



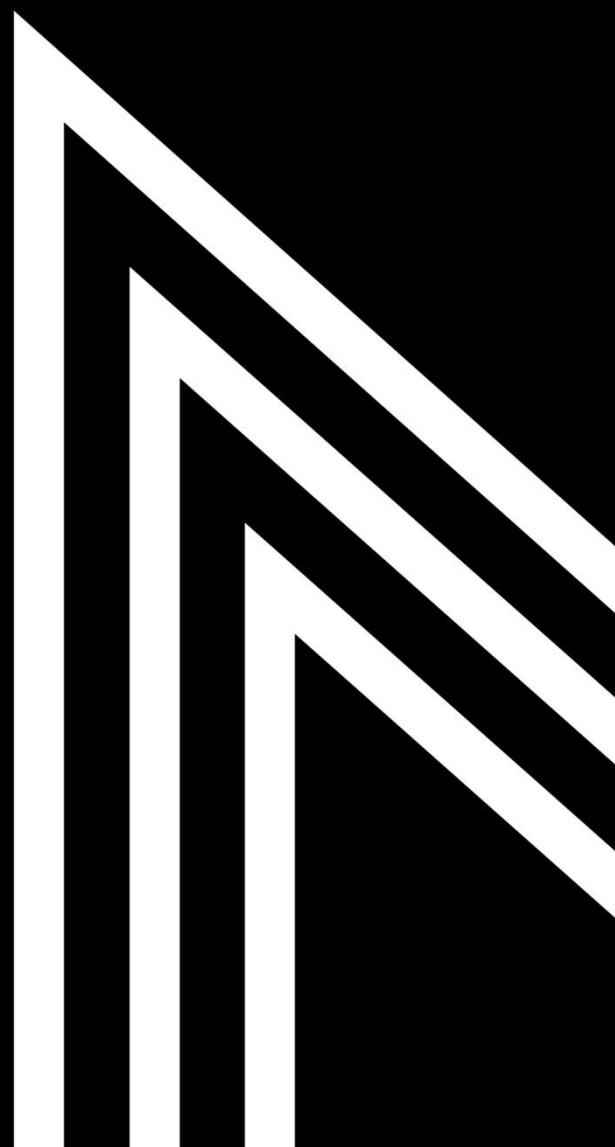
Massena Pty Ltd (In Liquidation) ACN 071 456 203

Annual Report to Creditors

13 August 2018



McGrathNicol



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Definitions and abbreviations

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

Term	Definition
ACN	Australian Company Number
439A Report	The report dated 4 May 2016, prepared in accordance with Section 439A of the Act
Act	Corporations Act 2001
Administrators	Rob Kirman and Matthew Caddy of McGrathNicol as joint and several Voluntary Administrators of Massena on 5 April 2016
Annual Report	This Annual Report to the creditors of Massena dated 13 August 2018
ARITA Code	ARITA Code of Professional Practice
ASIC	Australian Securities and Investments Commission
Asset Sale Agreement	Sale contract with RSEF for the sale of 17 major items of P&E executed on 29 April 2016 and settled on 2 May 2016
ATO	Australian Taxation Office
Bankruptcy Trustee	Helen Joyce of Hall Chadwick, appointed on 19 June 2017
Business Sale Agreement	Sale contract with West Star for Massena's business, IP, minor ancillary equipment and transfer of employees executed on 29 April 2016 and settled on 2 May 2016
c/\$	Cents in the dollar
Company	Massena
CoR	Costs of realisation
Director	Berend Egberts as sole director of Massena
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities
ERV	Estimated realisable value
First Annual Report	First annual report dated 10 August 2018
First Annual Meeting	First annual meeting of creditors, held on 24 August 2017.
First Meeting	First Meeting of Creditors, held on 15 April 2016 pursuant to section 436E of the Act
FYXX	Financial year ended 30 June 20XX
FLV	Forced Liquidation Value
GSA	General Security Agreement
GST	Goods and Service Tax
k	Thousand
Liquidators	Rob Kirman and Matthew Caddy as Joint and Several Voluntary Liquidators of Massena on 11 May 2016
Licence Agreement	The licence agreement executed between West Star and Massena dated 5 April 2016
m	Million
Massena	Massena Pty Ltd (In Liquidation)
POD	Proof of Debt
PPSA	Person Property and Securities Act
PPSR	Personal Property and Securities Register
P&E	Plant and equipment
Report	This report, prepared in accordance with Section 508 of the Act



Term**Definition**

Second Meeting	Second Meeting of Creditors, convened on 11 May 2016 pursuant to section 439A of the Act
SSA	Specific Security Agreement
WA	Western Australia
Westpac	Westpac Banking Corporation Ltd
Westpac Group	St George and Westpac
West Star	West Star Logistics Pty Ltd as trustee for the Star Trust

1 Executive Summary

I refer to:

- the appointment of Matthew Caddy and I as Voluntary Administrators of Massena on 5 April 2016;
- our subsequent appointment as Liquidators of Massena on 11 May 2016;
- our 439A Report to creditors dated 4 May 2016; and
- our First Annual Report dated 10 August 2017.

This Annual Report has been prepared to provide creditors with an update on the progress of the liquidation of Massena since the First Annual Report was issued on 10 August 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.

This report on the progress of the liquidation has been lodged with ASIC and as such an annual meeting of creditors will not be convened.

This report covers the Liquidation period 11 May 2017 to 10 May 2018 (unless specifically stated otherwise) and sets out:

- an update on the Liquidation generally;
- an update on the Liquidators' investigations; and
- an update on distributions made to creditors to date and any potential future dividends.

2 DIRRI

In accordance with Section 436D of the Act and the ARITA Code, a DIRRI was enclosed in the Administrators' first communication to creditors dated 8 April 2016.

The DIRRI was also tabled at the first meeting of creditors on 15 April 2016. 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 Annual 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 Massena subsequent to the 439A Report and the First Annual Report. Please note, this update should be read in conjunction with the 439A Report and the First Annual Report in order to obtain a comprehensive understanding of the assets of Massena and realisations by the Liquidators.

In summary, all of Massena's assets have now been realised and proceeds distributed to relevant secured creditors.

3.1 Trading

As outlined in the 439A Report and the First Annual Report, due to the lack of funding available to the Administrators, the Liquidators executed a licence agreement with West Star on 5 April 2016 to ensure trading operations were maintained.

The Licence Agreement was terminated on 2 May 2016 upon settlement of the Asset Sale Agreement and Business Sale Agreement (refer section 1.8 and 5.2 of the 439A Report).

Under the terms of the Licence Agreement the Administrators retained responsibility for any liabilities in relation to rent, utilities, wages (and associated wage liabilities), insurance, compliance costs, vehicle expenses and any other liabilities or claims that related to Massena's business, assets, employees or rental properties. West Star funded the Administrators for these liabilities in advance (based on forecast notices provided by the Administrators to West Star).

As at the First Annual Report, the Liquidators held \$10,000 of West Stars' advanced funds as a contingency for any unforeseen costs or disputes. No additional costs eventuated. Therefore, this amount was paid to West Star on 13 November 2017. The Liquidators no longer hold any funds in relation to the Licence Agreement.

3.2 P&E

One item of P&E remained unrealised as at the date the First Annual Report was issued, being a motor vehicle in the possession of the Director (**Vehicle**).

The Liquidators considered the Vehicle to be an asset of Massena for the following reasons:

- the Vehicle was listed on the fixed asset register of Massena;
- the Vehicle was registered to Massena at the WA Department of Transport;
- registration charges for the Vehicle were paid by Massena; and
- the Vehicle was insured on Massena's most recent pre-appointment insurance policy for the period 1 January 2016 to 31 December 2016.

The Liquidators obtained a valuation for the Vehicle, which provided a market value of \$11,000 and a FLV of \$8,500. The Liquidators accepted an offer from the Director of \$9,090 to purchase the Vehicle and received payment on 22 November 2017. All P&E (except for those subject to specific finance agreements with other parties) was secured to Westpac under a GSA and various SSA's. The Liquidators distributed the funds received for the Vehicle to Westpac Group.

4 Creditors/distributions to date

With the exception of Westpac Group (being the primary secured creditor) which is detailed below, the position of creditors (employees and unsecured) remain the same as in the First Annual Report.

After the First Annual Report was issued, the Liquidators distributed the following amounts to Westpac Group:

- the amount outlined at section 3.2 of this report (being \$9,090 in relation to the Vehicle sale); and
- an amount of \$18,741 due to a final review of the P&E realised during the appointment and the Liquidators' realisation costs.

Net distributions to Westpac Group total \$2.55m. The Westpac Group's total estimated deficiency, excluding any interest or charges, is estimated to be circa \$1.3m.

5 Investigations

The investigations into the affairs of Massena prior to the appointment of the Administrators are ongoing.

Further detail regarding the Liquidators' investigations is set out below.

5.1 Insolvent Trading Claim

The Liquidators determined that (i) Massena was insolvent from at least 1 March 2015, and (ii) the Director was or should have been aware of Massena's insolvency from this date. The Liquidators assessed the value of the insolvent trading against the Director to be \$0.81m.

Noting the Director is bankrupt, the Liquidators have been in on-going communications with Massena's pre-appointment insurance policy holder (**Policy**) and the Liquidators' legal advisors to make a claim on the Policy. Due to the sensitive nature of the Policy, further information is not available at this time as it may prejudice any claim under the Policy.

The quantum of any recoveries are uncertain. Accordingly, the Liquidators have assumed nil and unknown recoveries in the low and high ERV scenario respectively for the insolvent trading claim.

5.2 Loan account

As outlined in the First Annual Report, a Director's loan account was recorded in Massena's books and records since September 2009. The value of the loan payable to Massena at the time of the Administrators' appointment was circa \$0.11m. The Liquidators have lodged a claim for circa \$0.1m with the Bankruptcy Trustee.

The Bankruptcy Trustee advised on 10 October 2017 that there may be a dividend to creditors, although the amount was unable to be quantified at the time. Since then, the Bankruptcy Trustee verbally advised that there will be no dividend to unsecured creditors based on asset realisations to date. Accordingly, the Liquidators have assumed nil in the low and high ERV scenarios for the loan account.

5.3 Unfair preference claims

The Liquidators reviewed the full period from the date of insolvency (1 March 2015) to the date of their appointment to determine whether any preferential transactions may be recoverable.

As outlined in the First Annual Report, since the 439A Report, the Liquidators successfully obtained and negotiated a settlement with the ATO for \$0.35m in respect of a potential preference claim of \$0.38m.

There are four other potential unfair preference claims totalling \$0.27m capable of being pursued, however the likelihood of recovery remains unknown. As summarised in the table below, the Liquidators' ERV assumes no further recoveries in the low scenario and 50% of the claims are recovered in the high scenario.

Potential preference claims		Estimated recovery		
Creditor	Note	Total initial claim	Low	High
Australian Taxation office	Payment arrangements and demands	387,000	350,000	350,000
Creditor 2	Legal settlement and payment arrangement	100,000	-	50,000
Creditor 3	Payment arrangements and demands	60,162	-	30,081
Creditor 4	Trading terms and demands	56,130	-	28,065
Creditor 5	Payment arrangements and demands	54,288	-	27,144
Total		657,580	350,000	485,290

Source: Massena books and records

The actions to recover funds from potential unfair preference claims are ongoing.

6 Return to Creditors

Subject to any additional recoveries from the Liquidators' investigations and recovery actions, the Liquidators anticipate there will be a dividend to priority creditors of between 3c and 22c in the dollar, as set out in the table below.

Estimated return to creditors		
\$'000	Liquidation	
	Low	High
Non-circulating assets		
Westpac Group - sale of financed P&E	2,387	2,387
Westpac Group - asset rental payments	51	51
Pre-appointment debtors (factored)	528	528
<i>Less:</i> Appointees' fees and disbursements (paid)	(305)	(305)
<i>Less:</i> Costs of realisation	(119)	(119)
<i>Less:</i> Westpac Group debt	(3,843)	(3,843)
Net surplus/(deficiency) recoverable from circulating charge assets	(1,301)	(1,301)
Non-circulating assets available (after direct security) to priority creditors	nil	nil
Circulating assets		
Stock	34	34
Insurance refund	25	25
Investigation funding from secured creditor	23	23
Licence Agreement	40	40
Liquidators' recoveries - Director's Loan Account	-	Unknown
Liquidators' recoveries - Insolvent trading claim	-	Unknown
Liquidators' recoveries - Unfair preferences	350	485
<i>Less:</i> actual Appointees' fees and disbursements (paid)	(305)	(305)
<i>Less:</i> actual Appointees' fees and disbursements (approved but unpaid)	(100)	(100)
<i>Less:</i> future Appointees' fees and disbursements	(26)	(26)
<i>Less:</i> actual costs of realisation	(13)	(13)
<i>Less:</i> future costs of realisation	(10)	(15)
Circulating assets available to priority creditors	17	148
Priority employee creditors		
Employee Entitlements	(672)	(672)
Deficiency to priority creditors	(654)	(524)
Unsecured creditors		
Westpac/St George (estimated deficiency from non-circulating assets)	(1,301)	(1,301)
Other unsecured creditors	(1,982)	(2,117)
Estimated total deficiency to creditors	(3,938)	(3,943)
Estimated dividend to unsecured creditors (c/\$)	nil	nil

The Liquidators make the following comments regarding the estimated return to creditors:

- realisations from Massena's non-circulating assets are insufficient to repay Westpac's exposure in full and the net deficiency set out above is not expected to materially change;
- the key drivers and variables to the estimated return to priority creditors are:
 - recoveries of unfair preferences – we have assumed nil further recoveries in the low scenario and 50% or circa \$135k in the high scenario;
 - recovery of funds in respect of the insolvent trading claim; and

- realisation costs incurred in recovering any of the claims referred to above, which we have assumed as follows:
 - > provision for future legal fees of circa \$10k (low) and \$15k (high); and
 - > estimated future Liquidators' fees and disbursements of \$26k (low and high);
- the quantum of unsecured trade creditor claims against Massena will increase should unfair preferences be recovered. The Liquidators do not expect to have sufficient funds to pay a dividend to unsecured creditors in either the high or low scenario absent a material recovery from the insolvent trading claim.

7 Summary of receipts and payments

As at 10 May 2018, the Liquidators held cash of \$153,513.

A summary of Massena's receipts and payments for the period 11 May 2017 to 10 May 2018 is set out in the table below:

Receipts and payments to for the period 11 May 2017 to 10 May 2018		\$
Opening Balance		102,097
Receipts		
GST refunds		22,391
Interest income		8
Plant and Equipment		10,000
Preference claim		350,000
Total receipts		484,496
Payments		
Advance to Licensee		(55,150)
Distribution to Westpac Group		(27,832)
Document storage		(188)
GST payments		(909)
Legal fees		(23,991)
Liquidators' disbursements		(1,271)
Liquidators' fees		(221,643)
Total payments		(330,983)
Balance at 10 May 2018		153,513

Note: The Liquidators' previous annual report provided a summary of receipts and payments and closing cash balance from 30 April 2016 to 4 August 2017 totalling \$276,803.

7.1 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 Administrators 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.

7.2 Declaration

We, Rob Kirman and Matthew Caddy of McGrathNicol, have undertaken proper assessments of our remuneration claims for our appointment as Liquidators of Massena in accordance with the law and applicable professional standards. We are satisfied that the remuneration claimed is in respect of necessary work, properly performed, in the conduct of the liquidation.

7.3 Approval received to date

At the Second Meeting on 11 May 2016 and the First Annual Meeting on 4 August 2017, approval of the following fee approvals were sought and granted by creditors:

Period	Amount approved (\$ exc GST)	Amount paid (\$ exc GST)
Administrators' remuneration 5 April 2016 – 29 April 2016	265,681	265,681
Administrators' remuneration 30 April 2016 – 11 May 2016	85,029	85,029
Liquidators' remuneration 11 May 2016 to completion of the liquidation	150,003	150,003
Liquidators' remuneration 4 June 2016 – 4 August 2017	151,135	100,021
Liquidators' prospective remuneration from 5 August 2017 to completion	75,095	-
Total fees approved / paid	726,943	600,733
Administrators' and Liquidators' disbursements	10,676	10,676
Total fees and disbursements paid	737,619	611,409

8 Creditor information sheet and closing

Creditors who require any other details should please contact Amber Andre of this office on (08) 6363 7600 or by email (aandre@mcgrathnicol.com).

Yours faithfully

Massena Pty Ltd (In Liquidation)



Rob Kirman
Liquidator