



**Rovers South West Pty Ltd (In Liquidation)**  
**ACN 120 631 736 (Rovers)**

**Formex Metal Products Pty Ltd (In Liquidation)**  
**ACN 602 123 204 (Formex)**

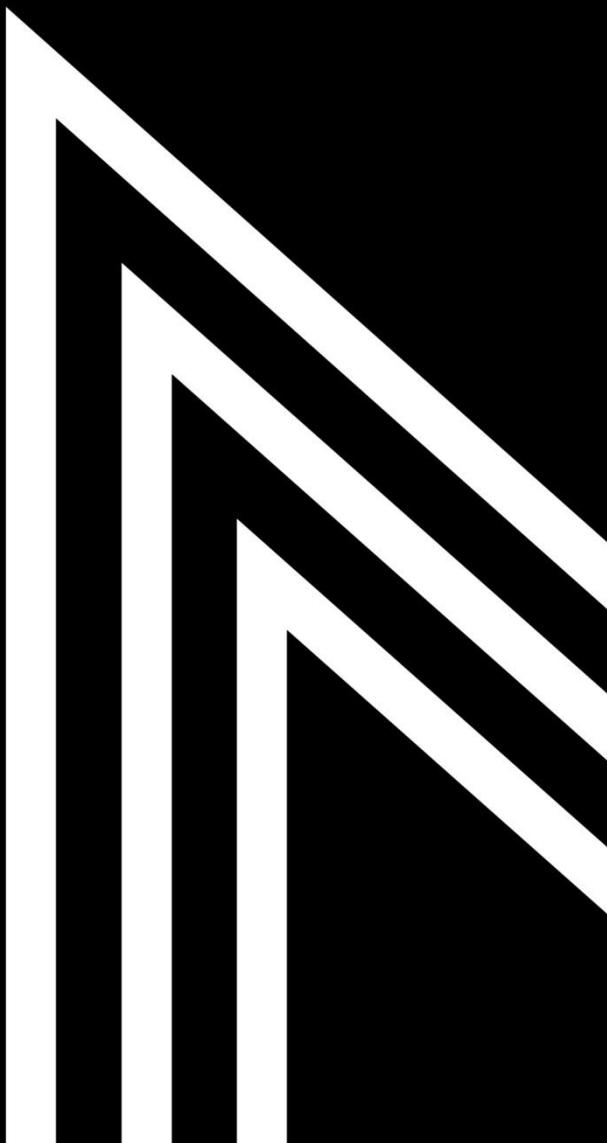
**(collectively, the Companies)**

**Annual Report to Creditors**

**6 September 2018**



**McGrathNicol**

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## Definitions and abbreviations

In this Report, unless otherwise provided, please refer to the following definitions and abbreviations:

<b>Term</b>	<b>Definition</b>
<b>1<sup>st</sup> Cash</b>	Cash Flow Finance
<b>ACN</b>	Australian Company Number
<b>Act</b>	Corporations Act 2001
<b>ARITA</b>	Australian Restructuring, Insolvency & Turnaround Association (formerly the Insolvency Practitioners Association) of Australia
<b>ARITA Code</b>	ARITA Code of Professional Practice
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ATO</b>	Australian Taxation Office
<b>Companies</b>	Rovers & Formex
<b>Director</b>	Lee Holden as sole director of Rovers & Formex
<b>DIRRI</b>	Declaration of Independence, Relevant Relationships and Indemnities
<b>FEG</b>	Fair Entitlements Guarantee Scheme
<b>First Meeting</b>	First Meeting of Creditors, held on 26 June 2017
<b>Formex</b>	Formex Metal Products Pty Ltd (In Liquidation)
<b>k</b>	Thousand
<b>Liquidators</b>	Rob Kirman and Rob Brauer as Liquidators of Rovers & Formex on 7 June 2017
<b>P&amp;E</b>	Plant and equipment
<b>Receivers &amp; Managers</b>	Clifford Rocke and Jeremy Nipps
<b>R&amp;D</b>	Research & Development
<b>Rovers</b>	Rovers South West Pty Ltd (In Liquidation)
<b>Report</b>	This report, prepared in accordance with Section 508 of the Act
<b>Statutory Report</b>	Statutory Report to creditors dated 7 September 2017

## 1 Executive summary

I refer to:

- the appointment of Rob Kirman and I as Liquidators of the Companies on 7 June 2017; and
- our Statutory Report to creditors in relation to the Companies dated 7 September 2017.

This Report has been prepared to provide creditors with an update on the progress of the liquidation of the Companies since the Statutory Report was issued on 7 September 2017.

In addition, this report has been prepared pursuant to Section 508(1)(b) of the Act. This section of the Act states that if a creditors' voluntary winding up continues for more than one year, a liquidator must convene an annual meeting of creditors or prepare a report to creditors and lodge the report with ASIC. Despite the repeal of s508 by Schedule 2 of the Insolvency Law Reform Act 2016, in accordance with s1603 of the Act, s508 of the old Act continues to apply for external administrations which commenced prior to 1 September 2017. Accordingly, this will be the final annual report prepared by the Liquidators.

As done so with the Statutory Report, for efficiency, and as the Companies effectively operate different aspects of the same businesses, the Liquidators have produced one report covering both Companies. The Companies are related by way of a common sole director and shareholder. Specific information is provided in this report where required.

This report covers the Liquidation period 7 June 2017 to 6 June 2018 (unless specifically stated otherwise) and sets out:

- an update on the Liquidation generally;
- the outcomes from the realisation of Rovers' & Formex' assets;
- an update on the Liquidators' investigations; and
- an update on distributions made to creditors to date and any potential future dividends.

Please note that any issues covered in the Statutory Report will not be included again in this Report.

## 2 DIRRI

In accordance with Section 436D of the Act and the ARITA Code, a DIRRI was enclosed in the Liquidators' first communication to creditors dated 16 June 2017.

The DIRRI was also tabled at the first meeting of creditors on 26 June 2017. We confirmed at this time that we did not consider our prior involvement gave rise to any potential conflict of interest issues.

As at the date of this Report, there has been no change to the information provided in the DIRRI. We therefore remain of the view that our prior involvement does not cause any potential conflicts of interest.

### 3 Trading and asset realisations

Set out below is an update on the key assets of the Companies subsequent to the Statutory Report. Please note, this update should be read in conjunction with the Statutory Report in order to obtain a comprehensive understanding of the assets of the Companies and realisations by the Liquidators.

#### 3.1 Trading

As outlined in the Statutory Report, the Liquidators traded the business for approximately one day after their appointment to complete work in progress and generate invoices for that work only. The Companies ceased trading immediately thereafter. The total amount invoiced post-appointment was circa \$3,600, of which \$1,653 has been paid to date and the balance has either been disputed by the debtor or the debtor is not responding to requests for payment.

The Liquidators consider the remaining amounts will be uncommercial to pursue and will take no further action.

#### 3.2 P&E

All of Rovers' assets (with the exception of one financed asset whereby a dispute existed) had been realised via public auction at the time the Liquidators issued the Statutory Report. Formex owned one vehicle which was dealt with by the Receivers and Managers as outlined below.

On 10 July 2017, Clifford Rocke and Jeremy Nipps were appointed Receivers and Managers over the Companies by 1<sup>st</sup> Cash.

The Liquidators sought recovery of costs from the Receivers & Managers for the care and preservation of the disputed Rovers asset and for dealing with the priority dispute by way of a lien. The Receivers & Managers advised the Liquidators that 1<sup>st</sup> Cash subsequently accepted that Boston Capital's security interest over the Rovers asset takes priority over 1<sup>st</sup> Cash's security and thus surrendered the asset to them. The Liquidators have written to Boston Capital in relation to their lien over the Rovers asset and await a response.

The Liquidators successfully sought and received \$467 from the Receivers & Managers for the care and preservation of the Formex vehicle by way of a lien.

The Receivers & Managers retired from the Companies on 14 August 2018.

#### 3.3 Pre-appointment factored debtors

Given the appointment of the Receivers & Managers over the debtor books of Rovers and Formex (as explained in the Statutory Report), the Liquidators have taken no further action in relation to the debtors of the Companies. The Receivers have confirmed the debtor collections were not sufficient to repay 1<sup>st</sup> Cash in full and therefore no surplus funds are available to the Liquidators.

#### 3.4 Research & development claim

Prior to the Liquidators' appointment, Rovers had claimed a refund from the ATO in respect of R&D activities it purported to have undertaken. The ATO has disputed the quantum and validity of the claim in its entirety.

The Liquidators engaged an independent accountant to review the R&D claim to determine the likelihood of making a successful recovery and the merit of disputing the ATO's claim.

On review, the independent accountant advised the Liquidators the R&D claim should be \$75K, which may result in a \$34K refund from the ATO. The ATO accepted the Liquidators' amended claim, however, after offsetting this amount against the amount owing on Rovers' running balance account, the ATO applied an administrative penalty to the refund of \$14K, with the balance of \$3,724 being remitted to the Liquidators.

### 4 Creditors

As detailed below, the creditor position remains relatively unchanged from the date of the Statutory Report.

#### 4.1 Priority creditors

Rovers only had two employees, including the Director. Formex did not have any employees.

The Liquidators issued correspondence to the one non-related employee of Rovers whom had outstanding pre-appointment employee entitlements, advising them of the Fair Entitlement Guarantee Scheme (**FEG**) in which they could apply to receive their employee entitlements regardless of whether a priority distribution to employees was declared. The

Liquidators liaised with FEG and the employee, and the employee received \$11,430 for their entitlements (excluding superannuation).

The Director is not eligible to make a claim through FEG as he is an excluded employee for priority purposes.

Absent any material recoveries from Liquidator investigations and recovery actions, the likelihood of sufficient funds being available to pay a dividend to priority creditors of Rovers is low.

## 4.2 Secured creditors

No additional P&E has been realised since the Statutory Report, nor have any additional distributions to secured creditors been made.

Per section 3.3 of the Report, the debtor financier did not realise sufficient debtors to pay their debt in full, therefore there are no surplus funds available to the Liquidators of the Companies and the financed debtor remains indebted by the Companies as an unsecured creditor.

## 4.3 Unsecured creditors

As summarised in the table below, the position of unsecured creditors remains unchanged as reported in the Statutory Report, except for the addition of the financed debtor shortfall, the quantum of which is unknown.

Unsecured Creditors		
\$	Rovers	Formex
Trade creditors	(1,367,281)	(35,851)
Related party creditors	(165,000)	-
Statutory creditors	(10,000)	-
Equipment financier shortfalls	Unknown	-
Debtor financier shortfall	Unknown	Unknown
<b>Total</b>	<b>(1,542,281)</b>	<b>(35,851)</b>

## 5 Investigations

The investigations into the affairs of the Companies prior to the appointment of the Liquidators are ongoing. In the Statutory Report, the Liquidators confirmed the preliminary investigations indicated potential recoveries available in liquidation.

The Liquidators have conducted further investigations into potential recoveries available from:

- insolvent trading claims;
- voidable transactions including:
  - unfair preference payments; and
  - uncommercial transactions.

### 5.1 Insolvent trading

The Liquidators' investigations are ongoing, with the quantum of any recoveries dependent on the personal asset position of the Director. The Liquidators note (i) a land title search for the Director generated a nil result and (ii) the outcome from each of the following will have a material effect on the personal asset position of the Director:

- the provider of the Rovers unsecured overdraft which had a balance of circa \$300,000 at appointment of the Liquidators holds a personal guarantee from the Director and discussions in relation to settlement of their claim is unknown at this stage; and
- the provider of an unsecured working capital loan which had a balance of circa \$60,000 at appointment of the Liquidators, holds a personal guarantee from the Director and discussions in relation to settlement of their claim is unknown.

A further update to creditors with respect to the insolvent trading claim against the Director will be provided by the Liquidators in due course.

## 5.2 Voidable transactions

### 5.2.1 Unfair preferences

The Liquidators have commenced the review of the following to progress claims in relation to potential voidable transactions:

- pre-appointment bank statements;
- correspondence with the Companies' creditors; and
- correspondence with the ATO.

Three trade suppliers have been identified as a potential preference recipients. The Liquidators are currently finalising review of documentation on hand, and awaiting receipt of additional documentation to finalise the position with the potential preference recipients.

### 5.3 Uncommercial transactions

The Liquidators have not identified any uncommercial transactions at this stage. However, should any additional information come to hand additional investigation will be required.

### 5.4 ASIC reporting

The Liquidators report pursuant to section 533 of the Act in relation to the investigations of the Companies' affairs has been progressed but not yet lodged with ASIC. The Liquidators anticipate the reports will be finalised by 31 October 2018.

## 6 Summary of receipts and payments

A summary of the Companies' receipts and payments for the period 7 June 2017 to 6 June 2018 is set out in the table below:

Receipts and Payments for the period 7 June 2017 to 6 June 2018		
\$	Rovers	Formex
<b>Receipts</b>		
Cash at bank	20,000	-
Factored debtors	11,381	6,421
Gross proceeds from the auction	114,131	-
GST paid / received	600	-
Debtors - Post-appointment	-	1,653
Reimbursement of costs pursuant to Liquidators' lien	-	467
R&D refund	3,794	-
<b>Total receipts</b>	<b>149,906</b>	<b>8,541</b>
<b>Payments</b>		
Costs incurred by auctioneer	(35,270)	-
Distribution to financiers after withholding funds for property holding costs and liquidators' fees	(39,723)	-
Document storage	(27)	-
Employee expenses	(495)	-
GST paid / received	(6,949)	-
Insurance	(2,545)	-
Legal fees	(6,079)	-
Mail redirection	(489)	-
Property holding costs paid (excluding insurance)	(13,561)	-
Transfer factored debtors to financier	(11,381)	(6,421)
<b>Total payments</b>	<b>(116,519)</b>	<b>(6,421)</b>
<b>Balance at 6 June 2018</b>	<b>33,387</b>	<b>2,120</b>

## 7 Liquidators' remuneration

In accordance with Section 449E of the Act and the ARITA code, a Schedule of Remuneration Methods and Hourly Rates was provided by the Liquidators to creditors with their initial communication and tabled at the First Meeting.

A Liquidator's remuneration can only be fixed by resolution of a Committee of Inspection, the Company's creditors or by an application to the court.

The Liquidators are not seeking additional fee approval from creditors at this time but may seek further approval if required in the future.

### 7.1 Declaration

We, Rob Brauer and Rob Kirman of McGrathNicol, have undertaken a proper assessment of this remuneration claim for our appointment as Liquidators of the Companies in accordance with the law and applicable professional standards. We are satisfied that the remuneration claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of the liquidation.

### 7.2 Approval received to date

At the First Meeting of creditors, held on 26 June 2017, the following fee approvals were sought and granted by creditors:

Period	Rovers (approved)	Formex (approved)
Approval of fees from the commencement of the Liquidation to 16 June 2017	\$38,180	\$19,441
Approval of fees from 17 June 2017 to 26 June 2017	\$33,011	\$15,856
Approval of fees from 27 June 2017 to completion of liquidation	\$73,885	\$43,488
<b>Total fees approved</b>	<b>\$145,076</b>	<b>\$78,785</b>
<b>Total fees paid</b>	<b>\$Nil</b>	<b>\$Nil</b>
Liquidators' disbursements	\$351	\$269
<b>Total fees and disbursements approved and paid</b>	<b>\$Nil</b>	<b>\$Nil</b>

## 8 Queries

Creditors who require any other details should please contact Amber Andre of this office on (08) 6363 7665 or by email (aandre@mcgrathnicol.com).

Yours faithfully

*Rovers South West Pty Ltd (In Liquidation)*

*Formex Metal Products Pty Ltd (In Liquidation)*



Rob Brauer  
Liquidator