.3**, in the period January to July 2023 creditors overdue by more than 90 days were consistently above 40% of the total trade creditors balance, indicating significant build-up of materially overdue creditors by July 2023.
- Up until June 2023 the Company had displayed an ability to raise further funds from asset sales, external financings, and shareholder loans. Following the \$2m raised from Felicitas Finance in June 2023 through to our appointment, the Company did not raise further material funds with the exception of a cash transfer from Mirotone NZ in December 2023.
- In July 2023, the Company entered into a payment arrangement with the ATO. Payments commenced in August 2023; however, this plan was broken in February 2024. Vantage Performance was due to renegotiate another plan in June 2024, however, we were appointed prior to this.
- The Company had obtained Safe Harbour advice from KordaMentha in January 2023, before engaging Vantage Performance in May 2023 to provide Safe Harbour compliance monitoring from June 2023 until our appointment.
- Funding from Felicitas in June 2023, New Zealand entity in December 2023, as well as the shareholders in the twelve months to June 2023 did not provide sufficient funding to cover the cash flow deterioration experienced by the Company.

6.2.3. Preliminary view on liability for insolvent trading

Based on our estimated date of insolvency, and given the length of likely insolvency, the potential claim for insolvent trading as against the Directors may be up to the total outstanding third party trade creditor debts owed, which is in the order of \$3 to \$4m.

If the Company was wound up and a liquidator appointed, further work could be performed on the solvency position of the Company to determine whether there is a benefit to creditors in pursuing the directors for insolvent trading.

There are also several defences available to a director under Section 588H of the Act with respect to a claim for insolvent trading, including:

- That the director had reasonable grounds to expect, and did expect, that the company was solvent and would remain solvent;
- That the director:
 - Had reasonable grounds to believe, and did believe, that a competent and reliable person was responsible for providing adequate information to the director about the company's solvency and that person was fulfilling that responsibility; and
 - Expected, on the basis of that information, that the company was solvent and would remain solvent;
- That the director, because of illness or for some other good reason, did not take part in the management of the company at the relevant time;
- That the director took all reasonable steps to prevent the company from incurring the debts in question; and
- The Safe Harbour provisions (further details are set out in **Section 6.2.4** below)

Creditors should refer to **Appendix 4** for additional information on insolvency and pursuing insolvent trading claims generally.

In the Company's circumstances, the following matters appear particularly relevant:

- There was a sale process being undertaken with the objective of a going concern transaction;
- The Company was implementing various strategies to improve its financial performance and position, including obtaining funding from the Shareholder Creditors and other parties and seeking to improve its trading performance; and
- Safe Harbour advice was sought during the process (detailed in the next section).

These factors suggest that any prosecution of an insolvent trading claim is likely to be defended by the directors and consequently, any recoveries from this potential source should be considered speculative.

We also note that prosecuting an insolvent trading claim is a complex and expensive undertaking. Prior to commencing a claim, significant further work would be required to determine the precise date of insolvency and to establish the basis for such a claim.

At present we do not anticipate having sufficient funds to undertake these investigations, unless a third party was willing to make funding available to us to do so.

6.2.4. Safe Harbour

The Directors have a duty to prevent the Company trading whilst insolvent and are personally liable for the debts the Company incurs when there were reasonable grounds to suspect the Company was insolvent. The Directors can, however, be availed of personal liability for insolvent trading if the Company is undertaking a restructuring plan which is reasonably likely to result in a better outcome than immediately placing the Company into external administration. This process and protection is referred to as Safe Harbour.

The eligibility requirements for Safe Harbour protection and our preliminary view on whether the criteria have been met are set out in the below table:

Safe Harbour eligibility criteria	Criteria met?	Reference
Are the Directors properly informing themselves of the financial position of the Company?	Yes	s.588GA(2)(a)
Are the Directors taking appropriate steps to prevent any misconduct by officers or employees of the Company that could adversely affect the ability to pay all their debts?	Yes	s.588GA(2)(b)
Are the Directors taking appropriate steps to ensure the Company is keeping appropriate financial records consistent with the size and nature of the Company?	Yes	s.588GA(2)(c)
Are the Directors obtaining advice from an appropriately qualified entity who was given sufficient information to give appropriate advice?	Yes	s.588GA(2)(d)
Are the Directors developing or implementing a plan for restructuring the Company to improve their financial position?	Yes	s.588GA(2)(e)

Safe Harbour eligibility criteria	Criteria met?	Reference
Has the Company met and continued to meet employee entitlement obligations? This includes wages, leave entitlements and superannuation.	Yes	s.588GA(2)(a)(i)
Has the Company complied and continued to comply with tax reporting obligations? This includes returns, notices, statements, applications or other documents as required by taxation laws (within the meaning of the <i>Income Tax Assessment Act 1997</i> (Cth)).	Yes	s.588GA(4)(a)(ii)

In terms of eligibility for Safe Harbour protection from insolvent trading liabilities, it is our preliminary view Safe Harbour protection may be available between January 2023 and May 2024. Accordingly, the Directors may be able to claim protection for personal liability for insolvent trading to the extent the date of insolvency was determined to be within this period.

This view is based on the following:

- The Directors engaged Safe Harbour advisers in January 2023 to provide Safe Harbour advice. The better outcome plan included four options, which were all estimated to provide a better outcome than if Mirotone appointed an external administrator immediately.
- The Directors then engaged Vantage Performance in June 2023 to provide further Safe Harbour advice and compliance monitoring from June 2023 until our appointment.
- The Company appears to have continued to explore avenues to obtain funding, including those referred to in the better outcome plans, up to the date of appointment.

6.2.5. Directors' capacity to pay claims by a liquidator

- We have not received information from the Directors in relation to their personal financial position.
- However, a property search performed on each of the directors indicated that all three of the Directors are registered property owners in New South Wales.
- We are unable to definitively comment at this time as to whether any directors' and officers' insurance policies would potentially respond to a claim for insolvent trading.

6.3. Voidable transactions

We set out below our preliminary findings in relation to potential recoveries from voidable transactions in a liquidation scenario including our view on the likelihood of there being substantiated and supportable claims. Where applicable, we have included our estimate of possible recoveries along with any other pertinent information.

For general information explaining these matters, including a list of applicable offences, please refer to **Appendix 4**.

Area	Our view	Comments				
Unfair preferences	Possible claims	We have reviewed the payments made by the Company during the period leading up to our appointment, taking into account the potential date of insolvency of Mirotone. Based on our investigations to date, we consider the following preferential payments may be recoverable by a liquidator: <table><tr><th>Number of Preferential Payments</th><th>Amount (\$)</th></tr><tr><td>2</td><td>71,000.00</td></tr></table> A liquidator would, however, need to consider the commerciality of pursuing these claims.	Number of Preferential Payments	Amount (\$)	2	71,000.00
Number of Preferential Payments	Amount (\$)					
2	71,000.00					
Uncommercial transactions	No claims	We are not aware of any potential uncommercial transactions that would likely result in property being recovered for the benefit of creditors.				
Unfair loans	No claims	We are not aware of any potential unfair loans that would likely result in property being recovered for the benefit of creditors.				
Unreasonable payments to directors	No claims	Our investigations to date have not found any evidence of unreasonable payments to directors.				
Related entity benefit	No claims	Our investigations to date have not revealed any transactions with related entities that would likely result in property being recovered for the benefit of creditors.				
Arrangements to avoid employee entitlements	No claims	Our investigations to date have not revealed the existence of any such arrangements.				
Voidable charges	None	Our investigations have not revealed any charges or registered security interests that would be void against a liquidator.				
Offences by directors	None	As our preliminary view is that the Company may have been insolvent from July 2023, or possibly earlier, a potential claim for insolvent trading may be available against the Directors. It is possible that the Directors have a valid Safe Harbour defence; however, we have not validated this and further work and funding would be required to progress investigations in this regard.				

6.4. Disclosures: effect on employees

6.4.1. Effect on employees – liquidation

Position as priority creditors

Employees are afforded a priority in the winding up of a company compared to ordinary unsecured creditors. The order of priority for typical employee claims is as follows:

- Amounts due in respect of wages, superannuation and superannuation guarantee charge outstanding as at the date of the appointment of Administrators, followed by
- Amounts due in respect of leave of absence and other amounts due under the terms of an industrial instrument, followed by
- Retrenchment payments.

Return to employees if the Company is wound up

Section 7 includes details about the estimated return to creditors if the Company is wound up and a liquidator appointed.

Government assistance available if the Company is wound up

If there are insufficient funds available to employees from the Company's property, eligible employees may be entitled to lodge a claim for their unpaid entitlements under the Federal Government's FEG Scheme.

Details about FEG can be read at <https://www.employment.gov.au/fair-entitlements-guarantee-feg>

6.4.2. Effect on employees – DOCA

Employees should note that the FEG Scheme is not available to employees in the event that the Company executes a DOCA. We note that no DOCA has been proposed.

6.4.3. s438D Report

We have not lodged a report with ASIC with respect to section 438D of the Act.

7. Estimated return to creditors

7.1. Administrators' estimated statement of position

Mirotone Pty Ltd (Administrators Appointed)				
Estimated Statement of Position			Liquidation	
\$'000s	Notes	Book Value	Low	High
Circulating Assets				
Pre-appointment receivables	1	2,746	2,746	2,746
ScotPac	2	(1,184)	(1,184)	(1,184)
Provision for ScotPac fees and charges			(200)	(200)
Provision for non-collectible debts	3	(500)	(500)	(500)
Net Receivable Recoveries		1,062	862	862
Cash on appointment	4	399	399	399
Inventory on appointment	5	2,813	200	200
Total Circulating Assets		4,274	1,461	1,461
Trading and Administration Costs				
	6			
Less: Administrators' Remuneration and Fees		-	(450)	(450)
Less: Liquidators' Remuneration and Fees		-	(175)	(175)
Less: Trading Expenses		-	(232)	(232)
Less: Contingency			(200)	(100)
Less: Legal Fees (Voluntary Administration)		-	(200)	(100)
Less: Legal Fees (Liquidation)		-	(100)	(50)
Net Circulating Asset Recoveries Available to Priority Creditors			104	354
Priority Creditors	7	1,762	1,762	1,762
Amount paid to Priority Creditors		-	(104)	(354)
Priority Creditors cents/\$			5.9	20.1
Amount Available to Secured Creditors			-	-
Non-Circulating Assets - Australia				
Intellectual Property	8	750	750	750
Plant & Equipment	9	5,178	Commercially sensitive	Commercially sensitive
Less: Costs of Realisation	10	-	(69)	(69)
Less: Administrators' Remuneration and Fees (Sale)	11	-	(66)	(66)
Less: Legal Fees (Sale)	12	-	(15)	(15)
Less: Funds paid to ScotPac	13	(600)	(600)	(600)
Net Recoveries Non-Circulating Assets - Australia			-	-
Non-Circulating Assets - Other				
Shares in Mirotone NZ Limited & Mirotone Thailand	14	1,482	Commercially sensitive	Commercially sensitive
Costs of realisation		-	Commercially sensitive	Commercially sensitive
Net Recoveries Non-Circulating Assets - Other			TBD	TBD
Total Assets Available to Secured Creditors			TBD	TBD

Mirotone Pty Ltd (Administrators Appointed)				
Estimated Statement of Position			Liquidation	
\$'000s	Notes	Book Value	Low	High
Secured Creditors				
First Ranking Secured Creditor - Scotpac		-	1,184	1,184
First Ranking Secured Creditor (Scotpac) cents/\$ - Non-circulating Distribution		1,184	33.6	33.6
First Ranking Secured Creditor (Scotpac) cents/\$ - Receivables Distribution		600	66.4	66.4
Second Ranking Secured Creditors - Shareholder Loans		3,890	3,890	3,890
Second Ranking Secured Creditors (Shareholders) cents/\$			TBD	TBD
Unsecured Creditors				
Trade Creditors		6,845	6,845	6,845
Unsecured Creditors cents/\$			TBD	TBD

7.2. Notes

1. Pre-appointment receivables

- There were c.\$2.7m in debtors based on the Company's aged debtors trial balance as at 21 May 2024. Work is ongoing to pursue the collection of the receivables.

2. ScotPac

- Refers to the balance of ScotPac's total secured debt (c.\$1.8m) that is expected to be recoverable against the receivables, pursuant to a Receivables Purchase Agreement on the basis that c.\$0.6m is recoverable from non-circulating assets.

3. Provision for non-collectible debt

- A c.\$500k provision has been applied in both a low and high scenario, to account for those debtors which may not be able to be realised due to collectability challenges in a liquidation scenario.

4. Cash on appointment

- The Administrators have realised of cash c.\$400k, representing the amount of funds recovered from the Company's operating account.

5. Inventory on appointment

- Includes a mix of finished goods and raw materials. A substantial portion of inventory was subject to PPSR claims, which has therefore been returned where valid.
- The Administrators have attempted to realise remaining finished goods where possible and sell other items of inventory.
- As the Administrators have now disclaimed the Yennora site, further recoveries are highly uncertain.

6. Trading and Administration Costs

- The trading expenses include actual and forecast cash inflows and outflows relating to the period following our appointment.
- We have considered a low and high scenario for legal fees.

- Please refer to the Remuneration Approval Report for information regarding:
 - Administrators' remuneration and disbursements to date;
 - Administrators' future remuneration and disbursements; and
 - The Liquidators' future remuneration.

7. Priority Creditors

- Includes total pre-appointment employee entitlements, constituting outstanding superannuation, annual leave and long service leave.
- In a liquidation scenario, employees of the Company, subject to eligibility requirements, can access the FEG Scheme to claim their entitlements.
- Under the FEG Scheme, employee entitlements are capped by reference to the FEG maximum weekly wage of \$2,673 per week. If an employee earned more than this amount, gross per week, FEG will calculate employee entitlements as if the employee earned the \$2,673 per week and the balance of entitlements owed to employees above this figure will rank as a priority claim in the Administration and will be paid subject to assets realised.
- FEG will stand in the shoes of employees paid under the FEG Scheme.

8. Intellectual Property

- Reflects the value of intellectual property, under the current terms of the Polycure ASA.

9. Plant & Equipment

- Recoveries have been marked commercially sensitive as realisations continue in respect of these assets.

10. Costs of realisation

- Includes operating expenses associated with the sale process conducted and Polycure ASA.

11. Administrators' Remuneration & Fees (Sale)

- Reflects the Administrators' remuneration and fees associated with the sales process and Polycure ASA

12. Legal Fees (Sale)

- Reflects the legal fees incurred in relation to the sales process and Polycure ASA.

13. Funds paid to ScotPac

- In addition to the receivables that it has purchased pursuant to the Receivables Purchase Facility, ScotPac also holds the first ranking ALLPAAP as a result of a deed of priority entered into with certain of the Shareholder Creditors with earlier dated registrations.
- As first ranking secured creditor, funds received from the completion of the Polycure ASA (net of realisation costs) will be distributed to ScotPac, in accordance with their deed of priority.

14. Shares in Mirotone NZ and Mirotone Thailand

- Reflects the value of the Company's 100% interest in Mirotone NZ and 19% interest in Mirotone Thailand.
- At present these recoveries have been marked as commercially sensitive on the basis that sales processes have been commenced or will shortly commence in respect of those assets.

7.3. Summary and timing of estimated returns

It is not anticipated there will be a return to unsecured creditors of the Company, irrespective of the completion of the Polycure ASA and realisation of the Company's shares in Mirotone NZ and Mirotone Thailand.

Below is a summary of the estimated returns to priority creditors, secured creditors and unsecured creditors in a liquidation scenario. Estimated returns are presented on a cents in the dollar basis.

	Liquidation Low Return	Liquidation High return
Priority Creditors	5.9	20.1
First Ranking Secured Creditors: Scotpac – Non-circulating Distribution	33.6	33.6
First Ranking Secured Creditors: Scotpac – Receivables Distribution	66.4	66.4
Second Ranking Secured Creditors: Shareholder Creditors	TBD	TBD
Unsecured Creditors	Nil	Nil

Note – returns to priority creditors may increase if realisations from the shares in Mirotone NZ and Mirotone Thailand are realised for a sufficient quantum to repay the remaining secured debt.

7.4. Administrators receipts and payments

A summary of receipts and payments since the date of our appointment to 14 June 2024 is shown below.

Administrators' Receipts and Payments to 14 June 2024	
Receipts	
Pre-appointment Cash at Bank	399,425
Inventory Realised	62,425
Other Assets Realised	871,201
Other Income	5,500
Total Receipts	1,338,551
Payments	
Freight	(4,617)
PAYG	12,514
Employee Entitlements	(11,044)
Wages & Salaries	(41,516)
Insurance	(53,021)
Staff reimbursements	(50)
Payroll Tax	(1,110)
IT Consumables / Services	(5,109)
Security	(91)
Advertising	(103)
Vehicle Expenses	(35)
Cleaning / Waste Services	(433)
Rates	(96)
Rent	(1,538)
Repairs / Maintenance	(7)
Utilities	(4,360)
Total Payments	(110,615)
Net Receipts & Payments	1,227,936

7.5. Impact of related entity claims on dividend prospects

It is not anticipated there will be a return to unsecured creditors, which include claims by related parties for intercompany loans.

In the event sufficient funds are realised to pay a dividend to unsecured creditors, an independent liquidator would be engaged to adjudicate on any related party claims prior to any distribution.

7.6. Estimated timing of payments to creditors

An indicative range of the estimated timing of dividends under each option (and to each class of creditor) is set out below:

Secured creditors	6 months from the commencement of the Liquidation.
Employee priority creditors	6 months from the commencement of the Liquidation.
Ordinary unsecured creditors	N/A

8. Administrators' opinion and recommendation

8.1. Opinion and recommendation to creditors

8.1.1. What creditors can decide at the meeting

At the second meeting of creditors, creditors are required to decide whether:

- The Company should execute a DOCA
- The administration of the Company should end, or
- The Company should be wound up.

In accordance with the requirements of Section 75-225 of the Insolvency Practice Rules (Corporations) 2016, the Administrators must provide an opinion on each of the above options, and whether the option is in the creditors' interests.

8.1.2. Administrators' opinions on the options available to creditors

Execution of a deed of company arrangement

As no DOCA has been proposed, creditors cannot resolve to accept a DOCA at this time. Therefore, we do not consider it would be in the creditors' interests for the Company to execute a DOCA.

It remains an option for creditors to consider whether they may wish to adjourn the forthcoming meeting of creditors to allow time for a DOCA proposal to be submitted.

The Administration comes to an end

If the creditors vote for this alternative, control of the Company would revert to the directors following the forthcoming meeting of creditors.

The Company is insolvent with no cash to pay the Company's debts and no confirmed prospects of obtaining external funding. Therefore, we do not consider that it would be in the creditors' interests for the administration to end.

Administrators' opinion and recommendation

The Company is wound up

Absent the other options being viable alternatives, **we consider that it would be in the creditors' interests for the Company to be wound up**. The Company is insolvent. We have not been provided with a proposal for a DOCA for consideration and it is not appropriate that the administration ends for the reasons noted above.

8.1.3. Administrators' opinion on voidable transactions and insolvent trading

It is the opinion of the Administrators that there are payments made by the Company which could be considered as voidable transactions against the liquidators as outlined in Section 75-225 of the Insolvency Practice Rules (Corporations) 2016.

Further, based on the estimated date of insolvency, it is possible that there is a material insolvent trading claim. However, significant further work would be required to validate the estimated date of insolvency and the resultant quantum of any claim. At present we do not expect to be funded to undertake these further investigations, in the absence of third party funding. Furthermore, we note that the Directors had taken Safe Harbour advice since January 2023 and therefore may have a valid defence against any insolvent trading claim. We do not yet have a firm conclusion on the Directors' ability to meet a successful insolvent trading claim and we note that the Directors have provided personal guarantees for debts that remain outstanding, including in relation to the ScotPac Facility.

This has been discussed in **Section 6**.

Dated: 18 June 2024



David McGrath

Joint and Several Administrator

9. Appendix 1 – Glossary and terms of reference

Item	Definition
\$	Australian Dollar
Act	Corporations Act 2001 (Cth)
Administrators	John Park and David McGrath
AEST	Australian Eastern Standard Time
ALLPAAP	All Present and After Acquired Property
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office (incorporating the Deputy Commissioner of Taxation, as applicable)
BAU	Business As Usual
c.	Approximately
CEO	Chief Executive Officer
Completion	Settlement of the Polycure Asset Sale Agreement
Covid-19	Coronavirus disease 2019
DIRRI	Declaration of independence, relevant relationships and indemnities
DOCA	Deed of company arrangement
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
ERV	Estimated realisable value
FEG	Fair Entitlements Guarantee
Felicitas	Felicitas Finance Pty Ltd
FTI; FTI Consulting	FTI Consulting (Australia) Pty Ltd
FY21, FY22, FY23	Financial years ended/ending 30 June 2021, 30 June 2022 and 30 June 2023
FY24 YTD	Financial year to 30 April 2024
GM	General Manager
GST	Goods and Services Tax, as applicable in Australia
IP	Intellectual Property
KordaMentha	KordaMentha Pty Ltd
Lloyds	Lloyds Business Brokers
Management	The senior officers, employees and advisors of the Company

Item	Definition
Mirotone NZ	Mirotone New Zealand Limited
Mirotone Thailand; Thai JV; Thai Joint Venture	Mirotone (Thailand) Co, Ltd.
NBIO	Non-Binding Indicative Offer
NPAT	Net profit after tax
NSW	New South Wales
PAYGW	Pay As You Go Withholding
PE	Private Equity
PILN	Pay in Lieu of Notice
Polycure	A division of the Mirotone business that focuses on designing, developing and manufacturing coating systems to protect and enhance timber flooring and related substrates.
Polycure ASA	Asset Sale Agreement in relation to the Polycure Brand
PP&E	Plant Property & Equipment
PPSR	Personal Property Securities Register
Purchaser	The party to the Polycure Asset Sale Agreement
Pylon Coatings	Pylon Coatings Pty Ltd, acquired by the Company in November 2022
QLD	Queensland
Receivables Purchase Agreement	Receivables Purchase Agreement with Scottish Pacific Business Finance, dated 14 March 2023
ROCAP	Report on Company Activities and Property
Sapici	Sapici S.p.A., a creditor of the Company
Sardik Engineering	Sardik Engineering Pty Ltd, a creditor of the Company
ScotPac	Scottish Pacific Business Finance
ScotPac Facility	Debtor Finance Facility Agreement with Scottish Pacific Business Finance
Shareholder Creditors; Directors	Ross Dennis, Stewart Dennis and Ray Stallworthy
SKU	Stock Keeping Unit
The Company; Mirotone	Mirotone Pty Ltd
VA	Voluntary Administration
Vantage Performance	Vantage Performance Group Pty Ltd
VIC	Victoria
WA	Western Australia

Item	Definition
YTD	Year to date

9.1. Terms of reference

This report has been prepared for the creditors of Company to assist them in evaluating their position as creditors and in deciding on the Company's future. None of the Administrators, FTI Consulting and its staff shall assume any responsibility to any third party to which this report is disclosed or otherwise made available.

This report is based on information obtained from the Company's records, the directors and management of the Company and from our own enquiries. While we have no reason to doubt the veracity of information contained in this report, unless otherwise stated we have proceeded on the basis that the information provided and representations made to us are materially accurate, complete and reliable. We have not carried out anything in the nature of an audit, review or compilation.

This report may contain prospective financial information, including estimated outcomes for creditors, and other forward looking information. As events and circumstances frequently do not occur as expected, there may be material differences between estimated and actual results. We take no responsibility for the achievement of any projected outcomes or events.

We reserve the right to alter any conclusions reached on the basis of any changed or additional information which may become available to us between the date of this report and the forthcoming meeting of creditors.

Creditors should seek their own advice if they are unsure how any matter in this report affects them.

10. Appendix 2 – Meeting documents

NOTICE OF SECOND MEETING OF CREDITORS
MIROTONE PTY LTD (ADMINISTRATORS APPOINTED)
ACN 000 041 136 ("THE COMPANY")

On 21 May 2024, the Company, under section 439A of the Corporations Act, appointed John Park, of FTI Consulting, Level 20, 345 Queen Street, BRISBANE QLD 4000, and David McGrath Level 22, Gateway, 1 Macquarie Place, SYDNEY NSW 2000 as Joint and Several Administrators of the Company.

Notice is now given that the second meeting of creditors of the Company will be held at **11:00AM AEST on Wednesday, 26 June 2024**.

The meeting is being held virtually and all creditors wanting to attend the meeting are required to attend via the link provided. Although there is no physical place where creditors are able to attend the meeting, I am required under law to nominate a notional place for the meeting for administrative purposes such as establishing the time of the meeting. The notional place for this meeting is FTI Consulting, Level 22, Gateway, 1 Macquarie Place, SYDNEY NSW 2000. **PLEASE DO NOT ATTEND THIS LOCATION.**

If you wish to attend the meeting, you must register at the below link and return the below forms on or before **4:00PM AEST on Tuesday, 25 June 2024** to Mirotone@fticonsulting.com

- Meeting registration link: <https://forms.office.com/r/su5LH44b0P>
- Proof of debt form; and
- Proxy form (if required).

Once you have registered, a link to the meetings will be sent to you via email.

Please note your name will be visible to other attendees and within meeting documents we prepare and lodge with the Australian and Securities Investments Commission ("ASIC").

AGENDA

The purpose of the meeting is:

1. to review the report of the Administrators and their recommendation in connection with the business, property, affairs and financial circumstances of the Company; and
2. for the creditors of the Company to resolve on whether:
 - that the Company execute a deed of company arrangement; or
 - that the administration should end; or
 - that the Company be wound up.

Creditors are able to request the second meetings of creditors be adjourned for a period not exceeding forty-five (45) business days.

1. For the creditors of the Company to vote on the remuneration to be paid to the Voluntary Administrators, as calculated on a time basis for the periods:
 - 21 May 2024 to 13 June 2024; and
 - 14 June 2024 to the 26 June 2024.
2. If the Company is placed into liquidation, for creditors of the Company to vote on the remuneration to be paid to the Liquidators and to consider the appointment of a Committee of Inspection and if required, to determine the members of the committee;
3. If the Company is placed into liquidation, to consider the destruction of books and records; and
4. Any other business properly brought before the meeting.

If you choose to post your proof of debt and proxy forms, please ensure they are sent with sufficient time to arrive by the due date. We encourage creditors to send their forms by email to Mirotone@fticonsulting.com where possible.

Dated: 18 June 2024

A handwritten signature in dark ink, appearing to read 'D McGrath', with a stylized flourish at the end.

David McGrath

Joint and Several Administrator

FORM 535 – FORMAL PROOF OF DEBT OR CLAIM

MIROTONE PTY LTD (ADMINISTRATORS APPOINTED) ACN 000 041 136
("THE COMPANY")

To the Administrator of Mirotone Pty Ltd (Administrators Appointed) ACN 000 041 136 ("the Company")

1. This is to state that the Company was on 21 May 2024, and still is, justly and truly indebted to:
.....
.....
(full name, ABN and address of the creditor and, if applicable, the creditor's partners)
for \$ (dollars and cents)

Particulars of the debt are:

Date	Consideration	Amount (\$/c)	Remarks
	(state how the debt arose)		(include details of voucher substantiating payment)

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any satisfaction or security for the sum or any part of it except for the following:
.....
(insert particulars of all securities held. If the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, show them in a schedule in the following form).

Date	Drawer	Acceptor	Amount (\$/c)	Due Date
------	--------	----------	---------------	----------

3. Signed by (select correct option):
- ☐ I am the creditor personally
- ☐ I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied
- ☐ I am the creditor's agent authorised in writing to make this statement in writing. I know the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

Signature: Dated:

Name: Occupation:

Address:

* If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor

RECEIVE REPORTS BY EMAIL	YES	NO
Do you wish to receive all future reports and correspondence from our office via email?	☐	☐
Email:		

If being used for the purpose of voting at a meeting:

- a) Is the debt you are claiming assigned to you? ☐ Yes ☐ No
- b) If yes, attach written evidence of the debt, the assignment and consideration given. ☐ Attached
- c) If yes, what value of consideration did you give for the assignment (eg, what amount did you pay for the debt?) \$
- d) f yes, are you a related party creditor of the Company? ☐ Yes ☐ No
(If you are unsure contact the Administrator)

FORM - APPOINTMENT OF PROXY

MIROTONE PTY LTD (ADMINISTRATORS APPOINTED) ACN 000 041 136
("THE COMPANY")

I/We _____ (name of signatory)
 of _____ (creditor name)
 a creditor of the Company, appoint _____ (name of proxy)
 of _____ (address of proxy)
 or in his/her absence _____ (details of alternate proxy)

as my/our ☐ general proxy or ☐ special proxy to vote at the meeting of creditors to be held on **Wednesday, 26 June 2024 at 11:00AM (AEST)** or at any adjournment of that meeting.

Voting instructions - for special proxy only	For	Against	Abstain
Resolution			
1. Future of the company (only vote for one of the below)			
a) The Company be wound up	☐	☐	☐
b) The Administration should end	☐	☐	☐
2. Voluntary Administrators' Remuneration and Disbursements	☐	☐	☐
"That the remuneration of the Voluntary Administrators of Mirotone Pty Ltd (Administrators Appointed) ACN 000 041 136 and their staff, for the period 21 May 2024 to 13 June 2024, calculated at the hours spent at the rates detailed in the Initial Remuneration Notice dated 21 May 2024 provided to creditors, is approved for payment in the amount of \$399,283.00, exclusive of GST, to be drawn from available funds immediately or as funds become available."	☐	☐	☐
"The internal disbursements of the Voluntary Administrators of Mirotone Pty Ltd (Administrators Appointed) ACN 000 041 136 and their staff, for the period 21 May 2024 to 13 June 2024, is approved for payment in the amount of \$500.00, exclusive of GST, to be drawn from available funds immediately or as funds become available."	☐	☐	☐
"That the remuneration of the Voluntary Administrators of Mirotone Pty Ltd (Administrators Appointed) ACN 000 041 136 and their staff, for the period from 14 June 2024 to 26 June 2024, is determined at a sum equal to the cost of time spent by the Voluntary Administrators and their staff, calculated at the hourly rates as detailed in the Initial Remuneration Notice 21 May 2024 provided to creditors, up to a capped amount of \$50,000.00, exclusive of GST, and that the Voluntary Administrators can draw the remuneration	☐	☐	☐

<i>from available funds as time is incurred on a monthly basis or as funds become available.</i>			
<i>That the future internal disbursements of the Voluntary Administrators of Mirotone Pty Ltd (Administrators Appointed) ACN 000 041 136 and their staff, for the period 14 June 2024 to 26 June 2024, is approved up to the capped amount of \$500.00, exclusive of GST, to be drawn from available funds immediately or as funds become available.</i>	☐	☐	☐
3. Liquidators' Remuneration and Disbursements			
<i>That the future remuneration of the Liquidators of Mirotone Pty Ltd (Administrators Appointed) ACN 000 041 136 and their staff, for the period from 27 June 2024 to the finalisation of the Liquidation (inclusive), determined at a sum equal to the cost of time spent by the Liquidators' and their staff, calculated at the hourly rates as detailed in the Initial Remuneration Notice dated 21 May 2024 provided to creditors, up to a capped amount of \$175,000.00, exclusive of GST, and that the Liquidators can draw the remuneration from available funds as time is incurred on a monthly basis or as funds become available.</i>	☐	☐	☐
<i>That the future internal disbursements of the Liquidators of Mirotone Pty Ltd (Administrators Appointed) ACN 000 041 136 and their staff, for the period from 27 June 2024 to the finalisation of the Liquidation (inclusive), is approved up to the capped amount of \$500.00, exclusive of GST, to be drawn from available funds immediately or as funds become available.</i>	☐	☐	☐
4. Committee of Inspection			
<i>If the Company is wound up, to consider the appointment of a committee of inspection, and if so, who are to be the committee members.</i>	☐	☐	☐
5. Destruction of Books and Records			
<i>Should Liquidators be appointed, that the Liquidators are authorised to destroy the Company's books and records upon finalisation of the liquidation, and subject to obtaining consent from the Australian Securities and Investments Commission.</i>	☐	☐	☐

**I/*We authorise *my/*our proxy to vote as a general proxy on resolutions other than those specified above
(delete if not required)*

Dated:

.....
Name and signature of authorised person

.....
Name and signature of authorised person

CERTIFICATE OF WITNESS – only complete if the person given the proxy is blind or incapable of writing.

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 before he attached his signature or mark to the
instrument.

Dated:

Signature of witness:

Description:

Place of residence:

11. Appendix 3 – Company information

11.1. Statutory Information

Incorporation Date	6 October 1938
Registered Address	Building 8, 26 Nelson Road, Yennora, NSW, 2161
Principal Place of Business	Building 8, 26 Nelson Road, Yennora, NSW, 2161
Directors and Officers	Ross Andrew Dennis (Director) – appointed 19 December 2012 Stewart David Dennis (Director) – appointed 19 December 2012 Raymond Arthur Stallworthy (Director) – appointed 19 December 2012 Trevor Gregory Swamy (Secretary) – appointed 7 February 2020
Shareholders	The Company has \$1,119,224 in paid up capital and 559,612 shares on issue.
Related entities	Mirotone NZ Limited (100% owned subsidiary) Mirotone (Thailand) Co, Ltd (19% owned subsidiary)
Description of trading activities	Manufacture and sale of interior and exterior surface coatings.

11.2. Corporate Structure



11.3. Timeline of events leading up to appointment

Please refer to **Section 6.2** for a timeline of events leading up to our appointment.

11.4. Details of security interests and charges

Below are details the security interests registered on the PPSR, plus any other prima facie valid charges that the Administrators are aware of.

Details of security interests and charges			
Registration Number	Secured Party	Date Registered	Collateral Class
202006260009597	SCOTTISH PACIFIC BUSINESS FINANCE PTY. LIMITED	26-Jun-20	Account
202203290030888	Scottish Pacific Trade Limited	29-Mar-22	Other Goods
202005150013262	MM PLASTICS PTY LIMITED	15-May-20	Other Goods
201912040023600	ALCHEMY AGENCIES PTY LTD.	04-Dec-19	Other Goods
202306150065798	FELICITAS FINANCE PTY LTD	15-Jun-23	All PAAP No Except
201112211514256	Dennis, Ross Andrew	30-Jan-12	All PAAP No Except
202208090020544	CUSTOM SERVICE LEASING PTY LTD	09-Aug-22	Motor Vehicle
201206060007580	BASF AUSTRALIA LTD.	06-Jun-12	Other Goods
201401300219341	VISY LOGISTICS NO 2 PTY LTD; REGIONAL RECYCLERS PTY LTD; VISY AUTOMATION INTERNATIONAL PTY LTD; SOUTHERN PAPER PTY LTD; VISY WEST COAST PTY LTD; VISY INDUSTRIES AUSTRALIA PTY LTD; VISY LEASING PTY LTD; VISY LOGISTICS PTY LTD; VISY CDL SERVICES PTY LTD; SALVAGE PAPER PTY LTD; MASON DUFLEX DISPLAYS PTY. LIMITED; P & I PTY. LTD.; VISY RECYCLING AUSTRALIA PTY LTD; VISY TECHNOLOGY SYSTEMS PTY LTD; VISY TECH SYSTEMS PTY. LTD.; MPC QUIKPAK PTY LTD; ACE PRINT AND DISPLAY PTY LIMITED; The Trustee for SOUTHERN PAPER CONVERTERS TRUST; VISY PAPER PTY. LTD.; BUILD RUN REPAIR (AUSTRALIA) PTY LTD; VISYPET PTY. LTD.; VISY PACKAGING PTY. LTD.; VISY PULP AND PAPER PTY. LTD.; VISY GLAMA PTY LTD; VISY BOARD PROPRIETARY LIMITED; VISY GLASS OPERATIONS (AUSTRALIA) PTY LTD	30-Jan-14	Other Goods
202308250006068	PROCURET FUNDING NO.5 PTY LTD	25-Aug-23	Other Goods
202211140014041	MINLEY INVESTMENTS PTY LTD	14-Nov-22	Motor Vehicle
201605310054320	REDOX LIMITED	31-May-16	Other Goods
202306150032901	ATLAS COPCO AUSTRALIA PTY LTD	15-Jun-23	Other Goods
202302020068549	Dennis, Louisa Maria	02-Feb-23	All PAAP No Except
201811190070107	The Trustee for Class Packaging Unit Trust; CLASS PACKAGING AUSTRALIA PTY LTD; The Trustee for PRO-CLASS PLASTICS UNIT TRUST; CLASS PLASTICS (QLD) PTY LTD; CLASS PLASTICS (AUST) PTY LTD	19-Nov-18	Other Goods
201204240068957	AUSTRALASIAN SOLVENTS AND CHEMICALS COMPANY PTY. LTD.	24-Apr-12	Other Goods
202101200028060	CUSTOM SERVICE LEASING PTY LTD	20-Jan-21	Motor Vehicle
202103150052781	CUSTOM SERVICE LEASING PTY LTD	15-Mar-21	Motor Vehicle
201403070011179	FUJIFILM UPSTREAM SOLUTIONS PTY LTD; FUJIFILM UPSTREAM LEASING PTY LTD	07-Mar-14	Other Goods
201805030025706	MINLEY INVESTMENTS PTY LTD	03-May-18	Motor Vehicle
201112211514336	Dennis, Stewart David	30-Jan-12	All PAAP No Except
202012020044754	CUSTOM SERVICE LEASING PTY LTD	02-Dec-20	Motor Vehicle

Details of security interests and charges			
201809280086634	TOYOTA MATERIAL HANDLING AUSTRALIA PTY LIMITED	28-Sep-18	Motor Vehicle
202208120074101	3E ADVANTAGE PTY LIMITED	12-Aug-22	Other Goods
201810230005201	OJI FIBRE SOLUTIONS (AUS) PTY LTD	23-Oct-18	Other Goods
202211110028366	Stallworthy, Raymond Arthur	11-Nov-22	All PAAP No Except
202210260020210	MINLEY INVESTMENTS PTY LTD	26-Oct-22	Motor Vehicle
202206290045452	CUSTOM SERVICE LEASING PTY LTD	29-Jun-22	Motor Vehicle
201302040031890	CEVOL INDUSTRIES PTY. LIMITED	04-Feb-13	Other Goods
202010210061373	CUSTOM SERVICE LEASING PTY LTD	21-Oct-20	Motor Vehicle
202008310030424	COLORANTS SOLUTIONS AUSTRALIA PTY LTD	31-Aug-20	Other Goods
201401300219095	VISY LOGISTICS NO 2 PTY LTD; REGIONAL RECYCLERS PTY LTD; VISY AUTOMATION INTERNATIONAL PTY LTD; SOUTHERN PAPER PTY LTD; VISY WEST COAST PTY LTD; VISY INDUSTRIES AUSTRALIA PTY LTD; VISY LEASING PTY LTD; VISY LOGISTICS PTY LTD; VISY CDL SERVICES PTY LTD; SALVAGE PAPER PTY LTD; MASON DUFLEX DISPLAYS PTY. LIMITED; P & I PTY. LTD.; VISY RECYCLING AUSTRALIA PTY LTD; VISY TECHNOLOGY SYSTEMS PTY LTD; VISY TECH SYSTEMS PTY. LTD.; MPC QUIKPAK PTY LTD; ACE PRINT AND DISPLAY PTY LIMITED; The Trustee for SOUTHERN PAPER CONVERTERS TRUST; VISY PAPER PTY. LTD.; BUILD RUN REPAIR (AUSTRALIA) PTY LTD; VISYPET PTY. LTD.; VISY PACKAGING PTY. LTD.; VISY PULP AND PAPER PTY. LTD.; VISY GLAMA PTY LTD; VISY BOARD PROPRIETARY LIMITED; VISY GLASS OPERATIONS (AUSTRALIA) PTY LTD	30-Jan-14	Other Goods
201210090022342	ALLNEX RESINS AUSTRALIA PTY LTD	09-Oct-12	Other Goods
202203220046477	ENVIROSPHERES PTY LTD	22-Mar-22	Other Goods
201201110708638	BAYER MATERIALSCIENCE PTY LTD	30-Jan-12	Other Goods
202009210038407	CUSTOM SERVICE LEASING PTY LTD	21-Sep-20	Motor Vehicle
202306140080346	VIVAL AUSTRALIA PTY. LTD.	14-Jun-23	Other Goods
202010210061409	CUSTOM SERVICE LEASING PTY LTD	21-Oct-20	Motor Vehicle
202208120074091	3E ADVANTAGE PTY LIMITED	12-Aug-22	Other Goods
201210090023911	ALLNEX RESINS AUSTRALIA PTY LTD	09-Oct-12	Other Goods
202101080036505	CUSTOM SERVICE LEASING PTY LTD	08-Jan-21	Motor Vehicle
202106080069282	DE LAGE LANDEN PTY LIMITED	08-Jun-21	Other Goods
201901110019426	MINLEY INVESTMENTS PTY LTD	11-Jan-19	Motor Vehicle
201508110038946	CATHAY INDUSTRIES AUSTRALASIA PTY LTD	11-Aug-15	Other Goods
202012140003606	CUSTOM SERVICE LEASING PTY LTD	14-Dec-20	Motor Vehicle
202005290017503	SCOTTISH PACIFIC BUSINESS FINANCE PTY. LIMITED	29-May-20	All PAAP No Except
201707120011260	IMCD AUSTRALIA LIMITED	12-Jul-17	Other Goods
201112203218916	CLARIANT (AUSTRALIA) PTY LIMITED	30-Jan-12	Other Goods
201201300150037	CUSTOM SERVICE LEASING PTY LTD	30-Jan-12	Motor Vehicle
201202270129268	3M AUSTRALIA PTY LTD	27-Feb-12	Other Goods
202108040004129	CUSTOM SERVICE LEASING PTY LTD	04-Aug-21	Motor Vehicle
201112201470135	PLASTRAL PTY LTD	30-Jan-12	Other Goods
202005290017519	SCOTTISH PACIFIC BUSINESS FINANCE PTY. LIMITED	29-May-20	Account
202204260073975	DKSH PERFORMANCE MATERIALS AUSTRALIA PTY LIMITED	26-Apr-22	Other Goods
202010210061432	CUSTOM SERVICE LEASING PTY LTD	21-Oct-20	Motor Vehicle
201201090568613	IMCD AUSTRALIA LIMITED	30-Jan-12	Other Goods
201210090022962	ALLNEX RESINS AUSTRALIA PTY LTD	09-Oct-12	Other Goods
201202140223639	BRONSON & JACOBS PTY LTD; IXOM OPERATIONS PTY LTD	14-Feb-12	Other Goods

Details of security interests and charges			
201201110686862	ALLNEX RESINS AUSTRALIA PTY LTD	30-Jan-12	Other Goods
201201110686787	ALLNEX RESINS AUSTRALIA PTY LTD	30-Jan-12	Other Goods
201304290001599	VIP PLASTIC PACKAGING PTY LTD	29-Apr-13	Other Goods
201210090023377	ALLNEX RESINS AUSTRALIA PTY LTD	09-Oct-12	Other Goods
201401290239032	SCOTT CHEMICALS AUSTRALIA PTY. LTD.	29-Jan-14	Other Goods
202108040004138	CUSTOM SERVICE LEASING PTY LTD	04-Aug-21	Motor Vehicle
201201300094928	CUSTOM SERVICE LEASING PTY LTD	30-Jan-12	Motor Vehicle
202103150052809	CUSTOM SERVICE LEASING PTY LTD	15-Mar-21	Motor Vehicle
202203290030890	Scottish Pacific Trade Limited	29-Mar-22	Other Goods
202211110027764	RAYSTALL PTY LTD	11-Nov-22	All PAAP No Except

11.5. Historical financial information

11.5.1. Balance Sheet Summary

Historical Financial Position				
Balance Sheet - Summary				
\$'000s	Notes	30 June 2022	30 June 2023	30 April 2024
Cash & Short Term Deposits	1	(1,701)	72	(1,601)
Accounts Receivable	2	2,462	2,305	2,466
Inventory	3	5,248	6,703	5,018
Intercompany Receivable (Payable)	4	(529)	(1,047)	(3,090)
Other Receivables	5	290	137	330
Current Assets		5,769	8,170	3,123
Investment in Subsidiaries	6	1,482	1,482	1,482
PP&E	7	5,228	6,221	5,497
Intangible Assets	8	425	2,046	2,046
Right of Use Assets	9	20,659	18,277	16,079
Non-Current Assets		27,793	28,026	25,104
Total Assets		33,563	36,196	28,227
Accounts Payable	10	(4,351)	(6,092)	(3,553)
Short Term Borrowings		(117)	-	-
Tax Provision	11	(73)	(931)	(1,452)
Other Current Provisions		(794)	(550)	(489)
Current Liabilities		(5,334)	(7,573)	(5,495)
Loans	12	(211)	(5,676)	(4,061)
Lease Liabilities	13	(21,105)	(19,059)	(17,152)
Non-Current Provisions		(423)	(358)	(294)
Non-Current Liabilities		(21,740)	(25,092)	(21,507)
Total Liabilities		(27,074)	(32,665)	(27,002)
Net Assets		6,489	3,531	1,225

Source: Management Accounts FY22 to YTD FY24.

Comments on the balance sheet:

- We have set out the Company's balance sheet as at 30 June 2022, 30 June 2023 and 30 April 2024
- The balance sheet shows net assets declining materially over the period from \$6.5m as at 30 June 2022 to \$1.2m as at 30 April 2024

- This decline in net assets primarily reflects new financing being raised through loans from shareholders and Mirotone NZ, as well as from third party financiers (Felicitas Finance)
- This funding was ultimately used to meet trading losses and cost overruns on the Yennora construction / fit out, which explains the overall decline in net assets.
- By April 2024, the Company had a significant net current assets deficiency, with reported current assets of \$3.1m as against current liabilities of \$5.5m.

Notes:**1. Cash**

- Reflects cash held by the Company in its operating bank account, net of amounts owed to ScotPac in relation to the ScotPac Facility.

2. Accounts receivable

- Reflects invoices due from customers.

3. Inventory

- Includes raw materials and stores, work in progress and finished goods at cost.
- We note that a significant portion of inventory was subject to PPSR claims.

4. Intercompany payable

- Represents funding provided by Mirotone NZ.
- The increase in the payable between FY23 and YTD FY24 reflects the proceeds of the Auckland property sale being loaned to the Company in December 2023. Management has advised that this cash injection was used to fund business as usual activities, including payment of wages, salaries and creditors across December 2023 and January 2024.

5. Other receivables

- Includes sundry debtors and prepayments.

6. Investment in subsidiaries

- This refers to the Company's 100% interest in Mirotone NZ and 19% in Mirotone Thailand.

7. PP&E

- Constitutes freehold land and buildings as well as plant and equipment.
- The decrease in PP&E held between FY23 and FY24 is due to the sale of Auckland settling in December 2023. After the sale of Auckland, the Company no longer owned any real property, as all remaining sites were leased.

8. Intangible assets

- Includes software, in addition to acquired goodwill.
- The increase from FY22 to FY23 represents goodwill recognised on the acquisition of Pylon Coatings Pty Ltd on 4 November 2022.

9. Right of use assets

- Reflects the accounting value of the Company's property leases.

10. Accounts payable

- Primarily includes payables to third party suppliers.

11. Tax provision

- Represents liabilities outstanding to the ATO.
- The increase in the tax provision from FY23 to FY24 is as a result of the increased running balance owed to the ATO due to overdue PAYGW.

12. Loans

- Represents the c.\$3.9m (including accrued interest) loaned to the Company by shareholders, together with the loan from Thailand Paints.
- Shareholders began contributing significant loans to the Company from September 2022, supporting the large increase in loans displayed on the balance sheet.
- The increase to \$5.6m as at 30 June 2023 is as a result of the receipt of c. \$2m in funds raised from Felicitas Finance, in addition to the \$3.2m advanced from shareholders in the 12 months to 30 June 2023.

13. Lease liabilities

- Reflects the accounting liability that offsets the right of use asset in respect of the four leased premises, as noted in note 9 above.

11.5.2. Profit & Loss Summary

Historical Financial Performance				
Profit & Loss Statement				
\$'000s	Notes	FY22	FY23	YTD24
Intercompany Revenue		283	265	133
Domestic Revenue		20,189	20,017	15,637
Total Revenue	1	20,473	20,282	15,770
COGS	2	(10,557)	(10,101)	(7,410)
Sales Adjustments		(20)	(3)	5
Cost of Production	3	(3,837)	(4,084)	(4,245)
Gross Profit		6,058	6,093	4,120
Selling Expenses	4	(4,985)	(5,593)	(4,439)
Overhead Expenses	5	(2,635)	(3,028)	(2,137)
Trading Profit/(Loss)		(1,562)	(2,527)	(2,457)
Depreciation		(166)	(148)	(322)
EBITDA		(1,395)	(2,379)	(2,135)
Sundry Income/Expenses		844	215	856
EBIT		(2,406)	(2,742)	(3,313)
Interest Received	6	114	546	1,079
Royalties & Management Fees Received	7	(331)	(330)	(258)
Profit/(Loss) Before Tax		(2,189)	(2,958)	(4,134)
Tax Expense	8	-	-	-
Profit/(Loss) After Tax		(2,189)	(2,958)	(4,134)

Source: Management Accounts FY22 to YTD FY24.

Notes:

1. Revenue

- Reflects revenue recognised from the sale of products.

2. COGS

- Reflects the cost of raw materials and inputs required to produce and manufacture finished goods.

3. Cost of production

- Includes manufacturing expenses and subsequent inventory and manufacturing related adjustments.

4. Selling expenses

- Refers to costs associated with sales, promotion, marketing, customer service, warehousing, and distribution of finished goods.

5. Overhead expenses

- Includes R&D, commercial, Administration and information system costs.

6. Interest received/(paid)

- Refers to interest charged and received in relation to the ScotPac agreement.

7. Royalties and management fees received

- Reflects royalties and management fees received in relation to Mirotone NZ Limited sales.

8. Tax expense

- The Company has not included provisions for income tax in the profit and loss statement on the basis it is loss making.

Comments on the profit and loss:

- The Company's revenue has been broadly stable over the period, ranging from c.\$20.5m in FY22 to c.\$15.8m in YTD FY24.
- While the Company was making gross profits across the period, these were insufficient to cover material overhead and selling expenses:
 - Overhead expenses ranging from c.\$2.2m to c.\$3m per annum across the period FY22 to YTD FY24; and
 - Selling expenses ranging from c.\$4.4m to c.\$5.6m across the period FY22 to YTD FY24.
- Accordingly, the Company has recorded EBITDA losses in the range of c.\$1.3m to c.\$2.4m per annum over the period July 2021 to April 2024.

12. Appendix 4 – Investigations – analysis and information

12.1. General information and considerations

12.1.1. Date of insolvency

In order to ascertain if there were any insolvent transactions entered into by a company, it is first necessary to determine the date a company became insolvent.

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.

Recovery actions require the liquidator to prove that the particular company was insolvent at the time of the transaction, or in the case of an insolvent trading action, when the debt was incurred.

12.1.2. What is insolvency?

Solvency is defined in s 95A of the Act as when a company is able to pay all its debts as and when they become due and payable. A company that is not solvent is insolvent.

Whether a company is able to meet its debts as they become due is essentially a “cash flow” test rather than a “balance sheet” test (although the company’s balance sheet position is still relevant).

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.

12.1.3. General and commercial considerations

Proving insolvency is often a complex exercise and usually involves considerable time and expense in thoroughly investigating all aspects of claims. Legal advice on the merits of claims is generally required.

Typically, insolvent trading claims are defended and directors may seek to rely on the statutory defences available to them.

Legal proceedings are often necessary for liquidators to pursue claims. This adds to the time and costs involved in pursuing claims. There is also inherent uncertainty involved with any litigation. As a result, commercial considerations are relevant, including whether the amount of the claim is large enough to pursue on a cost and risk/benefit basis.

The capacity of a party to pay any successful claim to a liquidator is also a relevant consideration in determining whether or not pursuing an action is likely to be in the interest of creditors.

Liquidators may not have funds to pursue actions. At other times, the liquidator may view the risks/benefits of pursuing an action not to be in the interest of creditors (for example, in cases where pursuing an action

would use up the available cash/assets when otherwise a small dividend to creditors could be paid). In these circumstances, it is possible that a creditor or a litigation funder may wish to fund an action to pursue a claim. This typically occurs only when there is a very strong case and high prospect of success.

12.2. Indicators of potential insolvency

12.2.1. Factors to take into account

- Determining whether a company is insolvent (and the date at which insolvency occurred) is open to interpretation and is ultimately a matter for the courts to decide. The courts have identified fourteen general indicators on insolvency which are considered further in ASIC Regulatory Guide 217.
- Our investigations to date have identified some of these indicators apply, or may apply, to the Company as summarised in **Section 12.2.2** below.

12.2.2. Solvency review – indicia of insolvency

[illegible][illegible]

Indicator – YTD FY24	Note	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Trading losses	1	✓	✓	✓	✓	x	✓	✓	✓	✓	✓
Insufficient cash flow	2	✓	✓	✓	✓	✓	x	x	x	✓	✓
Difficulties in selling stock or collecting debts	3	x	x	x	x	x	x	x	x	x	x
Liquidity Ratio Below 1	4	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Creditors paid outside terms / via special arrangements	5	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Arrears of statutory liabilities	6	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cheques are being returned dishonoured / payments dishonoured	7	x	x	x	x	x	x	x	x	x	x
Legal action threatened or commenced	8	x	x	x	x	x	x	x	x	x	✓
Inability to obtain new or alternative funding	9	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Inability to produce accurate financial information	10	x	x	x	x	x	x	x	x	x	x
Resignation of directors or other senior management	11	x	x	✓	x	x	x	x	x	x	x
The Company has defaulted, or is likely to default, on its agreements with its financier	12	x	x	x	x	x	x	x	x	x	x
Finance staff raise solvency concerns	13	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Inability to sell surplus assets	14	x	x	x	x	x	x	x	x	x	x

Key	Symbol
Indicator present	✓
Further investigation required	?
Indicator not considered present	x

Notes:

1. Trading losses

The Company had a history of monthly trading losses across FY22, FY23 and YTD FY24, with the few exceptions being the months of September, October and November 2021, November 2022, and November 2023, where small trading profits were recorded.

2. Insufficient cash flow

Over the last three years, the Company has had insufficient cash flow available most months, largely attributable to materially high overheads as well as cost overruns and abnormal costs incurred in the Yennora factory construction. This is also evidenced by its inability to reduce outstanding creditors to within terms, as set out in **Section 12.3.3** below.

3. Difficulties in selling stock or collecting debts

We are not aware of difficulties selling stock or collecting debts.

4. Liquidity ratio below 1

Liquidity ratios look at whether a company can service its current liabilities, irrespective of when they are due and payable from current assets. From a solvency standpoint, a ratio of below 1 is indicative of being insolvent.

As detailed in the analysis set out in **Section 12.3.2** below, the Company's quick ratio had been below 1 since July 2021 and its current ratio was below 1 from July 2022 onwards.

5. Creditors paid outside terms / via special arrangements

Management have advised that the Company entered into payment plans with a number of suppliers from February 2024. The General Manager had been involved in planning and discussing the implementation of payment plans with suppliers from as early as November 2023, however, unstable revenue across the December 2023 and January 2024 period delayed these being put in place. At our appointment there were two fortnightly and 20 weekly payment plans in place with various suppliers.

The trade creditor ageing analysis set out in **Section 12.3.3** also indicates that at every month end from June 2022 at least 58% of the Company's trade creditor balance were outside terms.

6. Arrears of statutory liabilities

In July 2023, the Company entered into a payment plan with the ATO in respect of \$925,624.28 of outstanding PAYGW liabilities, with the first of 35 monthly instalments to be paid on 1 August 2023. The plan was broken by Mirotone in February 2024, due to non-payment of instalments. Vantage Performance were expected to renegotiate another plan with the ATO in June 2024 for both PAYGW and GST, however, this did not occur due to our appointment.

7. Cheques are being returned dishonoured / payments dishonoured

We are not aware of any dishonoured cheques or payments.

8. Legal action threatened or commenced

Management has advised statutory demands were issued by a number of suppliers in late April 2024 and May 2024, prior to our appointment, threatening legal action for non-payment of outstanding invoices.

9. Inability to obtain new or alternative funding

The Company engaged KordaMentha in January 2023 and then Vantage Performance in June 2023 to provide Safe Harbour advice and conduct compliance of same. The turnaround plan detailed by both focused on exploring other capital sources to obtain new funding.

Both advisors recommended the Company seek funding via options including an intercompany loan from Mirotone Thailand, a shareholder injection, other equity sources, and the sale of its interest in the Wacol property.

Throughout the period under review, the Company demonstrated an ability to raise funds from third parties, including the following:

- A total of c.\$3.9m of secured loans were advanced by the Shareholder Creditors in a number of tranches, commencing in September 2022.
- A c.\$170k loan was obtained from Thailand Paints (the Thai joint venture partner) in May 2023, which was secured against a portion of the Company's shares in Mirotone Thailand.
- C.\$2m was obtained from Felicitas Finance in June 2023, secured against the Wacol property. This loan was repaid upon the sale of the property in April 2024.
- A c.\$1m cash transfer from Mirotone NZ was received in December 2023, following Mirotone NZ's sale of a property it owned in Auckland.

It appears that the Company had exhausted its ability to raise new funds from third parties (other than intercompany or shareholder sources) following the Felicitas Finance loan in June 2023. At this point it had no material unencumbered assets that would have facilitated further third party financing. We also note that whilst the overdue trade creditors reduced following receipt of that funding, they were not brought within terms, which indicates that this funding was inadequate to restore the Company to a position of solvency.

We do note that from September 2023 the Company was in discussions in respect of a sale of the business or a capital injection which remained on foot until shortly before our appointment.

However, for the reasons outlined above, it is our view that the Company was unable to obtain new or alternative funding sufficient to resolve its solvency issues from July 2023 onwards.

10. Inability to produce accurate financial information

It appears the Company was able to produce accurate financial information.

11. Resignation of directors or other senior management

In or around September 2023, Stephen Plant resigned from his role as CEO and John Davey resigned from his position as Australian Operations Manager.

12. The Company has defaulted, or is likely to default, on its agreements with its financier

We are not aware of any default under the Company's agreements with financiers in the period prior to our appointment.

13. Finance staff raise solvency concerns

Whilst we are not aware of finance staff raising concerns regarding the solvency of the Company, it is evident management and the Board were aware of the deteriorating solvency position, which was evidenced by their engagement of KordaMentha in January 2023 and then Vantage Performance in June 2023 to provide both Safe Harbour advice and compliance monitoring.

14. Inability to sell surplus assets

We are not aware of the Company being unable to sell surplus assets in the months prior to the appointment.

12.3. Date of insolvency

12.3.1. Overview

Our preliminary view is that the Company may have been insolvent from July 2023, or possibly earlier, and remained so up until the time of our appointment on 21 May 2024.

The primary reasons for our views are set out below:

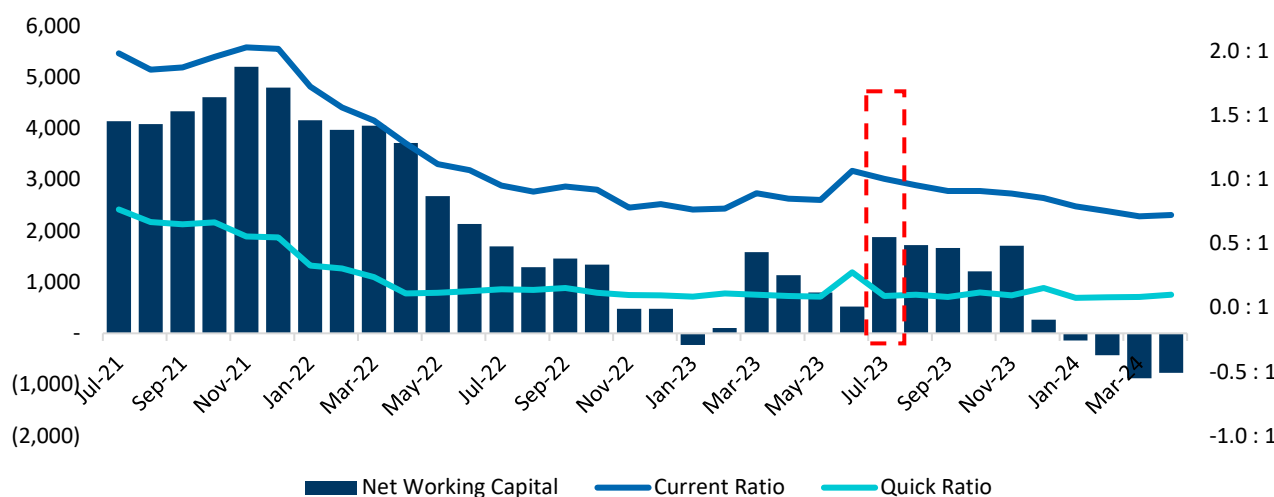
- Despite the Company being able to generate gross profits, since at least July 2021 Mirotone had experienced consistent trading losses, associated with high overheads.
- From as early as June 2022, the Company's aged creditors reports have shown a material balance of overdue creditors, indicating many creditors were likely being paid outside of terms. As set out in **Section 12.3.3**, in the period January to July 2023 creditors overdue by more than 90 days were consistently above 40% of the total trade creditors balance, indicating significant build-up of materially overdue creditors by July 2023.
- Up until June 2023 the Company had displayed an ability to raise further material funds from asset sales, external financings and shareholder loans. Following the \$2m raised from Felicitas Finance in June 2023 through to our appointment, the Company did not raise further material funds with the exception of a cash transfer from Mirotone NZ in December 2023.
- The \$2m of funding raised from Felicitas Finance in June 2023 does not appear to have been sufficient to resolve the Company's solvency issues, which is evidenced by the fact that trade creditors were not brought within terms following receipt of this funding. As noted above, following that financing the Company did not have material unencumbered assets that we consider would have been capable of supporting further third party financing.
- In July 2023, the Company entered into a payment arrangement with the ATO. Payments commenced in August 2023; however, this plan was broken in February 2024. Vantage Performance was due to renegotiate another plan in June 2024, however, we were appointed prior to this.
- The Company had obtained Safe Harbour advice from KordaMentha in January 2023, before engaging Vantage Performance to provide Safe Harbour compliance monitoring from June 2023 until our appointment.

- Further funding from Mirotone NZ in December 2023 did not provide sufficient funding to cover the cash flow deterioration experienced by the Company, again evidenced by its inability to bring trade creditors within terms.
- Given the above context, any assessment of the date the Company became insolvent is complex and involves numerous factors beyond a simple balance sheet test or cash flow test.

12.3.2. Solvency review – balance sheet test

- The Balance Sheet Test assesses the solvency of a company with reference to the company's net asset position (i.e. the level of total assets relative to total liabilities). This looks at whether a company can meet all liabilities, irrespective of when they are due and payable, from current assets.
- It is generally accepted a ratio of current assets to current liabilities (current ratio) below 1:1 is indicative of being insolvent.

Net Working Capital and Liquidity Ratios (FY22 to YTD FY24)



Source: Management Accounts FY22 to YTD FY24.

- The chart above sets out the Company's reported net working capital, current ratio and quick ratio over the period 31 July 2021 to 30 April 2024.
- The Company had a current ratio (current assets to current liabilities) below 1 from August 2022 to May 2023, before increasing to 1.1 over June 2023 to August 2023 (following receipt of the Felicitas Finance funds), and then decreasing below 1 again from September 2023.
- Further, the quick ratio (cash + accounts receivable to current liabilities) has been below 1 for the entire period from July 2021 to April 2024. This indicates the Company has had insufficient current assets to meet short term liabilities for majority of the last 34 months, illustrating a potential liquidity shortfall.
- We note that both ratios include the intercompany loans payable to Mirotone NZ as current liabilities. Whilst we have not seen an intercompany loan agreement in respect of that loan that would indicate the loan was not repayable within 12 months and hence should not have been classified as a current liability, it is possible the Directors of the Company could take the position that Mirotone NZ may not have called on the loan to be repaid as the Directors were also the directors of Mirotone NZ. This may impact on the ratio analysis set out above.

For completeness, we have also considered the net assets position of the Company over the period July 2021 to April 2024, which is set out in the table below.

Mirotone Pty Ltd (Administrators Appointed)			
Balance Sheet Test			
\$'000s	Total Assets	Total Liabilities	Net Assets
Jul-21	17,457	(8,801)	8,656
Aug-21	17,606	(9,105)	8,502
Sep-21	17,491	(8,984)	8,507
Oct-21	17,432	(8,930)	8,502
Nov-21	16,855	(8,347)	8,508
Dec-21	16,250	(7,535)	8,714
Jan-22	16,601	(8,207)	8,393
Feb-22	16,745	(8,596)	8,149
Mar-22	16,120	(8,355)	7,764
Apr-22	16,384	(8,919)	7,465
May-22	16,286	(9,268)	7,018
Jun-22	33,563	(27,074)	6,489
Jul-22	33,567	(27,418)	6,148
Aug-22	33,490	(27,620)	5,869
Sep-22	33,657	(28,107)	5,551
Oct-22	34,441	(28,982)	5,459
Nov-22	35,434	(30,023)	5,411
Dec-22	35,479	(30,144)	5,335
Jan-23	35,617	(30,739)	4,878
Feb-23	35,264	(30,708)	4,555
Mar-23	35,362	(30,852)	4,511
Apr-23	35,238	(31,121)	4,117
May-23	35,811	(32,113)	3,698
Jun-23	36,196	(32,665)	3,531
Jul-23	34,516	(31,486)	3,031
Aug-23	34,157	(31,505)	2,653
Sep-23	34,069	(31,789)	2,281
Oct-23	33,435	(31,462)	1,973
Nov-23	33,355	(31,468)	1,888
Dec-23	32,692	(31,297)	1,396
Jan-24	31,615	(30,858)	757
Feb-24	31,281	(30,893)	389
Mar-24	30,951	(31,038)	(87)
Apr-24	28,227	(27,002)	1,225

Source: Management Accounts FY22 to YTD FY24.

- The Company had positive net assets during the period July 2021 to April 2024, excluding March 2024, where negative net assets were recorded, prior to a further \$200k shareholder loan cash injection in April 2024.
- We note that the assets of the Company included material balances for intangibles and plant & equipment which was predominately fixed within the leasehold premises at Yennora and required to facilitate ongoing trading. Neither of these classes of assets were readily convertible into cash.
- Based on the above, the reported net assets of the Company are not a reasonable indicator of solvency, and the current ratio and quick ratio are more appropriate measures.

12.3.3. Solvency review – cash flow test

The cash flow test involves assessing the Company's ability to meet its obligations as and when they fall due. There are many elements to consider and we have considered the following:

- trade creditor ledgers and information (including ageing profile) – i.e. to assess whether the Company had been meeting its payments on time
- statutory liability position - i.e. whether the Company had been meeting its statutory liabilities
- liquidity ratios and levels of working capital to assess – i.e. whether the Company had sufficient liquidity to meet its liabilities in the short term
- EBITDA and profit and loss position – i.e. to assess the Company's ability to generate sufficient cash to meet its obligations
- sources of funding and support by financiers or related entities – i.e. to assess whether the Company had any alternative sources of funding
- the existence of other indicia of insolvency

Historical Cash Flow

Historical Financial Position			
Cash Flow Statement - Summary			
\$'000s	FY22	FY23	YTD24
Opening Balance	1,132	(1,701)	72
Accounts Receivable	23,403	21,890	16,922
Insurance	(652)	(681)	(371)
Material Costs	(13,623)	(11,444)	(8,926)
Staff Costs	(6,174)	(6,166)	(5,284)
Operating Expenses	(5,132)	(6,099)	(4,972)
Other Costs	168	83	(182)
Cash used in Operations	(2,011)	(2,417)	(2,813)
Project Yennora	(3,067)	(1,302)	(586)
Proceeds on Sale of Assets	-	-	2,207
Acquisition Payments	-	(1,547)	(240)
Other Investing Expenses	668	819	-
Cash from Investing Activities	(2,399)	(2,030)	1,380
Loans	1,398	6,205	222
Other Financing Expenses	178	15	(323)
ATO & Revenue NSW Loans	-	-	(139)
Cash from Financing Activities	1,576	6,220	(241)
Cash Flow	(2,833)	1,773	(1,673)
Closing Balance	(1,701)	72	(1,601)

Source: Management Accounts FY22 to YTD FY24.

- The annual cash flow statements for FY22, FY23 and YTD April 2024 clearly indicate that:
 - The Company was generating material operating cash outflows (in the range of \$2.0 to \$2.4m per annum); and
 - The Company was reliant on new loans and asset sales to support its cash position.

Trade Credit Ledger (Aged Profile)

- We have reviewed the Company's aged payables balance on a monthly basis for FY22, FY23 and YTD FY24, to ascertain the extent of overdue creditors as at the date of our appointment, as set out below.

Mirotone Pty Ltd (Administrators Appointed)					
Aged Payable Summary					
Month \$'000s	Current	30 Days	60 Days	90 Days	Total
Jun-22	(1,233)	(1,357)	(1,354)	(380)	(4,324)
Jul-22	(1,573)	(928)	(950)	(1,189)	(4,640)
Aug-22	(1,190)	(1,343)	(722)	(1,308)	(4,563)
Sep-22	(1,983)	(945)	(847)	(921)	(4,696)
Oct-22	(1,908)	(1,441)	(865)	(1,376)	(5,589)
Nov-22	(2,747)	(1,693)	(997)	(1,071)	(6,508)
Dec-22	(1,041)	(2,481)	(681)	(2,053)	(6,255)
Jan-23	(1,482)	(779)	(2,181)	(2,396)	(6,837)
Feb-23	(1,415)	(936)	871	(4,831)	(6,311)
Mar-23	(1,579)	(973)	(276)	(2,524)	(5,352)
Apr-23	(1,605)	(1,287)	(270)	(2,480)	(5,641)
May-23	(1,202)	(1,245)	(923)	(2,296)	(5,666)
Jun-23	(1,775)	(925)	(865)	(2,451)	(6,016)
Jul-23	(1,401)	(1,313)	(580)	(1,627)	(4,921)
Aug-23	(1,328)	(1,059)	(950)	(1,565)	(4,902)
Sep-23	(1,621)	(930)	(802)	(1,892)	(5,245)
Oct-23	(1,303)	(1,173)	(504)	(1,765)	(4,744)
Nov-23	(1,713)	(969)	(961)	(1,338)	(4,981)
Dec-23	(814)	(1,632)	(952)	(1,339)	(4,737)
Jan-24	(682)	(356)	(1,499)	(1,692)	(4,229)
Feb-24	(793)	(546)	(496)	(2,369)	(4,204)
Mar-24	(707)	(816)	(456)	(2,175)	(4,154)
Apr-24	(871)	(558)	(556)	(1,545)	(3,530)
May-24	(660)	(956)	(591)	(1,427)	(3,633)

Source: Accounts Payable Ledger June 2022 to May 2024

- Further, we have set out below the percentage of trade creditors outstanding on a monthly basis from June 2022 to our appointment on 21 May 2024.

Accounts Payable				
Aged Payable Summary - % of Trade Creditors Outstanding				
Month %	Current	30 Days	60 Days	90 Days
Jun-22	29%	31%	31%	9%
Jul-22	34%	20%	20%	26%
Aug-22	26%	29%	16%	29%
Sep-22	42%	20%	18%	20%
Oct-22	34%	26%	15%	25%
Nov-22	42%	26%	15%	16%
Dec-22	17%	40%	11%	33%
Jan-23	22%	11%	32%	35%
Feb-23	22%	15%	(14)%	77%
Mar-23	30%	18%	5%	47%

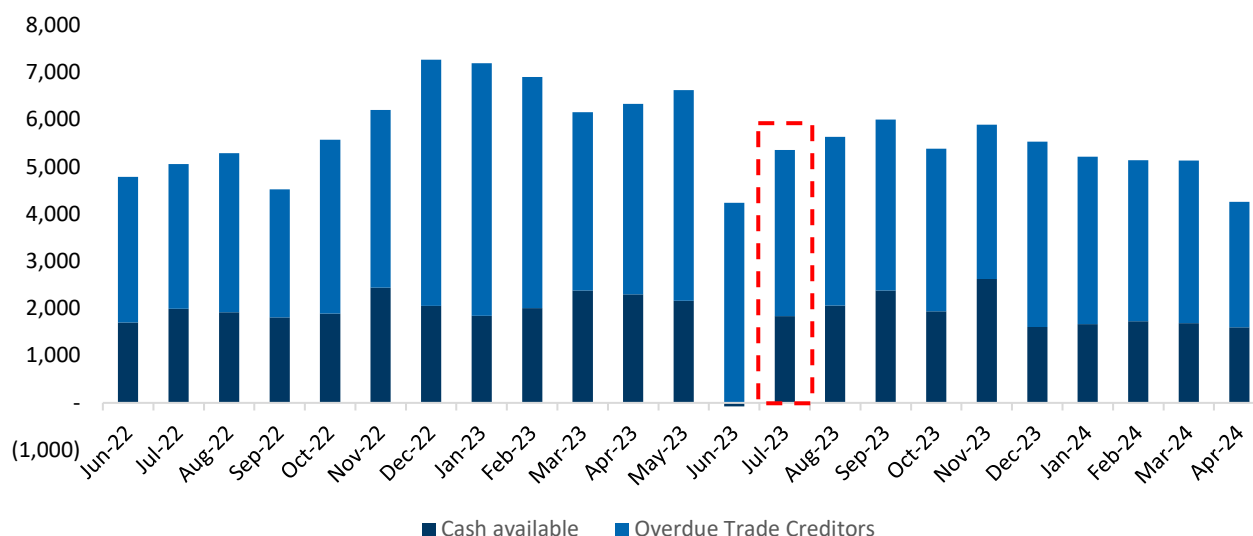
Accounts Payable				
Aged Payable Summary - % of Trade Creditors Outstanding				
Month %	Current	30 Days	60 Days	90 Days
Apr-23	28%	23%	5%	44%
May-23	21%	22%	16%	41%
Jun-23	29%	15%	14%	41%
Jul-23	28%	27%	12%	33%
Aug-23	27%	22%	19%	32%
Sep-23	31%	18%	15%	36%
Oct-23	27%	25%	11%	37%
Nov-23	34%	19%	19%	27%
Dec-23	17%	34%	20%	28%
Jan-24	16%	8%	35%	40%
Feb-24	19%	13%	12%	56%
Mar-24	17%	20%	11%	52%
Apr-24	25%	16%	16%	44%
May-24	18%	26%	16%	39%

Source: Accounts Payable Ledger June 2022 to May 2024

- This analysis indicates that:
 - Total trade creditors payable have remained between c.\$3.5m and c.\$7m since at least June 2022.
 - At no point since 30 June 2022 has the Company had less than 58% of its trade creditors outside of terms (i.e. the “current” portion of the payables ledger has been no higher than 42%, which was achieved in September and November 2022).
 - As at the time of our appointment on 21 May 2024, a total of c.\$3.6m in trade creditors remained outstanding, with 39% more than 90 days overdue.
- Our review has also identified that at the time of our appointment:
 - There were no material wages outstanding;
 - Statutory lodgements were up to date, however, c.\$1.4m in payments of same remained outstanding to the ATO. Management has advised that the Company entered into a payment plan with the ATO in July 2023 in respect of c.\$925k in outstanding PAYGW liabilities. We understand that the plan was broken in February 2024 due to non-payment, however, Vantage Performance was set to negotiate another plan for both PAYGW and GST in June 2024.
 - The Company was closely monitoring supplier payments and was subject to payment arrangements with c.20 suppliers. Additionally, we identified evidence of creditors pressuring the Company to settle outstanding accounts by way of enforcement or legal action, via issuance of statutory demands from a number of suppliers.
- The above total trade payables position supports the view that the Company had insufficient liquidity to repay its outstanding debts, and consequently was not able to meet creditor payments within terms.

Overdue creditors v available resources

- The graph below outlines the Company’s available resources via cash at bank available at the end of each month against the total overdue creditors, constituting trade payables greater than 30 days overdue.

Overdue Accounts Payable vs. Sources of Cash (Jun-22 to Apr-24)

Source: Accounts Payable Ledger June 2022 to May 2024

- The chart indicates that at every month end from June 2022 to April 2024 the Company's trade payables greater than 90 days overdue were significantly in excess of its cash balance, meaning it did not have the cash available to bring creditors back within terms.

Ongoing losses

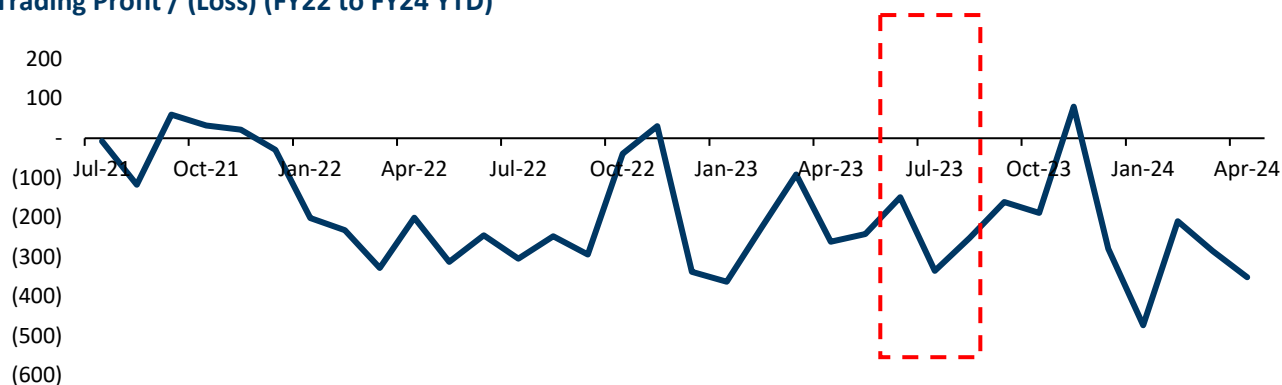
- The Company was loss making in FY22, FY23 and YTD FY24. Whilst gross profits were recorded across this period, material overhead costs more than offset gross profit and led to accumulated trading losses and negative NPAT, with the exception of a few months across this period.
- The accumulated losses over these periods totalled c.\$9.3m.

Mirotone Pty Ltd (Administrators Appointed)				
Summary P&L				
Month \$'000s	Revenue	Gross Profit	Trading Profit/(Loss)	NPAT
Jul-21	1,706	656	(7)	(22)
Aug-21	1,679	525	(118)	(155)
Sep-21	2,017	713	59	5
Oct-21	1,805	615	32	(5)
Nov-21	2,109	636	22	6
Dec-21	1,528	462	(30)	206
Jan-22	1,056	412	(202)	(321)
Feb-22	1,949	506	(232)	(244)
Mar-22	1,852	393	(328)	(385)
Apr-22	1,453	444	(201)	(300)
May-22	1,643	382	(312)	(447)
Jun-22	1,676	314	(245)	(529)
Jul-22	1,711	383	(305)	(340)
Aug-22	1,662	473	(248)	(279)
Sep-22	1,583	407	(294)	(319)
Oct-22	1,819	629	(39)	(91)
Nov-22	2,107	811	30	(48)

Mirotone Pty Ltd (Administrators Appointed)				
Summary P&L				
Month \$'000s	Revenue	Gross Profit	Trading Profit/(Loss)	NPAT
Dec-22	1,501	330	(338)	(76)
Jan-23	1,332	336	(363)	(458)
Feb-23	1,817	516	(227)	(322)
Mar-23	2,023	667	(91)	(45)
Apr-23	1,452	438	(262)	(394)
May-23	1,714	519	(242)	(418)
Jun-23	1,562	584	(149)	(168)
Jul-23	1,589	358	(335)	(500)
Aug-23	1,817	458	(252)	(378)
Sep-23	1,751	542	(162)	(372)
Oct-23	1,803	514	(189)	(308)
Nov-23	2,146	758	80	(85)
Dec-23	1,336	347	(279)	(492)
Jan-24	1,057	143	(473)	(639)
Feb-24	1,529	435	(210)	(368)
Mar-24	1,399	321	(285)	(476)
Apr-24	1,345	243	(352)	(517)

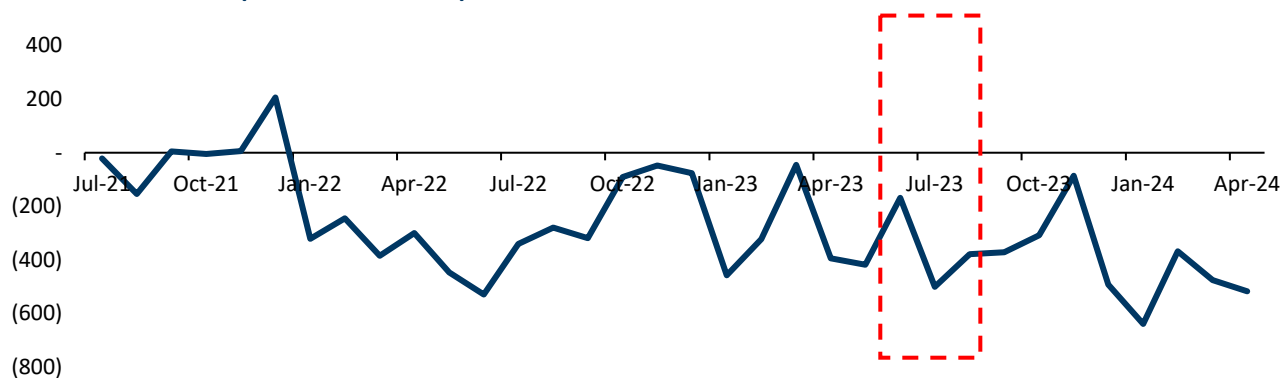
Source: Management Accounts FY22 to YTD FY24

Trading Profit / (Loss) (FY22 to FY24 YTD)



Source: Management Accounts FY22 to YTD FY24

Net Profit After Tax (FY22 to FY24 YTD)



Source: Management Accounts FY22 to YTD FY24

- In summary, the cash flow test indicates that the Company had solvency challenges from as early as June 2022. In our view, this became pronounced in July 2023, after the Company had completed its final material external financing, being the loan from Felicitas Finance in June 2023. This loan was insufficient to allow the Company to return creditors to terms.

12.3.4. Date of insolvency – conclusion

- Our preliminary view is that the Company may have been insolvent from July 2023.
- It is possible that the Company was insolvent earlier than July 2023 given its extensive history of losses, in conjunction with significant overdue creditors.
- Further work would be required to firm up the actual date of insolvency.
- We note that the directors were taking Safe Harbour advice from January 2023 onwards which may give rise to a valid defence against any insolvent trading claim.

13. Appendix 5 – Directors' explanation for the Company's difficulties

Administrators' Report to Creditors

1. The Directors' explanation for the Company's difficulties and the Administrators' opinion as to the reasons for the Company's difficulties – Written Statement.

- **Brief summary**

The main reason for the failure was that the Company was caught by the COVID pandemic in the middle of a move from its former two manufacturing sites at Revesby and Chipping Norton, to a new consolidated site at Yennora. The blow-out in the cost of construction during the COVID era, supply-chain interruptions and increased material and freight costs eroded the cash that had been generated from the sale of the Revesby site in January 2020. The company struggled to re-generate sufficient working capital and attempts to sell the business were unsuccessful.

- **Losses in 2000-2012 led to indebtedness.**

The Company was highly profitable until the end of the 1990s but then made 12 years of losses as it failed to adapt to changing market conditions. The current Board and a new CEO began in January 2013 and restored the Company to profitability in 2014, 2015, 2016 and 2017. The company used the cash to pay down some debt and remediate the Revesby site which had been listed on the Register of Contaminated Lands by the EPA in 2004. Debt remained, however.

- **Downturn in 2019, and interruption of the move to a new site by the COVID pandemic**

A downturn in the building industry led to a significant loss in 2019, and a strategic plan was formed to lower costs and increase efficiency by replacing the two old manufacturing sites by a single state-of-the art facility to be built on a new site. The remediated Revesby site was sold, debts paid off, but before construction at the site could commence, COVID hit. The project was frozen for 9 months until there was more clarity about the evolution of the pandemic.

- **Detrimental effects of the COVID-related delay of the move to Yennora**

- Longer rental costs on the Revesby site that was previously rent-free
- Reduced sales during COVID shutdown of business activity
- The stockpile of finished goods and flooring intermediate products to cover the gap during the move was consumed before the new factory was ready, necessitating costly toll-manufacture of some products
- Stock-outs from supply chain problems – raw materials bumped from shipping, delays of up to four months beyond expected delivery dates
- High insurance cost for the continued occupation of the 60-year-old factory at Revesby

- **Yennora factory cost overrun and late delivery**

- The 60% overrun in the cost of the build consumed much of the cash buffer from the sale of the Revesby site
- Extra regulatory requirements: vapour locks, in-rack sprinkler system.
- The buyer of the Revesby site on-sold it to another party and the Company's request to extend the Revesby lease to allow time for the Yennora site to be ready for full production was refused.

- Loss of manufacturing capacity from July-December 2022: The company was forced to relocate out of the Revesby site by 30 June 2022, and less than 40% of normal production could be made in July because equipment had not yet been installed.
- Loss of revenue in the peak season September-November 2022 because full production capability was not available until December 2022.
- The purchase of the Pylon business, mainly funded by a shareholder loan, could not be fully made effective because of the lateness of completion of the Yennora equipment installation, leading to loss of sales to previous Pylon customers
- **Shortage of Working Capital**
 - By the time the Yennora build was complete, the cash buffer was exhausted, and creditor days extended, to the point that suppliers began withholding supply at times, pending payment, which, in turn, delayed and restricted production.
 - A large quantity of cash from shareholder loans in March 2023 freed up the flow of materials and the Company almost broke even during that month. There were substantial back-orders for products each month, and if these could have been filled, the Company could have returned to profitability.
 - The next injection of cash, from a financier, took two more months to arrive, and momentum had been lost and profit could not be achieved. 24 days later a business broker was contracted to sell the company.
- **Attempts to sell the business were unsuccessful**
 - The directors, with assistance from a business broker and Vantage Performance, were constantly engaged in discussions with interested buyers from July 2023 until May 2024.
 - Economic deterioration in 2024 and uncertainty associated with high interest rates increased the difficulty of achieving a sale.
- **Voluntary administration**

Directors became aware of the risk of insolvency in January 2023 as creditor days increased and engaged firstly Korda Mentha and then Vantage Performance, to invoke Safe Harbour provisions while they sought to obtain working capital and, later, a sale of the business. When the last interested buyer chose not to proceed and limited cash remained, the directors placed the Company in Voluntary Administration.

14. Appendix 6 – Creditor Information Sheet

Creditor Information Sheet

Offences, Recoverable Transactions and Insolvent Trading



Offences

A summary of offences under the Corporations Act that may be identified by liquidators or administrators:

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.
198G	Performing or exercising a function or power as an officer while a company is under administration.
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.
437D(5)	Unauthorised dealing with company's property during administration.
438B(4) / 453F 475(9)) / 497(4) / 530A – 530B	Failure by directors to assist, deliver records and provide information.
438C(5) / 477(3) / 530B	Failure to assist, deliver up books and records and provide information.
588G	Incurring liabilities while insolvent
588GAB	Officer's duty to prevent creditor-defeating disposition
588GAC	A person must not procure a company to make a creditor-defeating disposition
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.
596AB	Entering into an agreement or transaction to avoid employee entitlements.

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, or three months if a simplified liquidation process is adopted. 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.

**Must be greater than \$30,000 for unrelated creditors in a simplified liquidation*

Creditor-defeating disposition

Creditor-defeating dispositions are the transfer of company assets for less than market value (or the best price reasonably obtainable) that prevents, hinders or significantly delay creditors' access to the company's assets in liquidation. Creditor-defeating dispositions are voidable by a liquidator.

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 other parties; and 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 or from members of a corporate group (Contribution Order).

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 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 director may also be able to avail themselves of safe harbour, if they meet certain conditions.

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.

Queries about the external administration should be directed to the insolvency practitioner's office.

15. Appendix 7 – DIRRI

DECLARATION OF INDEPENDENCE, RELEVANT RELATIONSHIPS AND INDEMNITIES

MIROTONE PTY LTD (ADMINISTRATORS APPOINTED)

ACN 000 041 136

("THE COMPANY")

The purpose of this document is to assist creditors with understanding any relevant relationships that we have with parties who are closely connected to the Company and any indemnities or upfront payments that have been provided to us. None of the relationships disclosed in this document are such that our independence is affected.

This information is provided so you have trust and confidence in our independence and, if not, you can ask for further explanation or information and can act to remove and replace us if you wish.

This declaration is made in respect of ourselves, our fellow Senior Managing Directors/Managing Directors, FTI Consulting (Australia) Pty Ltd (FTI Consulting or Firm) and associated entities, as detailed in **Annexure A**.

We are Professional Members of the Australian Restructuring Insolvency and Turnaround Association (ARITA). We acknowledge that we are bound by the ARITA Code of Professional Practice.

Independence

We have assessed our independence and we are not aware of any reasons that would prevent us from accepting this appointment.

There are no other known relevant relationships, including personal, business and professional relationships that should be disclosed beyond those we have disclosed in this document.

Circumstances of appointment

How we were referred this appointment

This appointment was referred to FTI Consulting by Vantage Performance, who are advisors to the Company.

We believe that this referral does not result in us having a conflict of interest or duty because:

- Vantage Performance refers engagements to FTI Consulting from time to time. Neither the Administrators nor FTI Consulting have any formal or informal referral arrangements with Vantage Performance, and to our knowledge they do not exclusively refer such work to us or FTI Consulting.
- FTI Consulting is not reliant upon referrals from Vantage Performance, who are one of a considerable number of firms, organisations and persons who refer work to, or seek advice from, FTI Consulting. This

engagement is not financially significant to FTI Consulting and the receiving or otherwise of other referrals from Vantage Performance is not material to FTI Consulting.

- Work referrals arising from networks of business professionals, advisors and other persons are normal and accepted arrangements, and do not inherently impact on us discharging our statutory duties and obligations with independence and impartiality.
- There is no expectation, agreement or understanding between the Administrators and the referrer about the conduct of this administration and we are free to act independently and in accordance with the law and the requirements of the ARITA Code of Professional Practice.
- While FTI Consulting has in the past engaged Vantage Performance to provide advisory services, this has been for separate, non-related insolvency/restructuring engagements. Vantage Performance is one of many external firms who provide such advice and assistance to FTI Consulting from time to time, which is on a non-exclusive basis and based upon professional service and expertise.

Did we meet with the Company, the directors/the debtor or their advisers before we were appointed?

☒ Yes ☐ No

FTI Consulting and the Company's representatives met and corresponded across the period from 1 May 2024 to 21 March 2024, prior to our appointment. These meetings, calls and correspondence are detailed in Annexure B.

We confirm that this communication was for the purposes of:

- obtaining sufficient information about the Company to enable discussion around the financial position of the Company
- explaining the various forms of insolvency appointments, the options available, and the consequences of an insolvency appointment
- outlining the process following an insolvency appointment
- us to providing a Consent to Act

In our opinion this communication does not affect our independence for the following reasons:

- The Courts and relevant professional bodies 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 advice provided to the Company is such that it would not be subject to review and challenge during the course of our appointment.
- No advice has been given to the directors in their capacity as directors of the Company, or in relation to their personal circumstances.
- The pre-appointment advice will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the appointment as Administrators of the Company in an objective and impartial manner.

We have provided no other information or advice to the Company's directors and its advisers prior to our appointment beyond that outlined in this DIRRI.

Declaration of Relationships

Within the previous 2 years we or our firm have had a relationship with:

The Company	☐ Yes ☒ No
The directors	☐ Yes ☒ No
Any associates of the Company?	☐ Yes ☒ No
A former insolvency practitioner appointed to the Company?	☐ Yes ☒ No
A secured creditor entitled to enforce a security over the whole or substantially the whole of the Company's property?	☒ Yes ☐ No FTI Consulting has a relationship with Scottish Pacific Business Finance Pty Limited (ScotPac), which has an ALLPAAP registered security interest of the Company. We believe that this relationship does not result in a conflict of interest or duty because: ■ We have not undertaken any work for ScotPac in respect to the Company. ■ Any previous engagements which have involved ScotPac are unrelated to this appointment. We are not paid any commission, inducements or benefits by ScotPac to undertake engagements and are not bound or obligated to deliver a favourable outcome to any party.
Unsecured creditors	☒ Yes ☐ No FTI Consulting has a relationship with Grant Thornton Partnership (Grant Thornton). Certain Senior Managing Directors of FTI Consulting will, from time to time, accept engagements involving unrelated companies where Grant Thornton is engaged by the company as an advisor or is a creditor of the company. We believe this relationship does not result in a conflict of interest or duty because: ■ In an external administration, where Grant Thornton is an unsecured creditor, we do not act directly on their behalf; rather there are duties to all creditors as a whole. The work that FTI Consulting undertakes in these circumstances will not influence our ability to fully comply with the statutory and fiduciary

obligations associated with our appointment as Voluntary Administrators of the Company in an objective and impartial manner.

Do we have any other relationships that we consider are relevant to creditors assessing our independence?

☐ Yes ☒ No

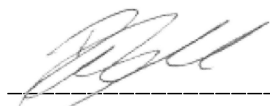
Indemnities and up-front payments

At no stage has FTI Consulting received any remuneration from the Company.

We have not been indemnified in relation to the administration of the Company, other than any indemnities that we may be entitled to under statute.

We have not been provided with any upfront payments in relation to the administration of the Company.

Dated 21 May 2024



David McGrath



John Park

Notes:

1. *The assessment of independence has been made based on an evaluation of the significance of any threats to independence and in accordance with the requirements of the relevant legislation and professional Standards.*
2. *If circumstances change, or new information is identified, we are required under the Corporations Act 2001 or Bankruptcy Act and ARITA's Code of Professional Practice 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 insolvent's creditors. For creditors' voluntary liquidations and voluntary administrations, this document and any updated versions of this document are required to be lodged with ASIC.*

ANNEXURE A

FTI Consulting (Australia) Pty Ltd and associated entities

FTI Consulting Inc (ultimate holding entity)

FTI Consulting – FD Australia Holdings Pty Ltd

FTI Consulting (Australia) Pty Ltd

FTI Technology (Sydney) Pty Ltd

FTI Consulting (Perth) Pty Ltd

FTI Consulting (Sydney) Pty Ltd

FTI Capital Advisors (Australia) Pty Ltd

FTI Consulting Australia Nominees Pty Ltd

Annexure B

Interactions between FTI Consulting staff and Company representatives/other third parties during the period 1 May 2024 and 15 May 2024:

Date	Medium	FTI Consulting attendees	External attendees	Agenda/purpose/discussion
01/05/2024	Telephone call	John Park	Vantage: Michael Fingland Matt Jesse	■ Introduction and general background regarding the Company ■ Request to confirm FTI would have no conflict accepting an appointment as Voluntary Administrations of the Company
07/05/2024	Virtual meeting	John Park David McGrath	Michael Fingland Matt Jesse Olaide Yinka-Kehinde (Vantage) Mirotone: Raymond Stallworthy (Director) Stewart Dennis (Director) Ross Dennis (Directors) Grahame Pond (General Manager) Trevor Swamy (Chief Financial Officer)	■ Meeting to introduce the FTI team to Mirotone representatives and for FTI to provide details of its experience in formal insolvency engagements and and to discuss the status of the Company generally with the Directors

07/05/2024 – appointment date	Telephone calls	John Park David McGrath Asjadi Hone	Matt Jesse Olaide Yinka-Kehinde	Various telephone calls between Vantage and FTI in relation to the Company's status and information requests for purposes of understanding the Company's financial position
13/05/2024	Virtual meeting	John Park David McGrath Asjadi Hone Marial Kwan	Matt Jesse Olaide Yinka-Kehinde Grahame Pond Trevor Swamy	Discussed queries in relation to the Company's cash flow forecast
13/05/2024 – 14/05/2024	Emails	John Park David McGrath Asjadi Hone Marial Kwan	Matt Jesse Olaide Yinka-Kehinde Michael Fingland Trevor Swamy	The Company provided company information as requested by FTI
15/05/2024	Virtual meeting	John Park David McGrath James Macreadie	Raymond Stallworthy Stewart Dennis Ross Dennis	Discussed the timing of a Voluntary Administration appointment and the proposed strategy in respect of the appointment
17/5/2024	Virtual meeting	Asjadi Hone James Macreadie	Grahame Pond Trevor Swamy Matt Jesse Olaide Yinka-Kehinde	Discussed the timing and logistics of a Voluntary Administration appointment

Non FTI Consulting staff positions held at the date of interactions

Name	Position/title held	Representing
Matt Jesse	Director	Vantage Performance
Olaide Yinka-Kehinde	Senior Analyst	Vantage Performance
Michael Fingland	Chief Executive Officer	Vantage Performance
Raymond Stallworthy	Director	The Company
Stewart Dennis	Director	The Company
Ross Dennis	Director	The Company
Grahame Pond	General Manager	The Company
Travor Swamy	Chief Financial Officer	The Company

16. Appendix 8 – Remuneration Approval Report

18 June 2024



Remuneration Approval Report

Mirotone Pty Ltd
(Administrators Appointed)
ACN 000 041 136

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Summary

This remuneration approval report provides you with the information that the Corporations Act 2001 (the Act) and the Code of Professional Practice published by the Australian Restructuring Insolvency and Turnaround Association (“ARITA”) requires creditors to receive to make an informed decision regarding the approval of our remuneration for undertaking the Voluntary Administration of Mirotone Pty Ltd (Administrators Appointed) ACN 000 041 136 (“the Company”).

We are asking creditors to approve the following remuneration and disbursements:

Appointment type	Remuneration (excl GST)	Disbursements (excl GST)
Voluntary Administration (21 May 2024 to 13 June 2024)	\$399,283.00	\$500.00
Voluntary Administration (14 June to 26 June 2024)	\$50,000.00	\$500.00
Total – Voluntary Administration	\$449,283.00	\$1,000.00
Liquidation (27 June 2024 to finalisation of Liquidation)	\$175,000.00	\$500.00
Total remuneration and disbursement approval sought (Voluntary Administration and Liquidation)	\$624,283.00	\$1,500.00

Although the work was necessarily incurred to ensure the completeness of all material matters in the voluntary administration, the total costs incurred are above our initial expectation. The total cost of the voluntary administration has increased from our initial estimate primarily due to the following:

- **Trade-on management:** Additional time spent liaising with suppliers and dealing with PPSR issues.
- **Sale of business:** Due to a sale of the business as a whole not materialising, additional time was required to liaise with numerous interested parties, review and consider offers and finalise the Polycure Asset Sale Agreement.
- **Creditors:** More time than anticipated being spent addressing creditor queries than anticipated.
- **Secured creditors:** The existence of both first and second ranking ALL PAAP secured creditors has required more time than anticipated in reporting to those creditors and seeking consents for sale transactions.

Declaration

We, David McGrath and John Park, of FTI Consulting, have undertaken a proper assessment of the claims for remuneration for the appointment as Administrators of the Company in accordance with the law and applicable professional standards. We are satisfied that the remuneration and disbursements claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of this appointment and

further, that the disbursements that have been incurred in the conduct of the external administration are necessary and proper.

Remuneration sought

Details of our remuneration sought are set out in the following table:

For	Period	Amount \$ (excl GST)	Applicable rates	Timing of payment
Work already completed	21 May 2024 to 13 June 2024	\$399,283.00	As per the attached hourly rates at Schedule D	Immediately, when funds are available
Future work to meeting date	14 June 2024 to 26 June 2024	\$50,000.00	As per the attached hourly rates at Schedule D	As time is incurred or as funds are available
Voluntary Administration Total		\$449,283.00		
Future work to the end of the liquidation	27 June 2024 to finalisation of the Liquidation	\$175,000.00	As per the attached hourly rates at Schedule D	When funds are available and subject to entering liquidation
Liquidation Total		\$175,000.00		

Details of the work already done and future work that we intend to do are **enclosed** at **Schedule A**.

Schedule B includes a breakdown of time spent by staff members on each major task for work we have already done.

Actual resolutions to be put to the meeting are included at **Schedule C** for your information. These resolutions also appear in the proxy form for the second meeting provided to you.

Disbursements

We are not required to seek creditor approval for costs paid to third parties or where we are recovering a cost incurred on behalf of the administration, but we must provide details to creditors. Details of these amounts are included in the attached Receipts and Payments.

We are required to obtain creditors' consent for the payment of a disbursement where we, or a related entity, may directly or indirectly obtain a profit.

For more information about disbursements, please refer to the Initial Remuneration Notice dated 21 May 2024.

The below table provides details of the internal disbursements for creditor approval:

<i>For</i>	<i>Period</i>	<i>Amount \$ (excl GST)</i>
Disbursements already incurred	21 May 2024 to 13 June 2024	\$500.00
Future disbursements – Voluntary Administration	14 June 2024 to 26 June 2024	\$500.00
Future disbursements – Liquidation	27 June 2024 to finalisation of the liquidation	\$500.00
Total		\$1,500.00

Actual resolutions to be put to the meeting are also included at **Schedule C**. These resolutions also appear in the proxy form for the second meeting provided to you.

Likely impact on dividends

The Act sets the order for payment of claims against the Company and it provides for remuneration of the Administrators and Liquidators, if appointed, to be paid in priority to other claims. This ensures that when there are sufficient funds, the Administrators/Liquidators receive payment for the work done to recover assets, investigate the company's affairs, report to creditors and ASIC and distribute any available funds.

The estimated dividend is subject to the outcome of the second meeting of creditors, realisation of assets, the remuneration of the external administrators as determined by creditors and the quantum of claims admissible. Please refer to **Section 7.3** of our Administrators Report to Creditors pursuant to section 75-225 of the Insolvency Practice Rules for further detail.

There are not expected to be sufficient funds to pay a dividend to unsecured creditors.

Summary of receipts and payments

A summary of the receipts and payments for the Administration as at 14 June 2024 is **enclosed** at **Section 7.4** to this report.

Queries

Further supporting documentation for our remuneration claim can be provided to creditors on request.

You can also access information which may assist you on the following websites:

- ARITA at www.arita.com.au/creditors
- ASIC at www.asic.gov.au (search for INFO 85).

If you have any queries in relation to the information in this report, please contact this office on (02) 8247 8000 or by email at Mirotone@fticonsulting.com.

Yours faithfully



David McGrath

Joint and Several Administrator

Attachments:

Schedule A – Details of work

Schedule B – Time spent by staff on each major task (work already done)

Schedule C – Resolutions

Schedule D – FTI Consulting schedule of rates effective 1 April 2020

Schedule A – Details of work

Task area/General description	Work already done	Future work to meeting date	Liquidation work
Period	21 May 2024 to 13 June 2024	14 June 2024 to 26 June 2024	27 June 2024 to finalisation of Liquidation
Amount \$ (excl GST)	\$399,283.00	\$50,000.00	\$175,000.00
Assets	146.70 hours \$87,239.00	\$26,000.00	\$105,000.00
Sale of business as a going concern	■ Develop a strategy and timeline for the accelerated sales process ■ Compiling a list of likely interested parties based on previous campaigns conducted, our own understanding of the industry and the market more generally ■ Preparing a range of sale materials, including an investment flyer and virtual data room ■ Collating information obtained from the Company for input into data room ■ Liaising interested parties and maintenance of data room and interested party register ■ Advertised the business for sale in the Australian Financial Review ■ Engaging with numerous interested parties ■ Review non-binding offers from interested parties ■ Review NDAs ■ Review of other sale documentation ■ Organise and attend site with interested parties ■ Internal meetings to discuss sale process considerations and strategy		

Task area/General description	Work already done	Future work to meeting date	Liquidation work
	■ Review sale information and documentation ■ Negotiation and agreement of ASA and ancillary documents ■ Finalisation and execution of the ASA ■ Attending to completion of the transaction ■ Facilitating the handover of Company information, including IP, hard drive files etc.		
Cash and bank accounts	■ Notifying major banks of appointment ■ Correspondence with Westpac regarding access to pre-appointment funds		
Plant & equipment	■ Liaising with valuers, auctioneers and interested parties ■ Reviewing asset listings ■ Facilitating realisation of various piecemeal assets	■ Attend to remaining plant & equipment and inventory sales ■ Obtain consents to future transactions from secured creditors	■ Attend to remaining plant & equipment and inventory sales ■ Obtain consents to future transactions from secured creditors
Assets subject to specific charges	■ Conducting PPSR, motor vehicle and other searches ■ Issued notices to secured parties ■ Liaising with the PPSR creditors ■ Resolving PPSR registrations as required pursuant to the ASA	■ Resolving PPSR registrations as required	■ Liaising with PPSR creditors in respect of any assets not acquired by the Purchaser
Debtors	■ Correspondence with debtors ■ Reviewing and assessing debtors' ledgers ■ Liaising with ScotPac in relation to Debtor Finance Facility	■ Dealing with collection of pre-appointment debtors and recovering funds where possible	■ Dealing with collection of pre-appointment debtors and recovering funds where possible
Inventory	■ Conducting stock takes ■ Reviewing stock values ■ Liaising with purchasers	■ Realisation of any inventory remaining on site	■ Realisation of any inventory remaining on site

Task area/General description	Work already done	Future work to meeting date	Liquidation work
	■ Liaising with Company staff regarding existence and sale to existing customers ■ Considerable correspondence with Company staff and freight providers concerning goods in transit ■ Realisation of remaining inventory on site		
Other assets	■ Tasks associated with realising other assets ■ Reviewing and assessing trade receivables ■ Formulating a strategy for collection of receivables ■ Liaising with Company staff regarding the pursuit and collection of receivables	■ Develop a strategy and timeline for the realisation of interests in Mirotone NZ and Mirotone Thailand ■ Dealing with bidders and any sale adviser appointed ■ Negotiating terms and documentation with preferred bidder(s)	■ Develop a strategy and timeline for the realisation of interests in Mirotone NZ and Mirotone Thailand ■ Dealing with bidders and any sale adviser appointed ■ Negotiating terms and documentation with preferred bidder(s)
Leased assets	■ Reviewing leasing documents for leased premises ■ Reviewing leasing agreements for leased assets ■ Liaising with landlords regarding occupation of the leased premises ■ Liaising with owners/lessors ■ Tasks associated with disclaiming leases	■ Liaising with landlord regarding disclaimer of lease and any ongoing issues associated	■ Liaising with landlord regarding disclaiming of lease and any ongoing issues associated
Creditors	240.90 hours \$103,632.00	\$9,000.00	\$10,000.00
Creditor Enquiries, Requests & Directions	■ Receive and respond to creditor enquiries via telephone and email ■ Maintaining creditor request log ■ Review and prepare initial correspondence to creditors and their representatives ■ Documenting	■ Receive and respond to creditor enquiries ■ Maintaining creditor request log ■ Considering reasonableness of creditor requests ■ Compiling information requested by creditors	■ Receive and respond to creditor enquiries ■ Maintaining creditor request log ■ Considering reasonableness of creditor requests ■ Compiling information requested by creditors

Task area/General description	Work already done	Future work to meeting date	Liquidation work
	■ Considering reasonableness of creditor requests ■ Documenting reasons for complying or not complying with requests or directions ■ Compiling information requested by creditors ■ Maintain company creditor listing and updates as required		
Secured creditor reporting	■ Notifying PPSR registered creditors of appointment ■ Preparing reports to secured creditor ■ Responding to secured creditors' queries ■ Liaising with and updating Shareholder Creditors and ScotPac	■ Responding to secured creditor's queries ■ Liaising with and updating Shareholder Creditors and ScotPac	■ Responding to secured creditor's queries ■ Liaising with and updating Shareholder Creditors and ScotPac
Creditor reports	■ Preparing and issuing initial circular to creditors dated 21 May 2024 ■ Preparing Voluntary Administrator's report dated 18 June 2024, investigation, meeting and general reports to creditors ■ Correspond with creditors regarding virtual meeting procedure and registration requirements	■ Preparing Voluntary Administrator's report dated 18 June 2024, investigation, meeting and general reports to creditors	■ Preparing Statutory Report, investigation, meeting and general reports to creditors ■ Distribute the above to creditors
Dealing with proofs of debt	■ Receipting and filing POD when not related to a dividend ■ Maintaining a POD register ■ Corresponding with creditors in relation to POD when not related to dividend ■ Corresponding with OSR and ATO regarding POD when not related to a dividend	■ Receipting and filing POD when not related to a dividend	■ Receipting and filing POD when not related to a dividend ■ Corresponding with creditors in relation to POD when not related to dividend ■ Corresponding with OSR and ATO regarding POD when not related to a dividend
Meeting of Creditors	■ Preparation of meeting notices, proxies and advertisements ■ Receiving and collating proxy responses	■ Preparation of meeting notices, proxies and advertisements ■ Prepare for and hold second meeting of creditors	■ Preparation of meeting notices, proxies and advertisements ■ Forward notice of meeting to all known creditors

Task area/General description	Work already done	Future work to meeting date	Liquidation work
	■ 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 of minutes of meetings with ASIC ■ Responding to stakeholder queries and questions immediately following meeting	■ 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 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 of minutes of meetings with ASIC ■ Responding to stakeholder queries and questions immediately following meeting
Employees	12.20 hours \$6,500.00	\$7,500.00	\$45,000.00
Employee enquiries	■ Receive and follow up employee enquiries via telephone and email ■ Maintain employee enquiry register ■ 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 employee's objections to leave entitlements ■ Conducting townhall presentations to employees ■ Termination of majority of employees ■ Preparation of separation certificates and issue to employees	■ Receive and follow up employee enquiries via telephone ■ Maintain employee enquiry register ■ Review and prepare correspondence to creditors and their representatives via facsimile, email and post ■ Receive and prepare correspondence in response to employee's objections to leave entitlements	■ Receive and follow up employee enquiries via telephone ■ Maintain employee enquiry register ■ Review and prepare correspondence to creditors and their representatives via facsimile, email and post ■ Receive and prepare correspondence in response to employee's entitlements
FEG			■ Correspondence with FEG ■ Preparing notification spreadsheet

Task area/General description	Work already done	Future work to meeting date	Liquidation work
			■ Preparing FEG quotations ■ Completing FEG questionnaires
Calculation of entitlements	■ Calculating employee entitlements ■ Reviewing employee files and company's books and records ■ Reconciling superannuation accounts ■ Reviewing awards	■ Finalising calculation of entitlements	■ Finalising calculation of entitlements
Employee dividend			■ Correspondence with employees regarding dividend process, where required ■ Correspondence with ATO regarding SGC proof of debt ■ Calculating dividend rate ■ Preparing dividend file ■ Advertising dividend notice ■ Preparing distribution ■ Receipting POD ■ Adjudicating POD ■ Ensuring PAYG is remitted to ATO
Workers compensation	■ Review insurance policies ■ Receipt of claim ■ Liaising with claimant ■ Liaising with insurers and solicitors regarding claims ■ Identification of potential issues requiring attention of insurance specialists ■ Correspondence with insurer regarding initial and ongoing workers compensation insurance requirements ■ Correspondence with previous brokers		

Task area/General description	Work already done	Future work to meeting date	Liquidation work
Other employee issues	■ Correspondence with Child Support ■ Correspondence with Centrelink		
Trade On	309.70 hours \$170,545.00	\$0.00	\$0.00
Trade on management	■ Liaising with suppliers ■ Liaising with management and staff ■ Attendance on site ■ Authorising purchase orders ■ Preparing and authorising receipt vouchers ■ Preparing and authorising payment vouchers ■ Liaising with superannuation funds regarding contributions, termination of employees' employment ■ Liaising with OSR regarding payroll tax issues ■ Preparing and maintaining the Administration cashflow forecast ■ Internal discussions regarding suppliers and supply status ■ Liaising with critical suppliers to coordinate trading on a reduced capacity		
Budgeting and financial reporting	■ Reviewing company's budgets and financial statements ■ Prepare cash flow forecasts ■ Finalising trading profit or loss ■ Meetings to discuss trading position		
Investigations	29.90 hours	\$3,000.00	\$10,000.00

Task area/General description	Work already done	Future work to meeting date	Liquidation work
	\$13,079.00		
Conducting investigation	■ Collection of company books and records ■ Liaising with management in relation to company information provided ■ Correspondence with ASIC to receive assistance in obtaining reconstruction of financial statements, company's books and records and Report on Company Affairs and Property ■ 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 directors regarding certain transactions ■ Liaising with directors regarding certain transactions ■ Preparation of investigation file ■ Lodgement of investigation with the ASIC ■ Analysis of historical financial statements ■ Formed and reported preliminary view on existence of voidable transactions	■ Finalising investigations for inclusion in second report to creditors	■ Preparation of deficiency statement ■ Preparation of investigation file ■ Lodgement of investigation with the ASIC ■ Preparation and lodgement of supplementary report if required
ASIC reporting	■ Preparation and lodgement of various ASIC forms ■ Liaising with ASIC	■ Preparation and lodgement of various ASIC forms	■ Preparing statutory investigation reports ■ Preparation and lodgement of various ASIC forms ■ Liaising with ASIC

Task area/General description	Work already done	Future work to meeting date	Liquidation work
Dividend	0.60 hours \$246.00	\$1,500.00	\$0.00
Processing proofs of debt (POD)	■ Receipt of POD ■ Maintain POD register ■ Request further information from claimants regarding POD	■ Receipt of POD ■ Maintain POD register	
Administration	29.40 hours \$15,251.00	\$3,000.00	\$5,000.00
Correspondence	■ Issue of day one notifications and correspondence with various parties including creditors, suppliers, employees and customers ■ Responding to queries and phone calls with various parties ■ Prepare and issue ROCAP letter ■ General correspondence with various parties	■ General correspondence with various parties	■ General correspondence with various parties
Document maintenance/file review/checklist	■ Filing of documents ■ File reviews ■ Updating checklists ■ Internal management and team meetings	■ First month administration review ■ Filing of documents ■ File reviews ■ Updating checklists ■ Internal management and team meetings	■ Filing of documents ■ File reviews ■ Updating checklists
Insurance	■ Identification of potential issues requiring attention of insurance specialists ■ Correspondence with Arthur J Gallagher regarding initial and ongoing insurance requirements ■ Reviewing insurance policies	■ Identification of potential issues requiring attention of insurance specialists ■ Correspondence with insurer regarding initial and ongoing insurance requirements ■ Reviewing insurance policies ■ Correspondence with previous brokers	■ Finalising insurance matters

Task area/General description	Work already done	Future work to meeting date	Liquidation work
	■ Correspondence with previous brokers ■ Review correspondence and documentation received from insurer	■ Finalising insurance matters	
Funds handling	■ Preparing correspondence opening and closing accounts ■ Entering receipts and payments into accounting system ■ Requesting bank statements ■ Bank account reconciliations ■ Correspondence with bank regarding specific transfers	■ Entering receipts and payments into accounting system ■ Requesting bank statements ■ Bank account reconciliations	■ Entering receipts and payments into accounting system ■ Requesting bank statements ■ Bank account reconciliations
ASIC Forms and lodgements	■ Preparing and lodging ASIC forms including 505, 5602/5603 etc. ■ Correspondence with ASIC regarding statutory forms	■ Preparing and lodging ASIC forms including 505, 5602/5603 etc. ■ Correspondence with ASIC regarding statutory forms	■ Preparing and lodging ASIC forms including 505, 5602/5603 etc. ■ Correspondence with ASIC regarding statutory forms
ATO and other statutory reporting	■ Notification of appointment ■ Preparing BAS ■ Completing STP reporting obligations	■ Preparing BAS ■ Completing STP reporting obligations	■ Preparing BAS ■ Completing STP reporting obligations
Finalisation			■ Notifying ATO of finalisation ■ Cancelling ABN / GST / PAYG registration ■ Completing checklists ■ Finalising WIP
Planning / Review	■ Discussions regarding status of administration	■ Discussions regarding status of administration	■ Discussions regarding status of administration
Books and records / storage	■ Dealing with physical records ■ Dealing with electronic records	■ Dealing with physical records ■ Dealing with electronic records	■ Dealing with physical records ■ Dealing with electronic records

Schedule B – Time spent by staff on each major task (work already done)

					Task Area													
Employee	Position	\$ /hour	Total Hours	Total \$	Assets		Creditors		Employees		Trade on		Investigation		Admin		Dividend	
					Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$
John Park	Senior Managing Director 2	950	6.7	6,365	-	-	0.6	570	-	-	-	-	-	-	6.1	5,795	-	-
David McGrath	Senior Managing Director 1	820	70.9	58,138	31.3	25,666	15.0	12,300	3.9	3,198	18.2	14,924	2.0	1,640	0.5	410	-	-
Asjadi Hone	Managing Director	710	115.0	81,650	43.9	31,169	4.4	3,124	1.0	710	65.7	46,647	-	-	-	-	-	-
James Macreadie	Director	575	110.7	63,653	6.6	3,795	2.7	1,553	-	-	101.4	58,305	-	-	-	-	-	-
Grace Patterson	Consultant	410	117.0	47,970	52.7	21,607	0.5	205	-	-	62.9	25,789	-	-	0.3	123	0.6	246
Amy Dalton	Consultant	410	144.8	59,368	-	-	87.1	35,711	-	-	17.0	6,970	27.9	11,439	12.8	5,248	-	-
Shingo Wong	Consultant	410	124.0	50,840	12.2	5,002	69.2	28,372	-	-	38.4	15,744	-	-	4.2	1,722	-	-
Jamela Gutierrez	Associate	355	80.3	28,507	-	-	61.4	21,797	7.3	2,592	6.1	2,166	-	-	5.5	1,953	-	-
Total (ex GST)			769.4	396,490.00	146.7	87,239	240.9	103,632	12.2	6,500	309.7	170,545	29.9	13,079	29.4	15,251	0.6	246
GST				39,649														
Total (Incl GST)				436,139														
Avg hourly rate (ex GST)				515		595		430		533		551		437		519		410

The below table sets out work performed by other professional services provided by the firm for the period 21 May 2024 to 13 June 2024:

					Non-Insolvency Services	
Employee	Position	\$ /hour	Total Hours	Total \$	Technology	
Anthony Feldman	Director	490.00	5.70	2,793.00	5.70	2,793.00
Total (ex GST)			5.70	2,793.00	5.70	2,793.00
GST				279.30		
Total (Incl GST)				3,072.30		
Avg hourly rate (ex GST)				490.00		490.00

Schedule C – Resolutions

Resolution 1 – Voluntary Administrators’ remuneration

21 May 2024 to 13 June 2024

“That the remuneration of the Voluntary Administrators of Mirotone Pty Ltd (Administrators Appointed) ACN 000 041 136 and their staff, for the period 21 May 2024 to 13 June 2024, calculated at the hours spent at the rates detailed in the Initial Remuneration Notice dated 21 May 2024 provided to creditors, is approved for payment in the amount of \$399,283.00, exclusive of GST, to be drawn from available funds immediately or as funds become available.”

Resolution 2 – Voluntary Administrators’ internal disbursements

21 May 2024 to 13 June 2024

“The internal disbursements of the Voluntary Administrators of Mirotone Pty Ltd (Administrators Appointed) ACN 000 041 136 and their staff, for the period 21 May 2024 to 13 June 2024, is approved for payment in the amount of \$500.00, exclusive of GST, to be drawn from available funds immediately or as funds become available.”

Resolution 3 – Voluntary Administrators’ remuneration

14 June 2024 to 26 June 2024

“That the remuneration of the Voluntary Administrators of Mirotone Pty Ltd (Administrators Appointed) ACN 000 041 136 and their staff, for the period from 14 June 2024 to 26 June 2024, is determined at a sum equal to the cost of time spent by the Voluntary Administrators and their staff, calculated at the hourly rates as detailed in the Initial Remuneration Notice 21 May 2024 provided to creditors, up to a capped amount of \$50,000.00, exclusive of GST, and that the Voluntary Administrators can draw the remuneration from available funds as time is incurred on a monthly basis or as funds become available.”

Resolution 4 – Voluntary Administrators’ internal disbursements

14 June 2024 to 26 June 2024

“That the future internal disbursements of the Voluntary Administrators of Mirotone Pty Ltd (Administrators Appointed) ACN 000 041 136 and their staff, for the period 14 June 2024 to 26 June 2024, is approved up to the capped amount of \$500.00, exclusive of GST, to be drawn from available funds immediately or as funds become available.”

Resolution 5 – Liquidators’ remuneration

27 June 2024 to finalisation of the liquidation

“That the future remuneration of the Liquidators of Mirotone Pty Ltd (Administrators Appointed) ACN 000 041 136 and their staff, for the period from 27 June 2024 to the finalisation of the Liquidation (inclusive), determined at a sum equal to the cost of time spent by the Liquidators’ and their staff, calculated at the hourly rates as detailed in the Initial Remuneration Notice dated 21 May 2024 provided to creditors, up to a capped amount of \$175,000.00, exclusive of GST, and that the Liquidators can draw the remuneration from available funds as time is incurred on a monthly basis or as funds become available.”

Resolution 6 – Liquidators' internal disbursements

27 June 2024 to finalisation of the liquidation

"That the future internal disbursements of the Liquidators of Mirotone Pty Ltd (Administrators Appointed) ACN 000 041 136 and their staff, for the period from 27 June 2024 to the finalisation of the Liquidation (inclusive), is approved up to the capped amount of \$500.00, exclusive of GST, to be drawn from available funds immediately or as funds become available."

Schedule D – FTI Consulting schedule of rates effective 1 October 2023 (excluding GST)

Typical classification	Standard Rates \$/hour	General guide to classifications
Senior Managing Director 2	950	Registered Liquidator and/or Trustee or corporate advisory professional, with extensive specialist skills, experience in all forms of insolvency engagements, turnaround scenarios or restructures over many years. A market leader with proven leadership experience in business or industry, bringing recognised specialist expertise and knowledge to the engagement.
Senior Managing Director 1	820	Registered Liquidator and/or Trustee or corporate advisory professional, with specialist skills and experience in all forms of insolvency engagements, turnaround scenarios and restructures. Proven leadership experience in business or industry, bringing specialist expertise and knowledge to the engagement.
Managing Director	710	Broad specialist skills brought to the engagement. Extensive experience in managing large, complex engagements at a senior level over many years. May also be a Registered Liquidator and/or Trustee or has extensive leadership/senior management experience in business or industry.
Senior Director	635	Strong technical and commercial skill with significant experience in managing all types of large, complex engagements. Alternatively, has significant senior management experience in business or industry, with specialist skills and/or qualifications.
Director	575	Significant experience across all types of engagements. Strong technical and commercial skills. Has primary conduct of small to medium engagements, managing a team of professionals. Alternatively, has senior management experience in business or industry, with specialist skills and/or qualifications.
Senior Consultant	510	Typically studying to become or qualified to be a professional member of the Australian Restructuring Insolvency & Turnaround Association. Well developed technical and commercial skills. Has experience in large and complex engagements and may have primary conduct of small engagements, supervising a small team of professionals.
Consultant	410	Typically studying to become or qualified chartered accountant and member of Chartered Accountants Australia & New Zealand (or similar). Required to control the tasks on small engagements or responsible for select aspects on medium to large-sized engagements under supervision of senior staff.
Associate	355	Typically a degree qualified accountant, who assists with day-to-day tasks under the supervision of senior staff.
Treasury	330	Typically, qualified accountant and/or bookkeeper. Undertakes treasury activities and is skilled in bookkeeping and funds handling activities.
Junior Associate	275	Undergraduate in the latter stage of their university degree.
Administration 2	295	Well developed administrative skills with significant experience supporting professional staff, including superior knowledge of software packages, personal assistance work and/or office management.
Administration 1	230	Has appropriate skills and experience to support professional staff in an administrative capacity.

The FTI Consulting Standard Rates above apply to the Corporate Finance & Restructuring practice and are subject to periodical review.