



OLD ROAD FURNITURE NO 1 PTY LIMITED (IN LIQUIDATION) (the “Company”)

A.C.N. 054 587 325

**FORMERLY KNOWN AS ROAD SIGNS AND MARKING SUPPLIES PTY LIMITED
FORMERLY T/AS ROAD MANAGEMENT SOLUTIONS**

REPORT TO CREDITORS

22 June 2015

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1 INTRODUCTION

As you are aware, I was appointed liquidator of the Company on 21 August 2014 by resolution of the shareholder of the Company.

In accordance with statutory and professional requirements a Declaration of Independence, Relevant Relationships and Indemnities was provided with notice of the first meeting of creditors and tabled at the first meeting of creditors. This declaration remains current.

The purpose of this report is to provide creditors with an update on the conduct of the liquidation including the results of my investigations to date.

In addition to reviewing the Company's business operations and financial position, my investigation as liquidator considers whether all assets of the Company have been accounted for, examines the relationship between the Company and related persons and entities and considers whether Company officers have committed any offences in relation to the management of the Company. The purpose of the investigation is also to determine whether there are any transactions where money, property or other benefits could be recoverable by me.

Since my appointment, I have undertaken the following investigations to prepare this report:

- Conducted a review of Company assets available.
- Conducted a review of Company books and records.
- Analysed historical Company financial accounts.
- Reviewed security documents.
- Reviewed transactions between the Company and related parties.
- Conducted a review of likely creditors and liaised with individual creditors to establish claims as necessary.
- Considered breaches of director's and officer's duties.
- Considered potentially voidable transactions including unfair preferences.
- Determined date of insolvency.
- Attempted to quantify potential insolvent trading claim.
- Considered offences committed by directors and officers.
- Reviewed personal asset and liability position of directors.

The information contained and commented on in this report has been provided entirely from the Company's books and records, advice by company officers and former company employees and communication with third parties. I have not sought verification or confirmation of this information in all instances and I have not completed an audit. My comments and opinions expressed in this report are necessarily subject to the above qualifications. However, in my opinion these limitations have not prevented me from being able to provide sufficient meaningful information in this report.

2 BACKGROUND INFORMATION

2.1 History

The Company was incorporated in New South Wales on 20 December 1991 and was involved in the business of manufacturing and supplying traffic management products including installation and maintenance of these products. The Company sold its business assets to HJD Industries Pty Ltd t/as Jaybro ("Jaybro"), an arm's length party, on 4 July 2014. Prior to the sale, the Company operated from premises in New South Wales, Victoria and Queensland and employed some 85 employees. The directors have advised that towards the end of March 2014 they made a decision to either try to sell the business or merge the business with that of a competitor's. The Company approached 4 of its major competitors, of which 3 expressed an interest, being Artcraft Pty Ltd, Traffic Technologies Ltd and Jaybro. The directors have advised that they initially entered negotiations on the basis that the Company would be sold as a whole however the offers received from the 3 parties were for the business assets only. The Company agreed to sell its business assets to Jaybro on 13 May 2014 with completion expected to take place on 10 June 2014, ultimately completion took place on 4 July 2014. No Company employees were offered employment by Jaybro at the time of the sale, resulting in all employees of the Company being terminated on 4 July 2014 with the exception of around 7 employees, who were kept to assist with the wind down including closing the Brisbane and Melbourne offices and assisting with the collection of Company debtors. I refer creditors to section 4.6.5 for further details in relation to the sale of the Company's business assets to Jaybro.

2.2 Statutory Information

The following information was obtained from the database of the Australian Securities and Investments Commission.

Company Details	
Date of Incorporation	20 December 1991
Registered Office	10 Endeavour Road, Caringbah NSW 2229
Principal Place of Business	10 Endeavour Road, Caringbah NSW 2229
Paid Up Capital	\$200

Director Name	Appointment Date	Cessation Date
Scott Allan Colburt	14 December 2000	Continuing
Ian Leslie Colburt	24 December 1991	Continuing
Christina May Colburt	24 December 1991	Continuing
Troy James Colburt	14 December 2000	17 June 2014

Secretary Name	Appointment Date	Cessation Date
Ian Leslie Colburt	24 December 1991	Continuing

Shareholder Name	Class of Shares	Number of Shares Held
Old Road Furniture No. 2 Pty Ltd (In Liquidation)	Ordinary	200

3 DIRECTORS' REPORT AS TO AFFAIRS

Attached at Annexure "1" is an extract from the Report as to Affairs ("RATA") as at the date of my appointment, signed by directors Ian and Scott Colburt.

The RATA details floating charge assets with a valuation of \$1,279,461 and an estimated realisable value of nil.

The RATA further details fixed charge assets with a valuation of \$1,945,042 and an estimated realisable value of \$1,678,111 available to meet the fixed charge claims of the secured creditors of \$978,337, thereafter available to meet priority claims of employee creditors of \$963,700 followed by the floating charge claim of the secured creditors of \$455,925 and then unsecured creditors' claims of \$4,708,065. The RATA details contingent assets estimated to produce an amount of \$460,000.

The RATA indicates a deficiency, subject to costs, of \$4,967,916.

4 INVESTIGATION

4.1 Books and Records

Section 286 of the Corporations Act 2001 ("the Act") requires that a company maintains written financial records that correctly record and explain its transactions, financial position and performance and which would enable true and fair financial statements to be prepared and audited.

I have reviewed the records maintained by the Company.

In my opinion the records comply with the provisions of section 286 of the Act.

4.2 Explanations for Difficulties

In their response to the liquidator's questionnaire, directors Ian and Scott Colburt have advised that the causes of failure of the Company were due to:

- Significant contraction in the size of market led to large reduction in sales and gross margins.

- Notwithstanding, implementing strategies to turn the business around, the cost structure of the business was too high.
- Loss of support from the company's invoice financier.
- Substantially lesser sale price for the sale of the business assets.

My own review to date indicates that the Company's failure could be attributed to significant trading losses in the last 2 years of trading, in respect of which some of the matters raised by directors no doubt contributed.

4.3 Review of Securities

The Company granted two charges by way of Mortgage Debenture to the Australia and New Zealand Banking Group ("ANZ Bank") on 7 November 2006, registered on 5 December 2006. One of the charges operates as a fixed and floating charge over all the Company's undertaking and all its assets, both present and future including its uncalled capital and all assets acquired. The second charge operates as a fixed charge over the Company's rights, entitlements and benefits in respect of, under, and to, Fixed Charge Debts, Invoice Finance Securities, Proceeds, Records, the Designated Account and any other chose in action in respect of the Designated Account.

The ANZ Bank charges appear prima facie valid and enforceable. I note that Ian and Christina Colburt paid out the ANZ Bank debt on 29 August 2014 (refer to sections 4.6.3 and 9.1 (ii)). I received a discharge of the ANZ Bank charges on 2 September 2014.

The Company granted a security interest by way of a General Security Agreement to Eclipse Financial Group Pty Ltd ("Eclipse") on 4 July 2014. The funding from Eclipse was used to discharge the Company's obligations under its invoice discounting finance arrangements with G.E. Commercial Corporation (Australia) Pty Ltd ("GE"). GE had a security interest over the Company's debtors by way of a fixed and floating charge, following an assignment to GE of such charge from Allianz Finance Pty Limited ("Allianz"). I note GE purchased the invoice discounting business of Allianz in April 2013. A Deed of Priority was in existence between the ANZ Bank and Allianz. The Eclipse security interest was registered on the Personal Properties Security Register on 4 July 2014 and provided Eclipse with security over the Company's assets including book debts, proceeds and the Company's bank account. Eclipse also entered into a Deed of Priority with the ANZ Bank.

The Eclipse security interest appears prima facie valid and enforceable.

The debt owed to Eclipse was repaid from the collection of Company debtors and cash at bank on 3 September 2014. Subsequently, Eclipse provided a release discharging its security interest and confirmation all debts remaining unpaid had been retransferred to the Company.

The facility dated 4 July 2014 between the Company and Eclipse provided for, inter alia, the following:

- (1) Eclipse acquiring all debts of the Company (including debts assigned to GE);
- (2) No further advances would be made to the Company;
- (3) Payment of the facility within 60 days;

- (4) A facility limit of \$900,000 (I note this facility was stamped at the Office of State Revenue as securing only \$469,544 and have therefore assumed this amount was the actual amount advanced to pay out GE);
- (5) Troy, Scott, Christina and Ian Colburt, RMS Holdings Pty Limited and Roadmarking Supplies Pty Limited each guaranteed the facility;
- (6) Interest was payable on the debts outstanding from time to time at a Base Rate plus 4.25%;
- (7) A monthly service fee of \$1,250.00;
- (8) An establishment fee of \$150,000.00;
- (9) Reimbursement of all legal and other costs and disbursements in relation to this facility were to be paid by the Company.

Section 588FB of the Act provides that a transaction of a company is an uncommercial transaction of the company if, and only if, it may be expected that a reasonable person in the company's circumstances would not have entered into the transaction having regard to:

- a) the benefits (if any) to the company of entering into the transaction; and
- b) the detriment to the company of entering into the transaction; and
- c) the respective benefits to other parties to the transaction of entering into it; and
- d) any other relevant matter.

Section 588FD of the Act provides that a loan to a company is unfair if, and only if:

- a) the interest on the loan was extortionate when the loan was made, or has since become extortionate because of a variation; or
- b) the charges in relation to the loan were extortionate when the loan was made, or have since become extortionate because of a variation;

even if the interest is, or the charges are, no longer extortionate.

The Base Rate is defined in the Allianz documents as the 90 day bank bill swap reference rate applying on the first day of each month (as published in the Australian Financial Review). The original margin Allianz charged was 2.25% above the Base Rate. In the Company's circumstances where the business of the Company was sold on 4 July 2014 and GE was required to be paid out to enable the sale to Jaybro to complete, the charging of a margin of 4.25% above the Base Rate does not appear uncommercial or unfair.

When the higher interest rate charged is combined with the establishment fee of \$150,000, then it may be arguable the transaction is an unfair loan. If the funds advanced were \$469,544.00, it may be arguable an establishment fee of \$150,000.00 (being approximately 32% of the funds advanced) is extortionate. This would be a matter for a court, although the court would take into account the fact the Company may not have been able to raise money from any other source and would not have been able to complete the sale of its business without the Eclipse funds being provided. In those circumstances a court may not hold the establishment fee was extortionate.

4.4 Historical Financial Statements

I have received copies of the accounts of the Company for the years ended 30 June 2011, 30 June 2012, 30 June 2013 and 30 June 2014. I note that the 30 June 2013 and 30 June 2014 financial year accounts are management accounts.

The following is a summary of the trading results of the Company for the years ended 30 June 2011, 30 June 2012, 30 June 2013 and 30 June 2014:

	30/06/11	30/06/12	Management Accounts 30/06/13	Management Accounts 30/06/14
	\$	\$	\$	\$
Sales	12,339,031	16,189,629	29,653,358	20,356,210
Cost of Goods Sold	5,196,929	10,486,834	24,687,270	17,632,396
Gross Profit/(Loss)	7,142,102	5,702,795	4,966,088	2,723,814
Other Income	316,708	420,828	585,977	282,988
Other Expenses	6,902,984	5,501,384	7,358,369	5,138,566
Net Profit/(Loss)	555,826	622,239	(1,806,304)	(2,131,764)

I note that in the 30 June 2011 and 30 June 2012 financial years that the Company's QLD and VIC operations were separated from the NSW operations from an accounting perspective. The QLD and VIC operations were taken up in related company Old Road Furniture No. 3 Pty Ltd ("Old 3"), formerly known as Roadmarking Supplies Pty Ltd. The consolidated trading results for operations in NSW, QLD and VIC for the 2011 and 2012 financial years were as follows:

Consolidated	30/06/11	30/06/12
	\$	\$
Sales	30,260,326	34,982,543
Cost of Goods Sold	15,969,562	26,379,012
Gross Profit/(Loss)	14,290,764	8,603,531
Other Income	322,485	426,664
Other Expenses	14,031,863	8,383,382
Net Profit/(Loss)	581,386	646,813

The following is a summary of the financial position of the Company as at 30 June 2011, 30 June 2012, 30 June 2013 and 30 June 2014:

	30/06/11	30/06/12	Management Accounts 30/06/13	Management Accounts 30/06/14	RATA 21/08/14
	\$	\$	\$	\$	\$
Current Assets	6,282,464	2,287,828	8,721,453	4,093,847	2,138,111
Current Liabilities	5,058,549	1,529,066	11,040,559	7,126,853	7,106,027
Working Capital Surplus/ (Deficiency)	1,223,915	758,762	(2,319,106)	(3,033,006)	(4,967,916)
Non-Current Assets	3,805,542	4,254,602	5,582,044	4,383,379	
Non-Current Liabilities	764,865	313,204	153,565	212,872	
Net Surplus/(Deficiency)	4,264,592	4,700,160	3,109,373	1,137,501	(4,967,916)
Represented by:					
Paid-up Capital	200	200	204	204	
Reserves	750,000	750,000	750,000	750,000	
Retained Earnings/ (Accumulated Losses)	3,514,392	3,949,960	4,428,950	2,601,926	
Total Equity	4,264,592	4,700,160	5,179,154	3,352,130	

I note that the 30 June 2013 and 30 June 2014 financial year management accounts do not reconcile.

As highlighted above, in the 30 June 2011 and 30 June 2012 financial years the Company's QLD and VIC operations were separated from the NSW operations from an accounting perspective. The QLD and VIC operations were taken up in Old 3. The consolidated balance sheet for operations in NSW, QLD and VIC as at 30 June 2011 and 30 June 2012 were as follows:

Consolidated	30/06/11	30/06/12
	\$	\$
Current Assets	10,593,621	9,233,524
Current Liabilities	7,441,368	8,132,648
Working Capital Surplus/ (Deficiency)	3,152,253	1,100,876
Non-Current Assets	4,289,586	4,530,238
Non-Current Liabilities	2,576,857	313,204
Net Surplus/(Deficiency)	4,864,982	5,317,910

Represented by:

Paid-up Capital	204	204
Reserves	750,000	750,000
Retained Earnings/ (Accumulated Losses)	4,114,778	4,567,706
Total Equity	4,864,982	5,317,910

From reference to the accounts I note same indicate operating profits/(losses), working capital and net asset positions as follows:

Year	Operating	Working Capital	Net Assets/
	Profits/(Losses)	Surplus/	(Deficiency)
	\$	\$	\$
30/06/11	555,826	1,223,915	4,264,592
30/06/12	622,239	758,762	4,700,160
30/06/13	(1,806,304)	(2,319,106)	3,109,373
30/06/14	(2,131,764)	(3,033,006)	1,137,501
21/08/14#		(4,967,916)	(4,967,916)

#Date of appointment of the liquidator.

4.5 Company Solvency

The Act defines a person as solvent if, and only if, the person is able to pay all the person's debts, as and when they become due and payable. A person who is not solvent is insolvent.

Indicators of Insolvency

The following are indicators of the Company's possible insolvency:

- (i) The management accounts detail a deficiency in the Company's working capital as at 30 June 2013 and 30 June 2014 of \$2,319,106 and \$3,033,006 respectively.
- (ii) The management accounts detail that the Company incurred trading losses in the years ending 30 June 2013 and 30 June 2014 of \$1,806,304 and \$2,131,764 respectively.
- (iii) I am aware of the following four Statutory Demands served on the Company by creditors prior to my appointment:

Date of Service	Creditor	Amount
09 July 2014	IPA Personnel Pty Ltd	\$37,950.35
10 July 2014	Barron & Rawson Pty Ltd	\$21,977.56
31 July 2014	Global Cranes Pty Ltd	\$4,521.00
01 August 2014	Avery Dennison Materials Pty Ltd	\$579,577.61

(iv) The Company entered into a number of repayment arrangements with the Australian Taxation Office commencing from 11 December 2013 in relation to the following debts:

Start Date	Outstanding Debt	End Date
11 December 2013	\$473,437.40	13 September 2014
16 May 2014	\$502,003.41	28 April 2015
19 June 2014	\$626,624.76	28 June 2015

(v) The Australian Taxation Office ("ATO") running balance account statement details an outstanding debt of \$697,375.23. This however does not include the GST received by the Company of \$167,691.55 on sale of the Company's business assets to Jaybro on 4 July 2014. Accordingly, the ATO debt likely totals at least \$865,066.78 and has been accumulating since the 30 September 2013 quarter.

(vi) Company records detail outstanding payroll tax as follows:

Office of State Revenue - NSW

<u>Month</u>	<u>Amount</u>	<u>Due Date</u>
March 2014	14,676.66	7 April 2014
April 2014	16,091.79	7 May 2014
May 2014	13,117.68	7 June 2014
June 2014	12,998.78	7 July 2014
July 2014	7,453.00	7 August 2014
August 2014	1,403.53	7 September 2014
Total	<u>65,741.44</u>	

State Revenue Office - VIC

<u>Month</u>	<u>Amount</u>	<u>Due Date</u>
March 2014	2,332.06	7 April 2014
April 2014	1,906.61	7 May 2014
May 2014	1,645.96	7 June 2014
June 2014	1,681.02	7 July 2014
July 2014	445.34	7 August 2014
Total	<u>8,010.99</u>	

Office of State Revenue - QLD

<u>Month</u>	<u>Amount</u>	<u>Due Date</u>
March 2014	2,781.11	7 April 2014
April 2014	3,150.39	7 May 2014
May 2014	2,760.55	7 June 2014
June 2014	3,407.39	7 July 2014
July 2014	2,406.06	7 August 2014
August 2014	261.19	7 September 2014
Total	<u>14,766.69</u>	

(vii) Company records detail outstanding superannuation of \$109,516.04 which has been accumulating since the 30 June 2014 quarter.

(viii) The RATA details an estimated deficiency of \$4,967,916 at the date of my appointment. This estimated deficiency is likely to increase to at least \$5,405,481 due to the following:

- The ATO debt has increased by \$280,284 to that detailed in the RATA
- Employee claims have increased by \$157,281 to that detailed in the RATA (refer to section 9.2 (ii))

(ix) On 4 December 2013, secured creditor the ANZ Bank issued the Company with a Notice of Event of Default. The Notice stated amongst other things the following:

"You covenanted that the EBITDA Interest Cover Ratio for each 3 month period would not be less than 2.00:1, however for the period 1 July 2013 to 30 September 2013 the EBITDA Interest Cover Ratio was - 0.50:1, in breach of this covenant."

(x) On 30 January 2014 at the instigation of the ANZ Bank, a Deed was entered into between the ANZ Bank and the Company and certain related parties whereby a timetable was put into place for the repayment of the Bank's debt under the various facilities provided to the Company and related parties within a period of 18 months.

(xi) On 5 March 2014, secured creditor GE Commercial Corporation (Australia) Pty Ltd gave the Company 1 months' notice of its intention to terminate the debtor financing agreement.

(xii) The ageing of trade creditors as per the Aged Analysis Summary Report at 31 July 2014 was as follows:

Total Due	Current	Previous Month	Previous 2 Months	Before Previous 2 Months
\$3,666,021.62	\$111,968.78	\$413,359.96	\$521,684.59	\$2,619,008.29
Ageing Percent:	3%	11%	14%	72%

(xiii) The ageing of trade creditors as per the Aged Analysis Summary Report at 30 June 2014 was as follows:

Total Due	Current	Previous Month	Previous 2 Months	Before Previous 2 Months
\$3,760,250.89	\$541,262.31	\$529,668.38	\$349,967.29	\$2,339,352.91
Ageing Percent:	15%	14%	9%	62%

(xiv) The ageing of trade creditors as per the Aged Analysis Summary Report at 31 May 2014 was as follows:

Total Due	Current	Previous Month	Previous 2 Months	Before Previous 2 Months
\$3,615,594.36	\$592,786.70	\$384,952.49	\$444,040.53	\$2,193,814.64
Ageing Percent:	16%	11%	12%	61%

(xv) The ageing of trade creditors as per the Aged Analysis Summary Report at 30 April 2014 was as follows:

Total Due	Current	Previous Month	Previous 2 Months	Before Previous 2 Months
\$3,511,652.93	\$506,067.66	\$585,083.06	\$512,351.41	\$1,908,150.80
Ageing Percent:	14%	17%	15%	54%

(xvi) The ageing of trade creditors as per the Aged Analysis Summary Report at 31 March 2014 was as follows:

Total Due	Current	Previous Month	Previous 2 Months	Before Previous 2 Months
\$3,551,462.19	676,096.87	\$566,505.44	\$202,878.88	\$2,105,981.00
Ageing Percent:	19%	16%	6%	59%

(xvii) The ageing of trade creditors as per the Aged Analysis Summary Report at 31 December 2013 was as follows:

Total Due	Current	Previous Month	Previous 2 Months	Before Previous 2 Months
\$4,150,323.35	\$604,692.73	\$611,608.88	\$670,656.37	\$2,263,365.37
Ageing Percent:	14%	15%	16%	55%

(xviii) The ageing of trade creditors as per the Aged Analysis Summary Report at 30 September 2013 was as follows:

Total Due	Current	Previous Month	Previous 2 Months	Before Previous 2 Months
\$3,693,248.37	\$607,527.24	\$387,209.21	\$497,710.64	\$2,200,801.28
Ageing Percent:	17%	10%	13%	60%

(xix) On 13 May 2014, the Company agreed to sell its business assets to Jaybro for consideration of \$1,902,790 plus GST, subject to any adjustments resulting from amongst other things due diligence and the completion of a stock take. The Company signed a Memorandum with Jaybro on 13 May 2014. The signed Memorandum provided a summary of the proposed sale of the Company's business assets (being stock, plant and equipment and goodwill) to Jaybro. The Memorandum stated amongst other things that the proposed date to exchange contracts will be 4 June 2014 with completion to occur on 10 June 2014. Completion ultimately did not occur until 4 July 2014.

The significance of the agreement to sell the Company's business assets to Jaybro is that the directors of the Company ought reasonably to have suspected that the Company was insolvent or would become insolvent at the time of agreeing to the sale on 13 May 2014 because it should have been clear to the directors at the time, that the consideration to be received from the sale to Jaybro together with other recoveries from remaining Company assets such as debtors would not be anywhere near enough to pay the claims of all creditors of the Company. In that regard I note that the Report as to Affairs of the Company details an estimated deficiency of \$4,967,916 at the date of my appointment (although this deficiency is likely to be \$5,405,481 see sub clause (viii) above).

Indicators of Solvency

The following may be indicators of the Company's possible solvency:

- (i) Directors Ian and Scott Colburt have advised in the directors' questionnaire that they first realised that the Company might have to go into liquidation in early July to mid-August 2014 as a result of being unable to satisfy all creditors through asset sales.
- (ii) Director Ian Colburt contends that he continued to financially support the Company up until completion of the sale of the Company's assets to Jaybro on 4 July 2014 and in that regard had an approved line of credit of \$1,000,000, available to inject by way of working capital into the Company.

Date of Insolvency

In my opinion the Company was insolvent at least from 13 May 2014. In determining this date I have formed the view that a court would consider point (xix) above significant. As noted at point (xix) above, directors of the Company ought reasonably to have suspected that the Company was insolvent or would become insolvent at the time of agreeing to the sale to Jaybro on 13 May 2014 because it should have been clear to them at the time, that sale consideration to be received from Jaybro for the purchase of the Company's business assets together with other recoveries from remaining Company assets such as debtors would not be anywhere near enough to pay the claims of all creditors of the Company. In that regard I note

that the Report as to Affairs of the Company details an estimated deficiency of \$4,967,916 at the date of my appointment (although this deficiency is likely to be \$5,405,481 see sub clause (viii) above).

Refer to my further comments at section 5.2 below.

4.6 Transactions Considered Including Related Party Transactions

4.6.1 Summary of Debtors and Creditors who are Related Parties

The Report as to Affairs details the following related party debtors:

Debtor	Amount owing
Old Road Furniture No. 2 Pty Ltd (In Liquidation)	544,911.50
RMS Traffic Safety Systems Pty Ltd	3,990.23
Colbyco Pty Ltd	370,763.65
Trubloc Pty Ltd	359,795.32
Ian and Christina Colburt (joint loan account)	816,337.00
	<u>\$2,095,797.70</u>

These debts relate to the loan accounts referred to at section 4.6.3 below. I note that in relation to the joint debt of Ian and Christina Colburt of \$816,337 that this debt was repaid in full as a result of a payment made by Mr and Mrs Colburt of \$1,284,262 to the ANZ Bank in relation to Company debt on 29 August 2014 following settlement of their property at 81 Norcal Road, Nunawading Victoria. Mr and Mrs Colburt now claim to be creditors of the Company in relation to their joint loan account for an amount of \$467,925.40. Refer to my further comments at section 4.6.3 under the heading "Loan account – Ian and Christina Colburt".

The Report as to Affairs details the following related party creditors:

Creditor	Amount outstanding
Scott Colburt (employee entitlements)	302,697.28
Ian Colburt (employee entitlements)	17,319.19
Christina Colburt (employee entitlements)	17,319.19
Meagan Colburt (employee entitlements)	1,951.20
Scott Colburt (loan account)	515.00
Troy Colburt (loan account)	2,544.00
Ian Colburt (loan account)	185,905.00
I, C, S & T Colburt (loan account)	7,607.00
Road Signs Number Two Unit Trust	18,550.00
Roadmarking Supplies Australia Pty Ltd	324,936.00
Roadsigns No 2 Superannuation Fund	172,138.00
	<u>\$1,051,481.86</u>

These debts relate to outstanding employee entitlements (refer to section 4.6.2 below) and to the loan accounts referred to at section 4.6.3 below. Please note that I am yet to verify the amounts claimed as being owed by related parties.

4.6.2 Remuneration of Directors and Other Parties

(a) Scott Colburt

Managing Director, Scott Colburt received the following remuneration in the last four years.

	30/06/11	30/06/12	30/06/13	30/06/14	01/07/14 to 21/08/14
	\$	\$	\$	\$	\$
Salary	253,191	268,656	254,394	206,343	49,166
Superannuation	22,787	24,179	22,895	19,087	4,671
Retainer	72,000	72,000	60,000	78,000	6,000
Car Lease			20,837	20,837	1,064
	<u>347,978</u>	<u>364,835</u>	<u>358,126</u>	<u>324,267</u>	<u>60,901</u>

In relation to the car lease benefits, I have been advised that the motor vehicle was predominantly used for work purposes.

In relation to the retainer, I understand that these payments were part of Mr Colburt's remuneration however were not taken up as salary. These payments were taken up as loans to Scott Colburt. Also refer to section 4.6.3 below in that regard.

The RATA details Scott Colburt as a creditor in relation to outstanding employee entitlements as follows:

	\$
Priority Superannuation	2,000.00
Priority Annual leave	1,500.00
Superannuation (non-priority)	9,124.36
Annual leave (non-priority)	94,562.61
Annual leave loading (non-priority)	16,810.96
Long Service Leave (non-priority)	87,931.34
Payment in lieu of Notice (non-priority)	22,692.00
Redundancy (non-priority)	68,076.01
	<u>302,697.28</u>

In light of the size of the Company, I would consider it unlikely remuneration of this level would be considered excessive to the extent recoveries could be commercially effected by the liquidator.

(b) Ian Colburt

Director, Ian Colburt received the following remuneration in the last four years.

	30/06/11	30/06/12	30/06/13	30/06/14	01/07/14 to 21/08/14
	\$	\$	\$	\$	\$
Salary	10,003	10,003	10,003	10,003	1,667
Superannuation	900	900	900	925	158
Retainer	60,000	50,000	50,000	65,000	5,000
Car Lease	31,282	31,282	31,282	31,282	5,214
	<u>102,185</u>	<u>92,185</u>	<u>92,185</u>	<u>107,210</u>	<u>12,039</u>

Ian Colburt oversaw various aspects of the business including sales (major contracts) and operations.

In relation to the car lease benefits, I have been advised that the motor vehicle was predominantly used for work purposes.

In relation to the retainer, I understand that these payments were part of Mr Colburt's remuneration however were not taken up as salary. These payments were taken up as loans to Ian Colburt. Also refer to section 4.6.3 below in that regard.

The RATA details Ian Colburt as a creditor in relation to outstanding employee entitlements as follows:

	\$
Priority Superannuation	389.71
Long Service Leave (non-priority)	4,088.78
Payment in lieu of Notice (non-priority)	961.90
Redundancy (non-priority)	11,878.80
	<u>17,319.19</u>

I would consider it unlikely remuneration of this level would be considered excessive to the extent recoveries could be commercially effected by the liquidator.

(c) Christina Colburt

Director, Christina Colburt received the following remuneration in the last four years.

	30/06/11	30/06/12	30/06/13	30/06/14	01/07/14 to 21/08/14
	\$	\$	\$	\$	\$
Salary	10,003	10,003	10,003	10,003	1,667
Superannuation	900	900	900	900	158
	<u>10,903</u>	<u>10,903</u>	<u>10,903</u>	<u>10,903</u>	<u>1,825</u>

I have been advised that Christina Colburt only had a limited role in the business and performed minimal administration work.

The RATA details Christina Colburt as a creditor in relation to outstanding employee entitlements as follows:

	\$
Priority Superannuation	389.71
Long Service Leave (non-priority)	4,088.78
Payment in lieu of Notice (non-priority)	961.90
Redundancy (non-priority)	<u>11,878.80</u>
	<u>17,319.19</u>

I would consider it unlikely remuneration of this level would be considered excessive to the extent recoveries could be commercially effected by the liquidator.

(d) Troy Colburt

Former director, Troy Colburt received the following remuneration in the last four years.

	30/06/11	30/06/12	30/06/13	30/06/14	01/07/14 to 21/08/14
	\$	\$	\$	\$	\$
Salary	92,164	95,904	47,485	22,626	
Superannuation	8,295	8,631	4,274	2,093	
Retainer	72,000	72,000	66,000		
Car Lease			14,572	14,572	2,429
	<u>172,459</u>	<u>176,535</u>	<u>132,331</u>	<u>39,291</u>	<u>2,429</u>

Mr Troy Colburt was responsible for sourcing products, contract estimation, costings and managing pricing.

In relation to the retainer, I understand that these payments were part of Troy Colburt's remuneration however were not taken up as salary. These payments were taken up as loans to Troy Colburt. Also refer to section 4.6.3 below in that regard.

According to a Deed of Release entered into between Troy Colburt and the Company on 15 October 2012, Troy Colburt resigned from his employment with the Company on 1 July 2012. This appears to be inconsistent with the remuneration received by Troy Colburt subsequent to 1 July 2012 as per the table above. The Deed of Release sets out the terms of Troy Colburt's resignation as an employee and director of the Company. I note that the Deed of Release specifies that Troy Colburt was to resign as director on the date of the Deed of Release being 15 October 2012. However Troy Colburt did not resign as director until 17 June 2014. Under the terms of the Deed of Release the Company agreed to the following:

- Payment of all of Troy Colburt's outstanding annual leave and long service leave entitlements as at 1 July 2012.
- Payment to Troy Colburt of a termination payment, referred to as a "Settlement Sum" equal to 12 weeks of his usual pay as an employee.
- Payment of all lease payments and any residual payment due at the end of the lease of a Company motor vehicle, being a 2011 Toyota Kluger Grande that was in Troy Colburt's possession.
- Transfer unencumbered title in the Toyota Kluger to Troy Colburt.
- Transfer unencumbered title to a Company motor vehicle, being a 2007 Toyota Tarago to Troy Colburt's wife at the time, Jeanine Colburt.

The transfer of the Toyota Kluger Grande to Troy Colburt did not occur until 13 August 2014. I conducted a review of valuation prices on this vehicle on the website of carsales.com.au, the results of which were as follows:

Private Price Guide:	\$35,400 - \$39,000
Trade In Price Guide:	\$29,600 - \$33,200
Average Km:	60,000 – 100,000

In relation to the transfer I note the following:

- Prior to the transfer of the vehicle as part of his employee termination agreement, Troy Colburt would have been classified as an excluded employee under section 556 of the Act. Excluded employees are afforded priority under the Act to amounts of only \$2,000 for unpaid wages and superannuation and \$1,500 for unpaid annual leave and long service leave, they are not afforded priority in relation to any termination payments including in this instance, the transfer of the motor vehicle.
- The transfer occurred on 13 August 2014, only 8 days prior to my appointment and at a time when the Company was insolvent.

In light of the above, the transfer of the motor vehicle to Troy Colburt on 13 August 2014 may constitute an insolvent and uncommercial transaction and an unreasonable director-

related transaction, refer to section 5.1 below. Further as a result of the transfer, the directors may have breached sections 181 and 182 of the Act, refer to section 5.3 below.

My enquiries continue in relation to the transfer of the 2007 Toyota Tarago and I will advise creditors further in this regard at the upcoming meeting.

(e) Meagan Colburt

Wife of director Scott Colburt, Mrs Meagan Colburt received the following remuneration in the last four years.

	30/06/11	30/06/12	30/06/13	30/06/14	01/07/14 to 21/08/14
	\$	\$	\$	\$	\$
Salary	3,750	15,000	45,433	110,052	8,664
Superannuation		1,350	4,089	10,180	823
	<u>3,750</u>	<u>16,350</u>	<u>49,522</u>	<u>120,232</u>	<u>9,487</u>

Director Scott Colburt has advised that Meagan Colburt was employed by the Company on a full-time basis since January 2013 and performed a number of functions including but not limited to process improvements leader in operations, sales and customer service, operations planning and scheduling, customer service manager, procurement and logistics, pricing and contracts management, marketing co-ordination, accounts and human resources.

The RATA details Meagan Colburt as a creditor of the Company for an amount of \$1,951.20 in relation to unpaid superannuation.

I would consider it unlikely remuneration of this level would be considered excessive to the extent recoveries could be commercially effected by the liquidator.

I note that on 20 August 2014, Meagan Colburt purchased a motor vehicle from the Company, being a 2011 Lexus IS350 Sport for consideration of \$30,000. Scott Colburt has provided me with a copy of an appraisal of the vehicle conducted by Matt Bell of Jeff Bell & Co Pty Ltd dated 18 August 2014, who was of the belief that the market value at the time was \$30,000 (including GST). I conducted a review of valuation prices on this vehicle on the website of carsales.com.au, the results of which were as follows:

Private Price Guide: \$33,000 - \$36,500
 Trade In Price Guide: \$27,500 - \$31,000
 Average Km: 40,000 – 70,000

In light of the above, the purchase price of \$30,000 does not appear to be at an uncommercial rate.

4.6.3 Loan Accounts

Detailed hereunder movements in related party loan accounts for the last four years.

Loan account – Old Road Furniture No. 2 Pty Ltd (In Liquidation)

	30/06/11	30/06/12	30/06/13	30/06/14	RATA 21/08/14
	\$	\$	\$	\$	\$
Balance	764,786dr	624,912dr	544,912dr	544,912dr	544,912dr
Net movement		139,874cr	80,000cr	Nil	Nil

The Company's holding company, Old Road Furniture No. 2 Pty Ltd (In Liquidation) ("Old 2") formerly known as RMS Holdings Pty Ltd is detailed in the RATA as a debtor of the Company in the amount of \$544,911.50.

I was appointed liquidator of Old 2 by its shareholders on 24 December 2014. Subject to recoveries, if any, resulting from my investigation into the affairs of Old 2, there will be insufficient realisations in that administration to pay a dividend to creditors including the Company. The Report as to Affairs of Old 2 details estimated realisable assets of nil, being the shares Old 2 holds in the Company.

The granting of debt to Old 2 may constitute an unreasonable director-related transaction (refer to section 5.1 below). Further, the directors may be in breach of sections 181 and 182 of the Act (refer to section 5.3 below).

Loan account – Trubloc Pty Ltd

	30/06/11	30/06/12	30/06/13	30/06/14	RATA 21/08/14
	\$	\$	\$	\$	\$
Balance	167,041dr	245,983dr	254,222dr	319,013dr	359,795dr
Net movement		78,942dr	8,239dr	64,791dr	40,782dr

Trubloc Pty Ltd is a related entity by virtue of common director Scott Colburt. The RATA details Trubloc Pty Ltd as a debtor of the Company in the amount of \$359,795.32.

I have issued a demand on Trubloc Pty Ltd for the repayment of this debt. Scott Colburt has advised that this company is not trading and does not have any realisable assets or the financial capacity to repay this debt. I have been provided with a copy of this company's last set of accounts, being for the 30 June 2012 year. The accounts show that the only significant assets of Trubloc Pty Ltd are loans owing to that company by director Scott Colburt in the amount of \$277,265 and Old 2 in the amount of \$61,183. As noted above there is unlikely to be any dividend paid in the liquidation of Old 2. Further, Scott Colburt has advised that he does not have the financial capacity to repay the loan to Trubloc Pty Ltd and has provided me with a sworn statutory declaration of his personal asset and liability position which details nominal assets only. Also refer to section 10.1 below.

I note that on 31 July 2014 the following journal entry occurred:

Date	Account	\$
31/07/14	Loan – Trubloc Pty Ltd	40,000dr
31/07/14	Loan – Scott Colburt	40,000cr

The effect of this journal entry is that it transferred \$40,000 of debt from the loan account of Scott Colburt to that of Trubloc Pty Ltd. At the date of my appointment on 21 August 2014 the loan account of Scott Colburt had a credit balance of \$515. In the event that this journal entry was reversed then Scott Colburt would be a debtor of the Company in relation to his loan account in the amount of \$39,485. I note however that Scott Colburt claims to be owed \$302,697 by way of unpaid employee entitlements. Also refer to my commentary directly below under the heading "Loan account – Scott Colburt".

The granting of debt to Trubloc Pty Ltd may constitute an unreasonable director-related transaction (refer to section 5.1 below). Further, the directors may be in breach of sections 181 and 182 of the Act (refer to section 5.3 below).

Loan account – Scott Colburt

	30/06/11	30/06/12	30/06/13	30/06/14	RATA 21/08/14
	\$	\$	\$	\$	\$
Balance	-	-	103,561dr	2,048cr	515cr
Net movement		-	103,561dr	105,609cr	1,533dr

Director Scott Colburt is detailed in the RATA as a creditor of the Company in the amount of \$515 in relation to his loan account. As noted above the RATA details a further \$302,697 claimed to be owed to Scott Colburt in relation to employee entitlements. Also refer to my comments directly above under the heading "Loan account – Trubloc Pty Ltd."

The net reduction in the above loan account of \$1,533 during the period 1 July 2014 to 21 August 2014 may constitute director breaches of sections 181 and 182 of the Act (refer to section 5.3 below) and further may constitute a related party preference payment (refer to section 5.1 below).

Loan account – Colbyco Pty Ltd

	30/06/11	30/06/12	30/06/13	30/06/14	RATA 21/08/14
	\$	\$	\$	\$	\$
Balance	160,921dr	235,522dr	242,703dr	365,384dr	370,764dr
Net movement		74,601dr	7,181dr	122,681dr	5,380dr

Colbyco Pty Ltd is a related entity by virtue of common former director of the Company, Troy Colburt. The RATA details Colbyco Pty Ltd as a debtor of the Company in the amount of \$370,763.65.

I have issued a demand on Colbyco Pty Ltd for the repayment of this debt. Troy Colburt has advised that this company is not trading and does not have any realisable assets or the financial capacity to repay this debt. I have been provided with a copy of this company's last set of accounts, being for the 30 June 2012 year. These accounts show that the only significant assets of Colbyco Pty Ltd are loans owing to that company by Troy Colburt in the amount of \$255,712 and Old 2 in the amount of \$61,183. As noted above there is unlikely to be any dividend paid in the liquidation of Old 2. Further, Troy Colburt has advised that he does not have the financial capacity to repay the loan to Colbyco Pty Ltd and has provided me with a sworn statutory declaration of his personal asset and liability position which details a significant deficiency. Also refer to section 10.1 below.

The granting of debt to Colbyco Pty Ltd may constitute an unreasonable director-related transaction (refer to section 5.1 below). Further, the directors may be in breach of sections 181 and 182 of the Act (refer to section 5.3 below).

Loan account – Troy Colburt

	30/06/11	30/06/12	30/06/13	30/06/14	RATA 21/08/14
	\$	\$	\$	\$	\$
Balance	-	-	98,817dr	3,648cr	2,544cr
Net movement		-	98,817dr	102,465cr	1,104dr

Former director Troy Colburt is detailed in the RATA as a creditor of the Company in the amount of \$2,544.

The net reduction of \$1,104 during the period 1 July 2014 to 21 August 2014 may constitute director breaches of sections 181 and 182 of the Act (refer to section 5.3 below). Further this reduction may constitute a related party preference payment (refer to section 5.1 below).

Loan account – RMS Traffic Safety Systems Pty Ltd

	30/06/11	30/06/12	30/06/13	30/06/14	RATA 21/08/14
	\$	\$	\$	\$	\$
Balance	18,368dr	3,991dr	3,991dr	3,991dr	3,991dr
Net movement		14,377cr	-	-	-

RMS Traffic Safety Systems Pty Ltd is a related entity by virtue of common directors. The RATA details an amount of \$3,991 owing to the Company.

Scott Colburt has advised that this company has not traded for some time and does not have any assets or the financial capacity to repay this loan.

The granting of debt to RMS Traffic Safety Systems Pty Ltd may constitute an unreasonable director-related transaction (refer to section 5.1 below). Further, the directors may be in breach of sections 181 and 182 of the Act (refer to section 5.3 below).

Loan account – Ian and Christina Colburt

	30/06/11	30/06/12	30/06/13	30/06/14	RATA 21/08/14
	\$	\$	\$	\$	\$
Balance	267,055dr	81,452dr	184,971dr	705,991cr	816,337dr
Net movement		185,603cr	103,519dr	890,962cr	1,522,328dr

The RATA details that directors Ian and Christina Colburt were debtors of the Company on 21 August 2014 in relation to their joint loan account in the amount of \$816,337.

I note that this debt was repaid in full as a result of a payment made by Ian and Christina Colburt of \$1,284,262 to the ANZ Bank in relation to Company debt on 29 August 2014 following settlement of their property at 81 Norcal Road, Nunawading Victoria. Ian and Christina Colburt now claim to be creditors of the Company in relation to their joint loan account for an amount of \$467,925.40.

I note that my enquiries continue in relation to the movements in the above loan account. I will advise creditors further in this regard, if warranted.

Loan account – Road Signs Number Two Unit Trust

	30/06/11	30/06/12	30/06/13	30/06/14	RATA 21/08/14
	\$	\$	\$	\$	\$
Balance	120,000dr	120,000dr	120,000dr	964cr	18,550cr
Net movement		-	-	120,964cr	17,586cr

Related party Road Signs Number Two Unit Trust is detailed in the RATA as a creditor of the Company in the amount of \$18,550.

Loan account – Roadmarking Supplies Australia Pty Ltd

	30/06/11	30/06/12	30/06/13	30/06/14	RATA 21/08/14
	\$	\$	\$	\$	\$
Balance	-	-	-	-	324,936cr
Net movement		-	-	-	324,936cr

The RATA details related company Roadmarking Supplies Australia Pty Ltd as a creditor of the Company in the amount of \$324,936. This company is related by virtue of common directors Ian and Christina Colburt.

I understand that this company acts as trustee for the Roadsigns No 2 Superannuation Fund and that the amount owing is made up of unpaid rent in relation to the Company's previous premises at 10 Endeavour Road, Caringbah NSW.

Loan account – Roadsigns No 2 Superannuation Fund

	30/06/11	30/06/12	30/06/13	30/06/14	RATA 21/08/14
	\$	\$	\$	\$	\$
Balance	-	-	-	-	172,138cr
Net movement		-	-	-	172,138cr

The RATA details related party Roadsigns No 2 Superannuation Fund ("the Superfund") as a creditor of the Company in the amount of \$172,138.

I have identified the following payments made to the Superfund after 13 May 2014 (date I believe Company was insolvent) which may constitute related party preference payments:

<u>Date</u>	<u>Amount</u>
20 May 2014	1,978.00
30 May 2014	20,000.00
4 July 2014	21,978.00
4 August 2014	21,978.00
	<u>65,934.00</u>

Refer to my further comments at section 5.1 (ii) below. Further the above payments may constitute director breaches of sections 181 and 182 of the Act (refer to section 5.3 below).

Loan account – Ian Colburt

	30/06/11	30/06/12	30/06/13	30/06/14	RATA 21/08/14
	\$	\$	\$	\$	\$
Balance	235,174cr	235,110cr	232,905cr	185,905cr	185,905cr
Net movement		64dr	2,205dr	47,000dr	-

Director Ian Colburt is detailed in the RATA as a creditor of the Company in the amount of \$185,905 in relation to his loan account.

The RATA details a further \$17,319.19 owed to Ian Colburt by way of employee entitlements.

Loan account – I, C, S & T Colburt (Partnership)

	30/06/11	30/06/12	30/06/13	30/06/14	RATA 21/08/14
	\$	\$	\$	\$	\$
Balance	-	38,654dr	41,616dr	1,546cr	7,607cr
Net movement		38,654dr	2,962dr	43,162cr	6,061cr

The four way partnership loan account of Ian, Christina, Scott and Troy Colburt is detailed in the RATA as a creditor of the Company in the amount of \$7,607. I understand that this partnership previously owned Company premises situated at 8 Endeavour Road, Caringbah NSW. Refer to section 4.6.5 below in that regard.

Loan account – Roadmarking Supplies Pty Ltd

	30/06/11	30/06/12	30/06/13	30/06/14	RATA 21/08/14
	\$	\$	\$	\$	\$
Balance	-	3,797,158dr	-	-	-
Net movement		3,797,158dr	3,797,158cr	-	-

As noted at section 4.4 above, in the 30 June 2011 and 30 June 2012 financial years, the Company's QLD and VIC operations were separated from the NSW operations from an accounting perspective. The QLD and VIC operations were taken up in related company Roadmarking Supplies Pty Ltd, now known as Old Road Furniture No. 3 Pty Ltd. This resulted in the creation of the above loan account. Following the 30 June 2012 financial year however, all transactions appear to have been taken up in the Company's accounts.

4.6.4 Personally Guaranteed Creditors

I am aware that the directors had personally guaranteed the claims of the secured creditors, the ANZ Bank and Eclipse.

In relation to debts of unsecured creditors, directors Ian and Scott Colburt have advised in the director's questionnaire that they had personally guaranteed the debt of Onesteel.

I have not identified any reductions in the claims of personally guaranteed unsecured creditors during the 6 month period leading up to my appointment as liquidator.

4.6.5 Other Transactions

Sale of Business Assets to HJD Industries Pty Ltd trading as Jaybro

As noted above, the Company sold its business assets to Jaybro, an arms-length party on 4 July 2014. Directors Scott and Ian Colburt have advised that towards the end of March 2014 they made a decision to either try to sell the business or merge the business with that of a competitor's. The Company approached 4 of its major competitors, of which 3 expressed an interest, being Artcraft Pty Ltd, Traffic Technologies Ltd

and Jaybro. The directors have advised that they initially entered negotiations on the basis that the Company would be sold as a whole including its liabilities however the offers received from the 3 parties were for the business assets only. The Company agreed to sell its business assets to Jaybro on 13 May 2014 with completion expected to take place on 10 June 2014, ultimately completion took place on 4 July 2014. No Company employees were offered employment by Jaybro at the time of the sale. The business assets were sold for consideration of \$1,676,915.47 plus GST.

The secured creditor the ANZ Bank who consented to the sale received the full proceeds of the sale less the \$560,000 withheld by way of retentions. An amount of \$1,284,607.02 was received by the ANZ Bank under its security (sale consideration \$1,844,607.02 GST inclusive less \$560,000 withheld by way of retentions).

Under the sale agreement a total amount of \$560,000 was withheld by Jaybro from the above sale consideration by way of retentions. There were two retentions made up as follows:

Retention	\$
First retention	190,000
Second retention	370,000
Total	560,000

At the date of my appointment, the First retention of \$190,000 was held in the trust account of Jaybro's lawyer to be used in dealing with any claims by Jaybro for breach of certain vendor warranties, breach of restraints of trade and certain Personal Property Security claims. Fifty percent of this retention was to be paid to the Company within 6 months of completion (i.e. by 4 January 2015) and the balance within 12 months, subject to dealing with any claims. In relation to the recovery of the First retention refer to my comments at section 9.1 (iii) below.

At the date of my appointment, the Second retention of \$370,000 was held by Jaybro to specifically deal with any valid Personal Property Security ("PPS") claims relating to retention of title by Avery Dennison Materials Pty Ltd ("Avery Dennison") and Capral Limited ("Capral"). Under the sale agreement, the Company had 6 months to resolve any PPS claims by Avery Dennison and Capral from the date of being notified of such claims by these parties. The Second retention was only payable to the Company subject to resolution of the PPS claims. In relation to recovery of the Second retention refer to my comments at section 9.1 (iii) below.

I have considered whether the sale to Jaybro may be voidable pursuant to section 588FE of the Act as an Insolvent and Uncommercial Transaction. In this regard I note the following.

Section 588FB(1) of the Act (as referred to in section 4.3) defines an uncommercial transaction.

If such a transaction is also an insolvent transaction as defined by section 588FC of the Act and was entered into during the 2 years prior to my appointment (section 588FE(3)), then it is potentially voidable by a liquidator pursuant to section 588FE of the Act.

When Section 588FB was introduced into the Act, the Explanatory Memorandum stated: "... *The tests under proposed section 588FB for whether a transaction is uncommercial relies on the phrase 'if ... it may be expected that a reasonable person in the company's circumstances would not have entered into the*

transaction.' The provision is specifically aimed at preventing companies disposing of assets or other resources through transactions which resulted in the recipient receiving a gift or obtaining a bargain of such magnitude that it could not be explained by normal commercial practice. Where consideration is given by the other party to the transaction but the consideration is nominal or trivial or lacks 'a commercial quality' then, the liquidator may apply to a court to have the transaction set aside or another order made..... so that the body of unsecured creditors is not prejudiced by this transaction."

My view is that the sale to Jaybro does not constitute an uncommercial transaction under section 588FB of the Act because of the following:

- i) The purchaser is an arms-length party.
- ii) The Company approached four of its competitors, of which three made offers to acquire the Company's business assets. The directors accepted the best offer.
- iii) Stock was sold at its cost value.
- iv) An amount was paid for Goodwill notwithstanding the Company incurred significant trading losses in the 30 June 2013 and 30 June 2014 financial years of \$1,806,304 and \$2,131,764 respectively as per the management accounts.

Rent Paid to Related Party – Roadsigns No 2 Superannuation Fund

The Company's former premises at 10 Endeavour Road, Caringbah NSW were previously owned by the Superfund. The beneficiaries of the Superfund are directors Ian and Christina Colburt. Rent paid by the Company to the Superfund during the period 1 July 2010 to 30 April 2014 was as follows:

Period	Rent Charged (GST incl.) \$	Rent Paid (GST incl.) \$	Rent Owing (GST incl.) \$
01/07/10 to 30/06/11	353,276.00	353,276.00	0.00
01/07/11 to 30/06/12	438,335.04	300,223.36	138,111.68
01/07/12 to 30/06/13	357,847.68	178,923.84	178,923.84
01/07/13 to 30/04/14	109,778.57	101,878.57	7,900.00
	1,259,237.29	934,301.77	324,935.52

A total of 46 months is covered by the above period. The average monthly rent charged by the Superfund during this 46 month period equates to \$27,374.72 (GST inclusive).

Mr Ian Colburt has provided me with a rental valuation conducted on both this property and No. 8 Endeavour Road, Caringbah by realestate agent Cooper Wilson Commercial dated 19 April 2012 which states that the fair market rental value of both properties is in the range of \$120 – \$130 per square metre excluding outgoings and GST.

Based on this valuation and the size of the property (2,302 square metres) the monthly fair market rental value works out to be between \$25,322 to \$27,432 (GST inclusive).

In light of the above, I am of the opinion that the average monthly rental of \$27,374.72 (GST inclusive) charged by the Superfund during the last 4 years is at a commercial rate.

Rent Paid to Related Party – I, C, S & T Colburt Partnership

The Company's former premises at 8 Endeavour Road, Caringbah NSW were previously owned by a four way partnership consisting of Ian, Christina, Scott and Troy Colburt ("ICST Partnership"). Rent paid by the Company to the ICST Partnership during the period 1 July 2010 to 30 April 2014 was as follows:

Period	Rent Charged (GST incl.) \$	Rent Paid (GST incl.) \$	Rent Owing (GST incl.) \$
01/07/10 to 30/06/11	99,594.00	99,594.00	-
01/07/11 to 30/06/12	254,517.12	254,517.12	-
01/07/12 to 30/06/13	180,899.52	180,899.52	-
01/07/13 to 30/04/14	98,128.00	98,128.00	-
	633,138.64	633,138.64	-

A total of 46 months is covered by the above period. The average monthly rent charged by the ICST Partnership during this 46 month period equates to \$13,763.88 (GST inclusive).

As noted above, this property together with No. 10 Endeavour Road, Caringbah were valued by realestate agent Cooper Wilson Commercial to have a fair market rental value in the range of \$120 – \$130 per square metre excluding outgoings and GST.

Based on this valuation and the size of the property (1,205 square metres) the monthly fair market rental value works out to be between \$13,255 to \$14,360 (GST inclusive).

In light of the above, I am of the opinion that the average monthly rental of \$13,763.88 (GST inclusive) charged by the ICST Partnership during the last 4 years is at a commercial rate.

Rent Paid to Related Parties – Ian and Christina Colburt

The Company's former premises at 81 Norcal Road, Nunawading VIC and 1/60 Alexandra Place, Murarrie QLD were previously owned by directors Ian and Christina Colburt. Rent paid by the Company to Ian and Christina Colburt in relation to the property at 81 Norcal Road, Nunawading VIC during the last 4 years was as follows:

Period	Rent Charged (GST incl.) \$	Rent Paid (GST incl.) \$	Rent Owing (GST incl.) \$
01/07/10 to 30/06/11	273,598.24	273,598.24	-
01/07/11 to 30/06/12	257,773.40	257,773.40	-
01/07/12 to 30/06/13	318,612.00	212,408.00	106,204.00
01/07/13 to 31/07/14	334,243.00	312,265.00	21,978.00
	1,184,226.64	1,056,044.64	128,182.00

A total of 49 months is covered by the above period. The average monthly rent charged by Ian and Christina Colburt for this period equates to \$24,168 (GST inclusive).

Mr Ian Colburt has provided me with a rental valuation conducted on this property by Colliers International (Victoria) Pty Ltd dated 8 September 2014 which states that achievable rental would be in the vicinity of \$77 – \$85 per square metre excluding GST.

Based on this valuation and the size of the property (3,176 square metres) the monthly achievable rental works out to be between \$22,417 and \$24,746 (GST inclusive).

In light of the above, I am of the opinion that the average monthly rental of \$24,168 (GST inclusive) charged by Ian and Christina Colburt in relation to the property at 81 Norcal Road, Nunawading VIC during the last 4 years is at a commercial rate.

In relation to the property at 1/60 Alexandra Place, Murarrie QLD rent paid by the Company to Ian and Christina Colburt during the period 1 July 2010 to 20 January 2014 was as follows:

Period	Rent Charged (GST incl.) \$	Rent Paid (GST incl.) \$	Rent Owing (GST incl.) \$
01/07/10 to 30/06/11	163,020.00	163,020.00	-
01/07/11 to 30/06/12	176,322.48	176,322.48	-
01/07/12 to 30/06/13	121,072.00	121,072.00	-
01/07/13 to 20/01/14	112,476.75	112,476.75	-
	572,891.23	572,891.23	-

A total of 43 months is covered by the above period. The average monthly rent charged by Ian and Christina Colburt for this period equates to \$13,323 (GST inclusive).

Mr Ian Colburt has provided me with a rental valuation conducted on this property by Ray White Industrial Milton dated 4 September 2014 which states that the average rental market value is between \$135 – \$145 per square metre excluding GST.

Based on this valuation and the size of the property (1,109 square metres) the monthly average rental market value works out to be between \$13,724 and \$14,740 (GST inclusive).

In light of the above, I am of the opinion that the average monthly rental of \$13,323 (GST inclusive) charged by Ian and Christina Colburt in relation to the property at 1/60 Alexandra Place, Murarrie QLD during the last 4 years is at a commercial rate.

5 POSSIBLE RECOVERABLE TRANSACTIONS

5.1 Voidable Transactions

My investigation into the affairs of the Company considers whether any transactions may be voidable under Part 5.7B of the Act. Such transactions include:

- i) insolvent transactions,
- ii) insolvent and uncommercial transactions,
- iii) insolvent transactions to which a related entity is a party,
- iv) insolvent transactions for the purpose of defeating creditors,
- v) unfair loans, and
- vi) unreasonable director-related transactions.

An insolvent transaction is defined by section 588FC of the Act as an unfair preference or uncommercial transaction entered into by the company when the company was insolvent, or which resulted in the company's insolvency.

Pursuant to section 588FA a transaction is an unfair preference given to an unsecured creditor if the transaction results in the creditor receiving more than the creditor would have received on the winding up of a company.

Section 588FB provides the definition of an uncommercial transaction which is in effect an unreasonable transaction having regard to the relative advantages and detriment to a company from entering into it.

Section 588FDA defines an unreasonable director-related transaction. Such a transaction is basically an uncommercial transaction entered into by a director or a close associate of a director.

Section 588FE in turn provides the circumstances where certain insolvent transactions may be voidable.

I have identified the following potentially voidable transactions:

- (i) **UNFAIR PREFERENCES** - I have noted 52 payments totalling \$544,386 made to 13 creditors since 13 May 2014 (the date I believe the Company was insolvent) which, subject to further investigation, may constitute unfair preferences. My investigations to date have been limited to identifying regular payments or "round" amounts which may be indicative of a repayment instalment arrangement. At this stage I have made no direct enquiry with relevant creditors who may have bona fide grounds of defence.

My investigations continue in relation to the possible recovery of unfair preferences and I will shortly issue preference demand and enquiry letters to the relevant creditors.

(ii) **INSOLVENT TRANSACTION / RELATED PARTY** – At this stage I have noted the following payments to related parties since 13 May 2014 (the date I believe the Company was insolvent) which may constitute insolvent transactions with a related party:

- Four payments totalling \$65,934.00 made to Roadsigns No 2 Superannuation Fund (refer to section 4.6.3 above).
- The transfer of a 2011 Toyota Kluger to Troy Colburt on 13 August 2014 (refer to section 4.6.2 above).
- The net reduction of \$1,533 in the loan account of Scott Colburt during the period 1 July 2014 to 21 August 2014 (refer to section 4.6.3 above).
- The net reduction of \$1,104 in the loan account of Troy Colburt during the period 1 July 2014 to 21 August 2014 (refer to section 4.6.3 above).

Shortly prior to issuing this report, I wrote to the following parties:

- Roadsigns No 2 Superannuation Fund demanding the repayment of \$65,934.00.
- Troy Colburt demanding either the return of the motor vehicle or payment of its market value of \$39,000.

I will advise creditors further in this regard at the upcoming meeting.

(iii) **UNREASONABLE DIRECTOR-RELATED TRANSACTIONS** - I have considered transactions involving directors or close associates within four years prior to my appointment. At this stage, I have identified the following transactions that may be considered “unreasonable” and consequently, may be potentially voidable:

- The granting of debt to Old Road Furniture No. 2 Pty Ltd (In Liquidation) in the amount of \$544,911.50 (refer to section 4.6.3 above).
- The granting of debt to Trubloc Pty Ltd in the amount of \$359,795.32 (refer to section 4.6.3 above).
- The granting of debt to Colbyco Pty Ltd in the amount of \$370,763.65 (refer to section 4.6.3 above).
- The granting of debt to RMS Traffic Safety Systems Pty Ltd in the amount of \$3,990.23 (refer to section 4.6.3 above).
- The transfer of a 2011 Toyota Kluger to Troy Colburt on 13 August 2014 (refer to section 4.6.2 above).

I note that there is no requirement for the Company to be insolvent at the time of the transaction in order for an unreasonable director-related transaction to be voidable.

Apart from unfair loans and unreasonable director-related transactions, in order to be voidable, relevant transactions must also be **INSOLVENT** transactions. Any recovery by a liquidator in respect of an insolvent transaction will require establishing insolvency at the relevant time to the satisfaction of the court. As noted

at section 4.5 above and 5.2 below in my opinion the Company was insolvent at least from 13 May 2014. In addition, section 588FG of the Act provides statutory "defences" which may prevent or limit any potential orders being made by the court in relation to the transactions. Recovery may also be limited by the capacity of the recipient to make restitution and/or by the costs of any proceedings. A liquidator would need to assess all of these matters prior to instituting any recovery proceedings in relation to voidable transactions.

5.2 Insolvent Trading

Section 588G of the Act provides that directors are obliged to prevent a company from

- (a) incurring a debt whilst it is insolvent or
- (b) becoming insolvent by incurring that debt.

Section 588H of the Act provides several defences to directors including that at the time when the debt was incurred there were reasonable grounds to expect and that the directors did expect, that the company was solvent and would remain solvent even if it incurred that debt and any other debts incurred at that time.

If a contravention of section 588G of the Act can be established then section 588M of the Act empowers a liquidator (or a creditor under certain circumstances) to recover compensation from a director for any loss or damage suffered as a consequence of any such contravention.

Where a company is a subsidiary, the holding company may under certain circumstances also be held liable for the insolvent trading of the subsidiary, pursuant to section 588V of the Act. A liquidator is similarly empowered to recover compensation from the holding company pursuant to section 588W of the Act. As noted above, I was appointed liquidator of the Company's holding company Old Road Furniture No. 2 Pty Ltd (In Liquidation) ("Old 2") on 24 December 2014. There are no realisable assets in Old 2 to consider taking any action against this company under section 588W of the Act.

It is evident that the Company engaged in insolvent trading prior to my appointment. As noted at section 4.5 above, in my opinion the Company was insolvent at least from 13 May 2014. An insolvent trading action is available to the liquidator against directors for an amount equal to the loss or damage suffered by the Company. The loss or damage suffered may be determined by calculating the total debt incurred subsequent to 13 May 2014 that remains unpaid.

I have reviewed Company records including creditor unpaid invoices and monies owing to statutory departments in order to quantify the amount of debt that the Company incurred after 13 May 2014, that remains unpaid. This analysis has disclosed the following:

Debts incurred after 13 May 2014, that remain unpaid	Amount
Trade Creditors	802,050.97
Statutory Departments including the Australian Taxation Office and Offices of State Revenue of NSW, QLD & VIC.	272,439.20
Total	1,074,490.17

The above does not include monies owing by way of priority employee entitlements detailed as follows:

Priority Employee Entitlements	Amount
Superannuation owing pre 14 May 2014 (estimated)	42,114.18
Superannuation owing from 14 May 2014 (estimated)	67,401.86
Annual leave, leave loading, long service leave, notice and redundancy which crystallised on 4 July 2014 (as per RATA)	863,698.21
Total	973,214.25

The majority of employee entitlements crystallised following completion of the sale of the Company's business assets to Jaybro on 4 July 2014. There are sufficient realisations to pay outstanding superannuation in full. The insolvent trading action available against directors is limited to the amount of debts incurred subsequent to 13 May 2014, that remains unpaid. At this stage this amounts to at least \$1,074,490.

As noted above, Section 588H of the Act provides several defences to directors in relation to insolvent trading proceedings. Directors Ian and Scott Colburt have indicated to me that they believe that they have reasonable grounds to defend any potential insolvent trading claim against them and that if such a claim was successful they may seek relief under section 1318 of the Act. I note that section 1318(1) of the Act states:

"1318(1) [Relief in relation to existing proceedings] If, in any civil proceeding against a person to whom this section applies for negligence, default, breach of trust or breach of duty in a capacity as such a person, it appears to the court before which the proceedings are taken that the person is or may be liable in respect of the negligence, default or breach but that the person has acted honestly and that, having regard to all the circumstances of the case, including those connected with the person's appointment, the person ought fairly to be excused for the negligence, default or breach, the court may relieve the person either wholly or partly from liability on such terms as the court thinks fit."

Further, directors Ian and Scott Colburt have indicated to me that they are "practically penniless". I refer creditors to section 10.1 below in that regard.

Shortly prior to issuing this report, I wrote to the directors, formally putting them on notice of the insolvent trading claim and demanding payment of \$1,074,490. I am currently awaiting a formal response and will advise creditors further at the upcoming meeting of creditors. Also refer to my comments at section 9 below.

5.3 Director's and Officer's Duties

Under the Act directors, officers and others have certain duties and responsibilities and the Act itself provides for criminal sanctions and also civil sanctions for any such breach under certain circumstances. Recovery action may be available to a liquidator to the extent of any loss or damage suffered by the Company or benefit gained by the relevant person or others. It is not necessary to establish insolvency for the following breaches to have application.

(a) Care and diligence

Section 180 of the Act provides that directors and officers must effectively exercise their powers and discharge their duties with the degree of care and diligence that a reasonable person would exercise. If a relevant person makes a business judgement in good faith, without material personal interest, is reasonably informed of the judgement and rationally believes the judgement is in the best interest of the corporation then that person is taken to have met the requirements of this section.

In view of the deficiency on appointment the directors may be in breach of this section of the Act.

(b) Good faith

Section 181 of the Act provides that directors and officers must exercise their powers and discharge their duties in good faith in the best interest of the corporation and for a proper purpose.

In view of the following the directors may be in breach of this section of the Act:

(i) Debit loan accounts to the following related parties:

	\$
Old Road Furniture No. 2 Pty Ltd (In Liquidation)	544,911.50
Trubloc Pty Ltd	359,795.32
Colbyco Pty Ltd	370,763.65
RMS Traffic Safety Systems Pty Ltd	3,990.23
Total	1,279,460.70

Also refer to sections 4.6.1 and 4.6.3 above.

(ii) Related party preference payments to Roadsigns No 2 Superannuation Fund totalling \$65,934.00 (refer to sections 4.6.3 and 5.1 (ii) above)

(iii) The net reduction of \$1,533 in the loan account of Scott Colburt during the period 1 July 2014 to 21 August 2014 (refer to section 4.6.3 above).

(iv) The net reduction of \$1,104 in the loan account of Troy Colburt during the period 1 July 2014 to 21 August 2014 (refer to section 4.6.3 above).

(v) The transfer of a 2011 Toyota Kluger to Troy Colburt on 13 August 2014 (refer to section 4.6.2 above).

(c) Use of position

Section 182 of the Act provides that directors, secretaries or other officers or employees of a corporation must not improperly use their position to gain advantage for themselves or someone else or cause detriment to the corporation.

In view of the following the directors may be in breach of this section of the Act:

(i) Debit loan accounts to the following related parties:

	\$
Old Road Furniture No. 2 Pty Ltd (In Liquidation)	544,911.50
Trubloc Pty Ltd	359,795.32
Colbyco Pty Ltd	370,763.65
RMS Traffic Safety Systems Pty Ltd	3,990.23
Total	1,279,460.70

Also refer to sections 4.6.1 and 4.6.3 above.

- (ii) Related party preference payments to Roadsigns No 2 Superannuation Fund totalling \$65,934.00 (refer to sections 4.6.3 and 5.1 (ii) above).
- (iii) The net reduction of \$1,533 in the loan account of Scott Colburt during the period 1 July 2014 to 21 August 2014 (refer to section 4.6.3 above).
- (iv) The net reduction of \$1,104 in the loan account of Troy Colburt during the period 1 July 2014 to 21 August 2014 (refer to section 4.6.3 above).
- (v) The transfer of a 2011 Toyota Kluger to Troy Colburt on 13 August 2014 (refer to section 4.6.2 above).

Directors Ian and Scott Colburt have indicated to me that they deny any breach of sections 181 and 182 of the Act and believe that they have a very strong defence against such claims, further if such claims were successful they may seek relief under section 1318 of the Act.

Shortly prior to issuing this report, I wrote to the directors formally putting them on notice of the claimed breaches of sections 181 and 182 of the Act and demanding the payment of \$1,282,097.70. This amount represents the total loss or damage suffered by the Company. I am currently awaiting a response from the directors and will advise creditors further at the upcoming meeting of creditors. Also refer to my comments at section 9 below.

As noted at section 5.1 above in relation to the possible preference payments to Roadsigns No 2 Superannuation Fund of \$65,934.00 I have demanded repayment of this amount from the Superfund directly. Further I have demanded the return of the motor vehicle or payment of its market value of \$39,000 from Troy Colburt, also refer to section 5.1 above. Consequently I have not demanded repayment of these amounts from the directors under sections 181 and 182 of the Act.

Relevant Directors

Possible recoverable transactions referred to at Sections 5.1, 5.2 and 5.3 above have application to directors and officers at the relevant times. To this end, the directors at the date of my appointment were Ian

Colburt, Christina Colburt and Scott Colburt. Refer to Section 2.2 for details of company officers at relevant times.

6 POSSIBLE MISCONDUCT & OTHER ISSUES

6.1 Possible Misconduct

My investigation has disclosed the possible misconduct detailed hereunder. Possible misconduct may include criminal offences and breaches of civil obligations. Creditors need to be aware that possible misconduct identified may require further investigation and may lead to prosecution by the appropriate authorities. However, identification of misconduct will not necessarily of itself lead to additional recoveries by a liquidator.

Possible breaches of civil obligations include:

- (a) **s180** – care and diligence, refer to section 5.3(a) above.
- (b) **s181** – good faith, refer to section 5.3(b) above.
- (c) **s182** – use of position, refer to section 5.3(c) above.
- (d) **s588G** – insolvent trading by directors, refer to section 5.2 above.

At this stage I have not identified any possible criminal offences.

Relevant Directors

Possible offences referred to above have application to directors and officers at the relevant times. To this end, the directors at the date of my appointment were Ian Colburt, Christina Colburt and Scott Colburt. Refer to Section 2.2 for details of company officers at relevant times.

6.2 Other Issues

Other issues identified include:

(a) Section 206F of Corporations Act

Pursuant to section 206F of the Act, ASIC may require a person to show cause why they should be able to continue to take part in the management of a corporation where that person has been a director of two or more corporations which have been wound up and subject of a liquidator's section 533(1) report to ASIC in the last seven years. I note that current directors Ian Colburt, Christina Colburt and Scott Colburt and former director Troy Colburt are also directors (with Troy Colburt being a former director) of Old Road Furniture No. 2 Pty Ltd (In Liquidation) which was placed into liquidation on 24 December 2014.

As both companies are subject to a liquidator's section 533(1) report, the above referred to persons may as a consequence be subject to this provision. I note however that pursuant to section 206F(2) in

determining whether disqualification is justified ASIC must have regard to whether the companies are related to one another, which in this instance is the case.

7 REPORT TO ASIC

In accordance with the requirements of section 533 of the Act I have lodged a report with ASIC detailing the matters referred to at Sections 5 and 6 above and other statistical and statutory information specifically required by ASIC. In response to this report ASIC has advised that it will not commence an investigation into the matters raised at this time.

8 RECEIPTS AND PAYMENTS

I **attach** at Annexure "2" a summary of receipts and payments in the liquidation to date. I note that an amount of \$109,052.91 relating to PAYG withheld on employee FEG distributions is included in the reconciled cash position of \$992,553.54. This amount will be remitted to the ATO on or before 21 July 2015. Further, an amount of \$33,304.28 included in the reconciled cash position likely belongs to Jaybro, I will be liaising with Jaybro shortly in relation to this amount and final settlement of the balance of the first retention (refer to section 9.1(iii) below).

9 RECOVERIES TO DATE / ESTIMATED RETURNS TO CREDITORS

At this stage, unless recoveries result from the investigatory actions identified at section 5, there will be insufficient realisations to enable a dividend to be paid to ordinary unsecured creditors. There will only be sufficient realisations to pay outstanding priority employee superannuation of \$100,001 and a partial distribution to the Australian Government for monies advanced for payment of employee entitlements under the Fair Entitlements Guarantee Scheme (total advanced to date \$935,880).

As noted at section 5, I have identified the following possible recoverable transactions against directors and related party Roadsigns No 2 Superannuation Fund:

Possible Recoverable Transactions	Against	Amount
s588G - Insolvent Trading	Directors Ian, Christina & Scott Colburt & former director Troy Colburt (only \$583,818.02)	\$1,074,490.17
s181 & 182 - Good Faith / Use of Position	Directors Ian, Christina & Scott Colburt & former director Troy Colburt	\$1,282,097.70
Related Party Preference	Roadsigns No 2 Superannuation Fund	\$65,934.00
Total		\$2,422,521.87

I note that I have also demanded the return of a 2011 Toyota Kluger or payment of its market value of \$39,000 from Troy Colburt.

I refer creditors to section 10.1 below in relation to the personal financial position of directors. I note that my enquiries continue in relation to the financial capacity of directors to pay the amounts demanded.

Further as noted at section 5, directors Ian and Scott Colburt have indicated to me that they believe they have reasonable grounds to defend any potential claim of insolvent trading and also deny any breach of sections 181 and 182 of the Act and believe they have a very strong defence against these potential claims. They have further advised that if these claims were successful they may seek relief under section 1318 of the Act.

As noted earlier, shortly prior to issuing this report I wrote to the above parties demanding payment of the relevant amounts. I am currently awaiting formal responses and will advise creditors further at the upcoming meeting. Also refer to my comments at section 10.2 below.

In relation to recoveries from Company assets, I refer creditors to the summary of receipts and payments attached at Annexure "2" and my comments below.

9.1 Assets

(i) Assets not specifically charged (Book Value: \$1,279,461; Estimated Realisable Value (ERV): Nil)

The RATA details assets not specifically charged comprising of related party debtors as follows:

Debtor	Amount owing	ERV
RMS Holdings Pty Ltd (now known as Old Road Furniture No. 2 Pty Ltd (In Liquidation))	544,911.50	0
RMS Traffic Safety Systems Pty Ltd	3,990.23	0
Colbyco Pty Ltd	370,763.65	0
Trubloc Pty Ltd	359,795.32	0
Total	1,279,460.70	0

As noted at section 4.6.3 above, I was also appointed liquidator of the Company's holding company, Old Road Furniture No. 2 Pty Ltd (In Liquidation) ("Old 2"), formerly known as RMS Holdings Pty Ltd on 24 December 2014. Subject to recoveries, if any, resulting from my investigations into the affairs of Old 2 there will be no dividend paid to creditors in that administration including the Company.

Further, as advised at section 4.6.3 above I note the following:

- RMS Traffic Safety Systems Pty Ltd has not traded for some time and does not have any assets or the financial capacity to repay the amount of \$3,990.23 owing to the Company.
- I have issued a demand on Trubloc Pty Ltd, related by virtue of common director Scott Colburt, for the repayment of the debt owing to the Company of \$359,795.32. Director Scott Colburt has advised that this company does not trade nor does it have the financial capacity to repay this debt. I have been provided with a copy of this company's last set of accounts, being for the 30 June 2012 year. The accounts show that the only significant assets of Trubloc Pty Ltd are loans owing to that

company by director Scott Colburt in the amount of \$277,265 and Old 2 in the amount of \$61,183. As noted above there is unlikely to be any dividend paid in the liquidation of Old 2. Further, Scott Colburt has advised that he does not have the financial capacity to repay the loan to Trubloc Pty Ltd and has provided me with a sworn statutory declaration of his personal asset and liability position which details nominal assets only. Also refer to section 10.1 below.

- I have issued a demand on Colbyco Pty Ltd, related by virtue of common former director, Troy Colburt, for the repayment of the debt owing to the Company of \$370,763.65. Similar to Trubloc Pty Ltd, I have been advised that this company does not trade nor does it have the financial capacity to repay this debt. I have been provided with a copy of this company's last set of accounts, being for the 30 June 2012 year. These accounts show that the only significant assets of Colbyco Pty Ltd are loans owing to that company by Troy Colburt in the amount of \$255,712 and Old 2 in the amount of \$61,183. As noted above there is unlikely to be any dividend paid in the liquidation of Old 2. Further, Troy Colburt has advised that he does not have the financial capacity to repay the loan to Colbyco Pty Ltd and has provided me with a sworn statutory declaration of his personal asset and liability position which details a significant deficiency. Also refer to section 10.1 below.

I note that the costs to wind up each of Colbyco Pty Ltd and Trubloc Pty Ltd will approximate \$8,000.00 per company on the basis that no defence will be put up by either company. Based on information currently available to me it is unlikely that a dividend will be paid to the Company from either of these companies if they were placed into liquidation unless the appointed liquidators were successful in recovering the debit balance loan accounts of directors.

Prior to instituting any proceedings to wind up Trubloc Pty Ltd and Colbyco Pty Ltd, I will be seeking the views of creditors at the upcoming meeting as to whether or not they believe I should incur the costs associated with winding up each of these companies.

(ii) Assets subject to specific charges (Book Value: \$1,945,042; ERV: \$1,678,111; Amount owing under security interests: \$1,434,262)

The RATA details assets subject to specific charges under the ANZ Bank security as follows:

<u>Assets Subject to Specific Charges</u>	Book Value	ERV
	\$	\$
Plant & Equipment	17,500.00	12,000.00
I & C Colburt debit balance loan account	816,337.00	816,337.00
	833,837.00	828,337.00
Less:		
Amounts owing to secured creditor, the ANZ Bank	(1,284,262.00)	(1,284,262.00)
Deficiency	(450,425.00)	(455,925.00)

The RATA details a shortfall to the ANZ Bank from recovery of assets subject to specific charges under its security in the amount of \$455,925.00 based on estimated realisable values. However as noted at section 4.6.3 above the total Company debt of the ANZ Bank of \$1,284,262 was paid on 29 August 2014 following settlement of Ian and Christina Colburt's property at 81 Norcal Road, Nunawading Victoria.

Further, the RATA details assets subject to specific charges under the Eclipse security as follows:

<u>Assets Subject to Specific Charges</u>	Book Value \$	ERV \$
Trade Debtors	984,477.64	723,046.50
Cash at Bank	126,727.00	126,727.00
	<u>1,111,204.64</u>	<u>849,773.50</u>
Less:		
Amounts owing to secured creditor, Eclipse Financial Group Pty Ltd	(150,000.00)	(150,000.00)
Surplus	<u>961,204.64</u>	<u>699,773.50</u>

The RATA details a surplus from assets subject to specific charges under the Eclipse security of \$699,773.50 based on estimated realisable values. In that regard I note that shortly following my appointment I paid out the debt owing to secured creditor Eclipse under its security of \$148,387.63.

In relation to trade debtors, directors Ian and Scott Colburt estimated in the RATA that \$723,046 would be recovered from this source. I note that there were approximately 135 trade debtors in number at the date of my appointment.

Since my appointment I have spent a significant amount of professional time pursuing recoveries from trade debtors. I note that directors Ian and Scott Colburt have also provided me with assistance in that regard. Recoveries from trade debtors to date total \$531,380.05. At this stage it is difficult for me to estimate further likely recoveries from this source due to the following:

- Dispute with major debtor Abigroup Contractors Pty Ltd ("Abigroup"). Company records detail an outstanding debt of \$154,499.33. Currently Abigroup believe there is an outstanding debt of only \$50,233.74 plus a retention of \$20,132.62. I am continuing to liaise with Abigroup in relation to substantiation of their position.
- There are 18 other trade debtors that I am continuing to pursue with total debts of \$117,667.

In relation to cash at bank I note that immediately following my appointment, the Company's current accounts held at the Commonwealth Bank of Australia and the ANZ Bank were frozen. To date I have recovered the following amounts:

<u>Bank Accounts held with</u>	<u>Amount</u>
Commonwealth Bank of Australia	\$112,830.21
ANZ Bank	\$212,458.66
Total	<u>\$325,288.87</u>

I note that the amount recovered by way of cash at bank is significantly in excess of the amount detailed in the RATA of \$126,727. This was due to the release of additional cash security held by the ANZ Bank that was not detailed in the RATA.

I note that there were a number of bank guarantees that have either been cashed in by the recipients or paid out by the ANZ Bank following my appointment.

(iii) Contingent Assets (Gross Asset: \$560,000; Estimated to Produce: \$460,000)

As set out in section 4.6.5, the amount withheld by Jaybro under the Sale Agreement totalled \$560,000. In relation to this amount I note the following:

1. The Company was required to notify Jaybro upon becoming aware of the existence of a claim by Avery Dennison Materials Pty Ltd ("Avery Dennison") and Capral Limited ("Capral") in relation to any interest in personal property sold under the Sale Agreement ("PPS Claim");
2. Both Avery Dennison and Capral ("together the ROT Claimants") made a PPS Claim as against the Company. The ROT Claimants have the following claims against the Company:

(a) Avery Dennison	\$584,913.27
(b) Capral	<u>\$336,472.44</u>
Total	<u>\$921,385.71</u>

The PPS Claims exceeded the Second retention of \$370,000. Jaybro's solicitor indicated that in such circumstances, the excess over \$370,000 was a claim under the Sale Agreement available from the First retention (of \$190,000). Jaybro's position was not accepted by me as correct.

3. Jaybro subsequently raised a number of issues in relation to the PPS Claims made by the ROT Claimants. In this regard I note the following:
 - (a) Jaybro refused to provide consent for schedule 4 of the Sale Agreement to be provided to Avery Dennison and Capral. Schedule 4 of the Sale Agreement set out the total stock sold by the Company to Jaybro. I requested the consent of Jaybro to disclose this information to enable the ROT Claimants to attempt to identify the stock sold under the Sale Agreement. Whilst I did not believe I was required to obtain Jaybro's consent, as a matter of prudence, I requested it due to a confidentiality provision to which the Company has agreed to in the Sale Agreement. Jaybro's solicitors ultimately advised that the release of schedule 4 to the ROT Claimants would be "futile".

- (b) Jaybro's solicitors also requested internal Company records that recorded the ROT Claimants claims including invoices, credit applications and statements identifying stock. In addition, all PPSR registrations were requested. Jaybro's solicitors indicated that Avery Dennison's claim was a separate contract for each invoice, and required a separate registration on the PPSR (which I denied). Further, Jaybro requested my view in relation to the validity of the ROT Claimants claims. None of this information was required to be provided to Jaybro under the Sale Agreement, and was not provided.
 - (c) Jaybro's solicitors indicated that as each of the ROT Claimants had lodged Proofs of Debt for the purposes of the first meeting of creditors, they had surrendered their security under the Corporations Regulations. My solicitors indicated to Jaybro's solicitors that this view was incorrect and it appears not to have been further raised.
 - (d) It was alleged the Company had not provided reasonable details of the ROT Claimants claims for the purpose of the Sale Agreement. Again, this was denied.
4. As a result of Jaybro's position, I was required to work through the stock takes in the Company's records and provide them to the ROT Claimants to enable them to identify the items of stock that were sold under the Sale Agreement. I note that director Scott Colburt provided me with valuable assistance in that regard.
5. Ultimately, I was able to reach agreement with the ROT Claimants in relation to their retention of title claims as follows:
- (a) Avery Dennison in the sum of \$39,000.84. In return for payment of this sum, Avery Dennison agreed to release all claims as against the Company and Jaybro in relation to any stock sold under the Sale Agreement, and to withdraw all PPSR registrations (including the seven registered on the PPSR);
 - (b) Capral in the sum of \$63,706.92. Upon payment of that sum, Capral would release all claims as against the Company and Jaybro in relation to any stock sold under the Sale Agreement and would discharge all PPSR registrations (including the one registered on the PPSR).
6. Jaybro's solicitors requested that a Deed of Settlement be entered into with Avery Dennison and Capral. This request was rejected.
7. Ultimately, after various negotiations between my solicitors and the solicitors for Jaybro, settlement occurred on 11 March 2015. At that time the following occurred:
- (a) First retention
- From the sum of \$190,000 held by Jaybro's solicitors, 50% of that amount was to have been released on 4 January 2015. Jaybro indicated that the liquidator had received certain debts owed to Jaybro totalling \$16,848. Therefore, it was agreed that the sum of \$16,848 would remain in the trust account for the solicitors for Jaybro (to be held on trust until further agreement), and the balance of the 50% retention, being \$78,152, be released to the Company;

(b) In relation to the Second retention of \$370,000, the following occurred:

- (i) A bank cheque in the sum of \$39,000.84 was made payable to Avery Dennison;
- (ii) A bank cheque in the sum of \$63,706.92 was made payable to Capral; and
- (iii) A bank cheque for the balance was made payable to the Company, in the sum of \$267,292.24

Therefore, Jaybro's solicitors currently hold from the First retention the sum of \$111,848 representing the following:

1. \$16,848 withheld from release of the payment due on 4 January 2015 in relation to debts of Jaybro allegedly paid to the Company;
2. The balance of 50% of the First retention (being \$95,000), which sum is payable on 4 July 2015 subject to their being no claim made under the Sale Agreement (of which I am currently not aware of any such claim).

9.2 Liabilities

(i) Secured Debts

As noted at section 9.1 (ii) above, the secured creditor debts of the ANZ Bank of \$1,284,262 and Eclipse of \$148,387 were paid out shortly following my appointment.

I also refer creditors to my comments at section 4.3 above in relation to my review of the securities. As noted in that section both the securities of the ANZ Bank and Eclipse appear to be prima facie valid and enforceable.

(ii) Employee Claims (\$1,120,980.73)

The priority claims of employees total \$1,120,980.73 and are comprised of:

	\$
Superannuation	100,001.53
Annual leave	139,741.91
Annual leave loading	21,244.77
Long service leave	194,154.00
Payment in lieu of notice	172,082.45
Redundancy	493,756.07
Total	<u>1,120,980.73</u>

I note that employee claims have increased by \$157,280.99 from the amount detailed in the RATA of \$963,699.74.

Directors and certain relatives of directors are classified as "excluded employees" under the Act and their claims to priority are limited to \$2,000 for wages and superannuation and \$1,500 for leave entitlements. Excluded employees do not receive priority for any retrenchment payments. This limitation applies only to the priority of payment and excluded employees rank as unsecured creditors for the non-priority balance of their claims.

Where there is a shortfall in relation to employee claims, the Federal Government, through its Fair Entitlements Guarantee Scheme ("FEG") may, subject to certain prescribed limits, meet outstanding employee entitlements for unpaid wages, annual leave, leave loading, long service leave, notice and redundancy. FEG does not cover superannuation and excluded employees are not eligible for a FEG advance. Where such payments have been met under FEG, the Federal Government will rank by way of subrogation as a priority creditor in the liquidation for the amount so advanced.

I wrote to former employees shortly following my appointment as liquidator inviting each to lodge a claim under FEG. Since my appointment I have been assisting the Federal Government in relation to the verification of employee claims and the distribution of FEG payments to the employees. The Federal government has to date advanced me a total of \$935,880.29 in relation to outstanding annual leave, leave loading, long service leave, notice and redundancy which I have distributed to employees.

I am continuing to assist the Federal Government in verification and distribution services under FEG.

(iii) Unsecured Creditors (\$5,453,274)

The claims of unsecured creditors total \$5,453,274.80. This amount is comprised of:

	\$
Trade creditors	2,996,541.77
Australian Taxation Office ("ATO")	865,066.78
State Revenue Offices	76,450.00
Related parties	1,515,216.25
Total	5,453,274.80

This amount is more than the amount detailed in the RATA of \$4,708,065.22. The increase of \$745,209.58 in unsecured creditor claims is as a result of the following:

- The ATO debt has increased by \$280,284.18.
- The debt owed to Ian and Christina Colburt in relation to their joint loan account of \$467,925.40 was not detailed in the RATA because it did not crystallise until 29 August 2014, the date that the ANZ Bank was paid out from settlement proceeds of a property owned by Ian and Christina Colburt (refer to section 4.6.3 above).
- The non-priority employee entitlements of Ian and Christina Colburt have reduced by a total of \$3,000 due to being incorrectly classified.

For a break up of related party claims I refer creditors to section 4.6.1 above. I note however that the break up detailed at section 4.6.1 also includes priority employee entitlements of directors. As previously noted, I am yet to verify the claims of related parties.

10 OTHER MATERIAL INFORMATION

10.1 Personal Financial Position of Directors

I note that current directors Ian, Christina and Scott Colburt together with former director Troy Colburt have all provided me with a Statutory Declaration of their respective personal asset and liability positions.

Director Scott Colburt's Statutory Declaration details nominal assets only with no real property ownerships. Australia wide property searches conducted by me confirm no current property ownerships in the name of Scott Colburt.

Former director Troy Colburt's Statutory Declaration details a significant deficiency in his personal asset and liability position. Assets include an interest in a property at Gympsea Bay that is subject to Family Court Orders made on 14 July 2014 at a value of \$90,000 and a motor vehicle at a value of \$26,000. Liabilities include a St George Home loan of \$600,000. My enquiries continue in relation to same.

Directors Ian and Christina Colburt have provided me with a joint Statutory Declaration of their personal assets and liabilities that details real property at a value of \$3,200,000 and real property encumbrances at a value of \$3,280,000. Property searches conducted by me detail Ian and Christina Colburt as joint owners of two properties, one at Cronulla and the other at Nelson Bay, NSW. Further, the searches have disclosed that in relation to the property at Cronulla, there is a mortgage to the Commonwealth Bank and a caveat by related party Road Marking Supplies Australia Pty Ltd (as trustee for Roadsigns No. 2 Unit Trust) ("RMSA"). The caveat was lodged on the property on 8 May 2014, just over 3 months prior to my appointment as liquidator of the Company.

In relation to the property at Nelson Bay, searches disclose a mortgage to Perpetual Limited. Further I note that Ian and Christina Colburt's Superannuation fund has not been detailed in their Statutory Declaration.

I have written to Ian and Christina Colburt requesting the following information:

- How they arrived at the value of \$3,200,000 for the properties.
- Copies of mortgage statements from the Commonwealth Bank and Perpetual Limited evidencing the amounts owed.
- Specific details in relation to the caveat in favour of RMSA including the amount secured by the caveat and evidence supporting this debt and when the debt was incurred. Further I have requested a copy of the Trust Deed of the Roadsigns No. 2 Unit Trust and details of the beneficiaries of the Trust.
- Details of the estimated asset value of the Superfund and details of each contribution made to the Superfund in the last 5 years.

I am currently awaiting a response to my letter. I will advise creditors further in this regard at the upcoming meeting.

10.2 Public Examinations / Possible Litigation

As noted at sections 5 and 9 above, I have recently issued demands against current directors Ian, Christina and Scott Colburt and former director Troy Colburt in relation to insolvent trading and possible breaches of sections 181 and 182 of the Act for amounts totalling \$1,074,490.17 and \$1,282,097.70 respectively. I note that the demand issued against former director Troy Colburt in relation to insolvent trading is limited to \$583,818.02. A demand in relation to preference payments totalling \$65,934 has also been recently issued against related party Roadsigns No 2 Superannuation Fund and a demand has been issued against Troy Colburt for the return of a motor vehicle (2011 Toyota Kluger) or payment of its market value.

Subject to the formal responses received from the relevant parties and co-operation in relation to providing me with the necessary information to be able to verify each director's personal asset and liability position, it may be necessary for me to conduct public examinations of the directors and other relevant parties pursuant to sections 596A or 596B of the Act. Following the public examinations (if required) it may be necessary to commence legal proceedings in order to recover the amounts demanded.

I will advise creditors further at the upcoming meeting in relation to any formal responses received to my demands.

11 REMUNERATION OF LIQUIDATOR

At the first meeting of creditors held on 11 September 2014 creditors approved the liquidator's remuneration from the commencement of the liquidation, that is from 21 August 2014 to the completion and issuance of a comprehensive report to creditors to a limit of \$100,000 plus GST, calculated on a time basis in accordance with the A2Z Insolvency Solutions' hourly rates of charge as detailed in the report to creditors dated 28 August 2014, without limiting the right of the liquidator to approach creditors or the Court to approve further remuneration.

I note that actual time costs for the period from 21 August 2014 to 9 June 2015 amounts to \$454,733 plus GST. This differs with the estimate of costs provided in the Initial Advice to Creditors dated 28 August 2014 for the following reasons:

- The initial estimate provided to creditors was within a matter of days after the appointment commenced, at a time when I had limited knowledge in relation to the potential recovery actions in the liquidation and the complexity and extent of the work to be undertaken in order to recover monies for the benefit of creditors.
- Significant potential recovery actions against directors and related parties were identified during my review of the Company's affairs that required me to conduct further detailed investigations into the following matters:
 - Insolvent trading by directors, including the review and analysis of significant Company records in order to determine a date of insolvency and to quantify the loss or damage suffered as a result of insolvent trading.

- Possible breaches of directors' duties under sections 181 and 182 of the Act and possible voidable transactions, including the review and analysis of a significant quantity of related party transactions including movements in loan accounts and payments made.
- The financial position of directors in order to assess capability of these parties to meet claims against them.
- A significant amount of professional time (not previously considered or provided for in the initial estimate of costs) has been spent in recovery of retentions under the sale of assets agreement with Jaybro (a net amount of \$345,444 has been recovered from these retentions to date).

For further details in relation to the specific tasks undertaken in the liquidation to date, I refer creditors to my remuneration report **attached** at Annexure "3".

Please note that effective 1 December 2014, following an annual review of the A2Z Insolvency Solutions' hourly rates of charge, my firm's rates increased in keeping with the rates charged by other insolvency firms in Australia. The new hourly rates are **attached** at Annexure "5".

Notwithstanding however the increase in my firm's hourly rates of charge effective 1 December 2014, I will not be seeking from creditors approval of my further remuneration at the increased rates for the period up to 9 June 2015. My past remuneration has been calculated using the previous hourly rates of my firm which are **attached** at Annexure "4" having previously being attached to my initial report to creditors dated 28 August 2014. This will result in an effective discount in my remuneration of \$71,582 (excluding GST).

At the meeting of creditors to be held on 9 July 2015, I will be seeking creditor approval of my further remuneration for the period 21 August 2014 to 9 June 2015 in the amount of \$283,151 plus GST.

I will also be seeking creditor approval for my future remuneration for the period from 10 June 2015 to the convening of the annual meeting of creditors in early November 2015 up to an amount of \$150,000 plus GST. The remuneration report **attached** at Annexure "3" provides details of the matters still remaining for which prospective remuneration is sought. I note that future remuneration will be charged in accordance with the current hourly rates of A2Z Insolvency Solutions which are **attached** at Annexure "5".

ASIC has issued an information sheet for creditors on approving the remuneration of insolvency practitioners. This information sheet is available for download from www.asic.gov.au.

12 MEETING

A meeting of creditors has been convened for Thursday, 9 July 2015 at 3.00pm at the Fraser Room, Level 1, 33 Erskine Street, Sydney NSW. Please refer to the formal Notice of Meeting **attached** at Annexure "6" for further details. I note that telephone conference facilities are available for this meeting.

A form of proxy and a formal proof of debt form are also **attached** at Annexures "6". Creditors who wish to vote at the meeting and/or appoint a proxy should lodge these forms at my office prior to the commencement of the meeting.

In the interim if creditors have any queries or wish to raise additional matters, please do not hesitate to contact my office.

Yours Faithfully

Old Road Furniture No 1 Pty Limited

(In Liquidation)



Ahmad Zeidan

Liquidator

Enc.

**OLD ROAD FURNITURE NO 1 PTY LIMITED
(IN LIQUIDATION)
A.C.N. 054 587 325**

ANNEXURES 1 TO 6

OF REPORT TO CREDITORS DATED 22 JUNE 2015

Annexure “1”

FORM 507

Corporations Act 2001

REPORT AS TO AFFAIRS

OLD ROAD FURNITURE NO 1 PTY LIMITED
FORMERLY KNOWN AS
ROAD SIGNS AND MARKING SUPPLIES PTY LIMITED
(IN LIQUIDATION)

Subsection 421A(1) & (2)
Subsection 429(2)(b)
Subsection 430(1)
Subsection 438B(2)
Subsection 475(1) & (7)
Subsection 475(2)
Subsection 497(5)

Assets and liabilities as at: 21/08/2014

		Valuation	Estimated Realisable Values
		(\$)	(\$)
1.	Assets not specifically charged -		
	(a) Interests in land as detailed in Schedule A	-	-
	(b) Sundry debtors as detailed in Schedule B	1,279,461	-
	(c) Cash on hand	-	-
	(d) Cash at bank	-	-
	(e) Stock as detailed in inventory	-	-
	(f) Work in progress as detailed in annexed inventory	-	-
	(g) Plant and equipment as detailed in annexed inventory	-	-
	(h) Other assets	-	-
	Sub Total	1,279,461	-
2.	Assets subject to specific charges as detailed in Schedule D	Valuation	ERV
	Less: amounts owing as detailed in Schedule D	1,945,042	1,678,111
		978,337	978,337
	Total net surplus/(deficiency)	966,705	699,774
	Total estimated realisable values	2,246,165	699,774

3.	Less payable in advance of secured creditor(s)		
	Amounts owing for tax instalment deductions and prescribed payments tax		-
	Amounts owing for employee entitlements as detailed in Schedule E		963,700
4.	Less amounts owing and secured by debenture or floating charge over company's assets		455,925
5.	Less preferential claims ranking behind secured creditors as detailed in Schedule F		-
6.	Balances owing to partly secured creditors as detailed in Schedule G		
	Total claims	-	
	Security held	-	-
7.	Creditors (unsecured) as detailed in Schedule H		
	Trade	2,996,541.77	
	ATO / OSR	661,232.60	
	Related Parties	1,050,290.85	4,708,065
8.	Contingent assets		
	Estimated to produce, as detailed in Schedule I		460,000
9.	Contingent liabilities		
	Estimated to rank for, as detailed in Schedule J		-
	ESTIMATED DEFICIENCY		<u>(4,967,916)</u>
	(Subject to costs of administration)		
	Share capital		
	Issued		
	Paid up		

Annexure "2"

Old Road Furniture No 1 Pty Limited (In Liquidation)
Receipts and Payments Summary for the period 21 August 2014 to 9 June 2015

RECEIPTS (\$)

Accounts Receivable	531,380.05
Reversal of Bank Charges	0.31
Cash at Bank (ANZ account)	212,458.66
Cash at Bank (CBA account)	112,830.21
Cash on Hand	2.00
FEG Advance	935,880.29
Gross Proceeds of Sale (office furniture and equipment)	3,411.00
GST Refunds	11,139.00
Interest Income (cash maximiser account)	2,103.64
Investment Income (term deposit interest)	5,975.56
Jaybro Debtors	98,850.44
PPS Retention Amount (sale agreement with Jaybro)	267,292.24
Retention Amount (sale agreement with Jaybro)	78,152.00

Total Receipts	2,259,475.40
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PAYMENTS (\$)

Appointee Fees	110,000.00
Appointee Disbursements	21,297.59
Auctioneer's Charges	2,189.88
Bank Charges	10.00
Bank Service Charges	17.70
Bank Transfer Charges	0.24
Company Withholding Tax	253.00
Document Storage	2,922.04
Electricity Account	4,810.26
FEG Payments (Gross)	935,880.29
PAYG Withheld (FEG Payments)	-109,052.91
Distribution to Secured Creditor - Eclipse Financial Group Pty Ltd	148,387.63
Insurance	245.24
Internet Services	3,580.94
IT Expenses	1,914.00
Jaybro Debtors	65,546.16
Legal fees	68,285.30
Meeting Room Hire	1,155.00
Mobile Recharge Expenses	100.00
Wages	7,338.06
Search Fees	157.26
Superannuation	697.11
Waste Management Services	1,187.07

Total Payments	1,266,921.86
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Reconciled Cash Position	992,553.54
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Annexure “3”

22 June 2015

REMUNERATION REPORT

**OLD ROAD FURNITURE NO 1 PTY LIMITED
FORMERLY KNOWN AS ROAD SIGNS AND MARKING SUPPLIES PTY LIMITED
FORMERLY T/AS ROAD MANAGEMENT SOLUTIONS
A.C.N. 054 587 325
(IN LIQUIDATION) ("the Company")**

In compliance with the requirements of the Corporations Act 2001 ("the Act") and applicable Professional Standards, I set out below my remuneration report for work completed during the period 21 August 2014 to 9 June 2015 and for my prospective remuneration for the period 10 June 2015 to the convening of the annual meeting of creditors in early November 2015.

This report is set out as follows:

- 1. DECLARATION**
- 2. EXECUTIVE SUMMARY**
- 3. DESCRIPTION OF WORK COMPLETED/ TO BE COMPLETED**
- 4. CALCULATION OF REMUNERATION**
- 5. STATEMENT OF REMUNERATION CLAIM**
- 6. REMUNERATION RECOVERABLE FROM EXTERNAL SOURCES**
- 7. DISBURSEMENTS**
- 8. REPORT ON PROGRESS OF THE ADMINISTRATION**
- 9. SUMMARY OF RECEIPTS AND PAYMENTS**
- 10. QUERIES**
- 11. INFORMATION SHEET**

1. Declaration

I, Ahmad Zeidan of A2Z Insolvency Solutions have undertaken a proper assessment of this remuneration claim for my appointment as Liquidator of the Company in accordance with the law and applicable professional standards. I am satisfied that the remuneration claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of the liquidation.

2. Executive Summary

To date, remuneration of \$100,000.00 (excluding GST) has been approved and paid in this administration. Approval of this remuneration was obtained at the first meeting of creditors held on 11 September 2014.

The table below provides a summary of the past remuneration approved and the current remuneration approval sought:

Period	Report Reference	Amount (ex GST)
Past remuneration approved: Remuneration from 21 August 2014 to the completion and issuance of a comprehensive report to creditors.		\$100,000.00
Current remuneration approval sought:		
Resolution 1: Further remuneration from 21 August 2014 to 9 June 2015.	3 & 4	\$283,151.00
Resolution 2: Estimated remuneration for the period 10 June 2015 to the convening of the annual meeting of creditors in early November 2015.*	3	\$150,000.00
Total current remuneration approval sought*		\$433,151.00
* Approval for the future remuneration sought is based on an estimate of the work necessary to the convening of the annual meeting of creditors in early November 2015. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.		

Please refer to report section references detailed in the above table for full details of the calculation and composition of the remuneration approval sought.

This differs with the estimate of costs provided in the Initial Advice to Creditors dated 28 August 2014 for the following reasons:

- The initial estimate provided to creditors was within a matter of days after the appointment commenced, at a time when I had limited knowledge in relation to the potential recovery actions in the liquidation and the complexity and extent of the work to be undertaken in order to recover monies for the benefit of creditors.
- Significant potential recovery actions against directors and related parties were identified during my review of the Company's affairs that required me to conduct further detailed investigations into the following matters:
 - Insolvent trading by directors, including the review and analysis of significant Company records in order to determine a date of insolvency and to quantify the loss or damage suffered as a result of insolvent trading.

- Possible breaches of directors' duties under sections 181 and 182 of the Act and possible voidable transactions, including the review and analysis of a significant quantity of related party transactions including movements in loan accounts and payments made.
- The financial position of directors in order to assess capability of these parties to meet claims against them.
- A significant amount of professional time (not previously considered or provided for in the initial estimate of costs) has been spent in recovery of retentions under the sale of assets agreement with Jaybro (a net amount of \$345,444 has been recovered from these retentions to date). Refer to the description of work completed below under the headings of "Other Assets" and "Retention of Title Claims" for further details.

3. Description of work completed / to be completed

Resolution 1 – Liquidator's Retrospective Remuneration from 21 August 2014 to 9 June 2015.

Task Area	General Description	Includes
Assets [186.1 hours] [\$70,950.00]	Plant and Equipment	Discussions with directors in relation to nominal plant and equipment to be auctioned by Pickles Auctioneers. Meeting with a representative from Pickles Auctioneers at the Company's premises at Caringbah in relation to removing and auctioning office furniture and equipment. Review accounting of auction proceeds.
	Cash at Bank	Correspondence to company bankers the ANZ Bank and the Commonwealth Bank of Australia ("CBA") advising of my appointment and requesting that all bank accounts be frozen. Ongoing correspondence with the company bankers in order to obtain bank statements and regular sweeps of each account. Correspondence and discussions with the CBA and the ANZ Bank to close all Company bank accounts and forward all credit balances to the liquidator.
	Assets subject to specific charges	Liaising with secured creditors the ANZ Bank and Eclipse Financial Group Pty Ltd ("Eclipse") in relation to their security. Review security documentation of the secured creditors. Preparation of spreadsheet detailing the monies owed to the secured creditors.

Task Area	General Description	Includes
		Liaising with my solicitor in relation to the validity of security documentation of the secured creditors and the payment of the amount owing to Eclipse. Process payment of amount owing to Eclipse.
	Debtors	Reviewing debtor ledgers to ascertain the amounts owed by debtors (approximately 135 in number). Liaising with the directors of the company and employees to ascertain collectability of debtors. Reconcile electronic fund payments received from debtors into the Company's bank accounts. Maintain and update debtors schedule. Corresponding with debtors in relation to their debts including: • Preparation and issuance of debtor demand letters. • Reviewing responses received from debtors. • Review QLD and NSW legislation to check whether a liquidator is required to provide payment declarations under each State's Workers Compensation, Pay-roll Tax and Industrial Relations legislation in order to receive payment from various principal contractor debtors. • Preparation of letters in response to debtor correspondence received. • Phone discussions with a number of debtors in relation to amounts owing. • Review in detail account reconciliations in relation to disputed debts. • Liaising with director Scott Colburt and my lawyer in relation to disputed debts. • Review Company records in order to provide various debtors with copies of outstanding invoices and

Task Area	General Description	Includes
		to substantiate disputed debts. • Preparation of follow up letters in relation to retention due dates and debtors that have failed to respond to initial demands. Liaising with a number of previous customers of the Company in relation to refund of monies incorrectly paid into the Company's bank account for debts owed to Jaybro and process refund payments. Preparation of reconciliation of Jaybro debtor monies received in the Company bank accounts by error and process refund payments.
	Other Assets	Tasks associated with realising other assets being retention monies held by Jaybro's lawyer (1st retention in the amount of \$190,000) and Jaybro (2nd retention in the amount of \$370,000) under the sale of assets agreement completed on 4 July 2014 ("sale agreement") between Jaybro and the Company including but not limited to the following: • Review sale agreement. • A number of discussions with director Scott Colburt and my lawyer Phil Parker in relation to the clauses in the sale agreement that specifically relate to the retention monies. • Numerous discussions and correspondence with my lawyer in relation to correspondence to and from Jaybro's lawyer regarding confidentiality provisions and Jaybro's refusal to allow me to release a copy of the stock listing attached to the sale agreement to suppliers Capral Ltd ("Capral") and Avery Dennison Materials Pty Ltd ("Avery Dennison") to assist with my negotiations with these two suppliers in resolving their retention of title ("ROT") claims, noting that under the sale

Task Area	General Description	Includes
		agreement I only had 6 months to resolve these claims from the date of notification in order to obtain the release of the 2nd Retention from Jaybro in the amount of \$370,000. • Discussions with director Scott Colburt and review email received from Mr Colburt attaching an excel spreadsheet of stock on hand from suppliers Avery Dennison and Capral as at 4 July 2014. • Following my "in principle" resolution of the ROT claims of Avery Dennison and Capral (refer to ROT section below) I settled further letters with my lawyer to Jaybro's lawyer requesting Jaybro's consent to my proposed settlement of the ROT claims which was ultimately received • Discussions and correspondence with my lawyer in relation to organising settlement with Jaybro's lawyer of the payment of various cheques from the retention monies held. • Distribute and bank cheques following settlement with Jaybro. • Preparation of a schedule detailing Jaybro debtor bankings received in the Company's bank accounts and also monies received by Jaybro from Company debtors. • Review of three proposed deeds of novation or assignment of customer contracts to Jaybro including liaising with my lawyer, Jaybro and the relevant customers regarding amendments required to the proposed deeds. Review correspondence received from lawyers representing the ANZ Bank in relation to outstanding bank guarantees and the bank's go forward intentions. Discussions with directors Scott and Ian

Task Area	General Description	Includes
		Colburt in relation to the outstanding bank guarantees. Review correspondence received directly from the ANZ Bank in relation to payment of the bank guarantees. Preparation and issuance of a letter to Cooper Wilson Commercial regarding the accounting for two bank guarantees cashed in.
	Leasing	Tasks associated with disclaiming leases with Lease Recovery and Fuji Xerox including the following: • Preparation of covering letters and disclaimers. • Liaising with lessors re collection of their assets.
Creditors [328.1 hours] [\$104,696.00]	Creditor Enquiries (note ordinary unsecured creditors number 328 in total)	Receive and follow up numerous creditor enquiries via telephone. Review and respond to numerous creditor enquiries via email and post.
	Retention of Title Claims	Tasks associated with resolving the claims of creditors with retention of title claims ("ROT") including the following: • Search the PPSR register. • Review the ROT claims received from creditors including Capral, Avery Dennison and Barron & Rawson. • Numerous discussions with representatives from Capral and Avery Dennison. • A number of discussions with director Scott Colburt in relation to the validity of the ROT claims. • Review of spreadsheets provided by Scott Colburt detailing ROT stock on hand at 4 July 2014. • Numerous discussions and correspondence with my lawyer in relation to the validity of the ROT claims, my proposed settlement of the Capral and Avery Dennison ROT claims, the interpretation of specific clauses of the sale agreement and correspondence to and from Jaybro's lawyer.

Task Area	General Description	Includes
		• Preparation of letters to Capral and Avery Dennison, finalised after reviewing with my lawyer, detailing my settlement proposals for their consideration. Discuss letters with representatives from Capral and Avery Dennison. • Review settlement acceptance letters received from Capral and Avery Dennison and forward to my lawyer to arrange settlement with Jaybro. • Preparation of correspondence to Capral and Avery Dennison attaching settlement cheques.
	Secured creditor reporting	Notifying secured creditors of my appointment. Responding to secured creditor's queries.
	Creditor reports	Preparation and issuance of my first report to creditors convening the first meeting of creditors including remuneration report and Declaration of Independence, Relevant Relationships and Indemnities. Preparation of first meeting notice, proxy form and informal proof of debt for voting purposes which were attached to my first report to creditors. Preparation and lodgement of advertisement of first meeting on ASIC Insolvency Notices website. Review and edit creditor listing extracted from Company records for purposes of creating a master creditor mailing list. Update creditor mailing list to include additional creditors known from correspondence received via mail redirection. Correspondence to creditors known via mail redirection advising of appointment and forwarding a copy of my first report to creditors. Update creditor mailing list to include email addresses of all creditors who completed electronic notification elections. Part preparation of my comprehensive

Task Area	General Description	Includes
		report to creditors providing creditors with an update on the conduct of the liquidation including the results of my investigations to date. Also part preparation of my remuneration report and summary of receipts and payments which form some of the annexures to my comprehensive report.
	Dealing with proofs of debt	Receipting and filing Proofs of debt received.
	Meeting of Creditors	Preparation of first meeting file, including attendance register, list of creditors, first report to creditors, proxy schedule, informal proof of debt schedule, draft minutes of meeting and the liquidator's notes for meeting. Chair first meeting of creditors. Preparation and lodgement of minutes of first meeting with ASIC. Responding to stakeholder queries and questions immediately following first meeting.
Employees [199.4 hours] [\$44,380.00]	Employees enquiries	Receive and follow up employee enquiries via telephone. Review and prepare correspondence to employees and their representatives via email and post. Preparation of individual letters to 61 employees advising of their entitlements and inviting each to lodge claims under the FEG scheme.
	Fair Entitlements Guarantee ("FEG") Scheme	Correspondence with the Department of Employment, who administer the FEG scheme. Preparation of initial contact advice forms for the Department of Employment. Preparation of 16 verification spreadsheets (at the request of the Department of Employment) for a total of 54 employee claims received under FEG which required my review of each individual employee file in order to extract specific information required under FEG for verification of employee claims. Liaising with the Department of Employment in relation to the verification

Task Area	General Description	Includes
		of 54 employee claims including responding to queries raised and providing additional information in support of employee claims. Preparation of FEG distributions including letters and cheques for advances received from the Department of Employment for payment to 48 employees. Completion of FEG Acquittal spreadsheet and statement for each distribution made and email to the Department of Employment. Part preparation of PAYG Payment Summaries for each employee who received a FEG payment.
	Calculation of entitlements	Review employee entitlements as detailed in the RATA. Reviewing employee files and company's books and records. Liaising with employees regarding their entitlements.
	Workers compensation claims	Review correspondence from insurer.
	Other employee issues	Discussions with director Scott Colburt in relation to a mediation with a former employee at the Fair Work Ombudsman's office. Discussions with representatives from the Fair Work Ombudsman's office. Attend to query from Virgin Super.
Investigation [332.0 hours] [\$98,985.00]	Conducting investigation	Organising a full back up of the Company's computerised accounting records including a number of meetings/discussions with my external IT Consultant. Review of relevant books and records of the Company in conducting my investigation into the affairs of the Company. A number of meetings with directors Scott and Ian Colburt in relation to investigatory matters including, but not limited to: - Charges granted to the ANZ Bank and Eclipse Financial Group Pty Ltd. - The sale of the Company's assets

Task Area	General Description	Includes
		to Jaybro. • Rents paid to related parties. • Company's history and background. • Records contained on the Company's computerised accounting system. • Current financial position of the Company. • Related party loan accounts. • Outstanding investigatory issues. • Remuneration of directors and related parties. • Recovery actions including insolvent trading, voidable transactions and sections 181 and 182 of the Act. Review and preparation of company history and background. Conducting statutory searches on directors and related entities. Conducting PPSR searches. Review of Company's current financial position. Review of Company's financial accounts for the last 4 years including the preparation of comparative financial statements. Review Company's Report as to Affairs and directors' questionnaire. Review the validity of charges granted to the ANZ Bank and Eclipse Financial Group, and a number of discussions and correspondence with my lawyer in relation to same. Review and summarise rents paid to a number of related parties during the last 4 years including an analysis of the commerciality of such payments. Detailed review of the movements in a number of related party loan accounts during the last 4 years including the identification of potential voidable transactions and breaches of the Act. Review and summarise the remuneration paid to directors and related parties

Task Area	General Description	Includes
		during the last 4 years. Detailed review and analysis of the solvency of the Company including identifying and summarising numerous indicators of insolvency and determining a date of insolvency. Quantifying the insolvent trading action available against directors including the preparation and analysis of the following: • A spreadsheet summarising unpaid invoices as extracted from Company records from the date of insolvency. • A spreadsheet summarising unpaid statutory debt from the date of insolvency. Review payments made during the 6 month period prior to my appointment including the preparation and analysis of the following spreadsheets: • Possible preference payments to creditors. • All payments to related parties. • All payments above \$10,000. Preparation of correspondence to director Scott Colburt seeking further details in relation to outstanding investigatory issues. Preparation of investigation files.
	Litigation / Recoveries	Preparation and issuance of demands to related parties with debit balance loan accounts. Liaising with my lawyer regarding possible recovery actions available against directors including insolvent trading, voidable transactions and breaches of sections 181 and 182 of the Act. Draft letter of demand to related party Roadsigns No 2 Superannuation Fund in relation to unfair preference payments received. Draft letters of demand to current and former directors in relation to the insolvent trading action available against them. Draft letters of demand to current and

Task Area	General Description	Includes
		former directors in relation to possible breaches of sections 181 and 182 of the Act. Conducting investigations into the financial positions of directors in order to assess capability of meeting claims against them including the following: • Review statutory declarations received from directors detailing their personal asset and liability positions. • Conducted Australia wide property searches. • Preparation of correspondence to directors Ian and Christina Colburt seeking further particulars in relation to their personal assets and liabilities. • Discussions with my lawyer in relation to same.
	ASIC reporting	Preparation of statutory investigation report under section 533(1) of the Act.
Administration [280.1 hours] [\$64,140.00]	Correspondence	Initial meetings with directors Scott and Ian Colburt at Company premises immediately following my appointment. Preparation and issuance of director letters/demands regarding their obligations including the completion of a Report as to Affairs, questionnaire and the delivery of Company records. Receive and follow up general enquiries via telephone. Review and prepare correspondence relating to general matters such as mail redirection forms, removal of waste bins and electricity accounts. Sort and date stamp incoming mail.
	Document maintenance/file review/checklist	Filing of documents. File reviews. Updating MYOB Insolvency Tasks checklist.

Task Area	General Description	Includes
	Insurance	Correspondence with insurance broker regarding initial and ongoing insurance requirements. Review and respond to correspondence from insurers regarding workers compensation and wage declarations.
	Bank account administration	Preparation of correspondence opening various liquidator bank accounts including cheque account, cash maximiser and term deposit. Deposit incoming debtor cheques at bank and process payments on NAB connect. Inputting all receipts and payments into MYOB insolvency (liquidator's computerised accounting system) including preparation of receipt and payment vouchers attaching backup documents. Regular bank account reconciliations. Preparation of receipts and payments summary. Correspondence with bank regarding specific transfers.
	ASIC Form 524 and other forms	Preparation and lodgement of ASIC forms including 505, 205, 524 and 5011.
	ATO and other statutory reporting	Preparation of correspondence to statutory bodies and utilities advising of appointment and responding to queries. Preparation of Business Activity Statements for September 2014, December 2014 and March 2015 quarters.
	Planning / Review	Discussions with staff regarding status of administration.
	Books and records / storage	Listing and boxing (into 271 archive boxes) the Company books and records at Company's Caringbah premises. Dealing with records in storage including the retrieval and return of boxes as required.

Total \$383,151.00 plus GST

The above is also summarised in section 4 of this report under the heading "Calculation of Remuneration".

Please note that effective 1 December 2014, following an annual review of the A2Z Insolvency Solutions' hourly rates of charge, my firm's rates increased in keeping with the

rates charged by other insolvency firms in Australia. The new hourly rates are attached at Annexure 5 to the report to creditors dated 22 June 2015.

Notwithstanding however the increase in my firm's hourly rates of charge effective 1 December 2014, I will not be seeking creditor approval of my remuneration at the increased rates for the period from 1 December 2014 to 9 June 2015. The above remuneration has been calculated using the previous hourly rates of my firm which are attached at Annexure 4 to the report to creditors dated 22 June 2015 having previously being attached to the initial report to creditors dated 28 August 2014. This will result in an effective discount in my remuneration of \$71,582.00 (excluding GST) for the period up to 9 June 2015.

Having regard to my remuneration approved to date in the amount \$100,000.00 (excluding GST) and the value of time costs incurred in the liquidation for the period 21 August 2014 to 9 June 2015 of \$383,151.00 (excluding GST), I have incurred further remuneration in the amount of \$283,151.00 (excluding GST) for this period in excess of the amount approved by creditors to date. Accordingly, I am now seeking creditor approval for my additional remuneration during the period 21 August 2014 to 9 June 2015 in the amount of \$283,151.00 (excluding GST).

Resolution 2 – Liquidator's Prospective Remuneration from 10 June 2015 to the convening of the annual meeting of creditors in early November 2015.

Further time costs will be incurred during the period 10 June 2015 to the convening of the annual meeting of creditors in early November 2015. Such additional costs may include, but are not limited to the following tasks:

Task Area	General Description	Includes
Assets [\$25,000]	Debtors	Maintain and update debtors' schedule. Corresponding with debtors in relation to their debts including: • Reviewing responses received from debtors. • Preparation of letters in response to debtor correspondence received. • Phone discussions with debtors in relation to amounts owing. • Review in detail account reconciliations in relation to disputed debts. • Liaising with director Scott Colburt and my lawyer in relation to disputed debts. • Review Company records in order to provide various debtors with copies of outstanding invoices and to substantiate disputed debts.
	Other Assets	Tasks associated with realising the balance

Task Area	General Description	Includes
		of the first retention (\$111,848) held by Jaybro's lawyer under the sale of assets agreement completed on 4 July 2014 ("sale agreement") between Jaybro and the Company including but not limited to the following: • Referring to specific clauses under the sale agreement. • Discussions and correspondence with my lawyer in relation to organising settlement with Jaybro's lawyer of payment of the balance of the first retention. • Preparation of correspondence to Jaybro in relation to the reconciliation of Jaybro debtor monies received in the Company's bank accounts and also monies received by Jaybro from Company debtors. • Provide reasonable assistance to Jaybro (as required under the sale agreement) with the proposed assignment of customer contracts to Jaybro including liaising with my lawyer, Jaybro and the relevant customers regarding amendments required to the proposed assignment deeds. Further review of correspondence received from the ANZ Bank in relation to payment of Company bank guarantees and write to the recipients of these payments seeking an accounting of funds received.
Creditors [\$50,000]	Creditor Enquiries (note creditors number 328 in total)	Receive and follow up creditor enquiries via telephone. Review and prepare correspondence to creditors and their representatives via email and post.
	Creditor reports	Completion and issuance of my comprehensive report to creditors providing creditors with an update on the conduct of the liquidation including the results of my investigations to date. Also completion of my remuneration report, summary of receipts and payments and

Task Area	General Description	Includes
		Notice of Meeting which are all attached to my comprehensive report. Preparation and lodgement of advertisement for upcoming meeting of creditors on ASIC Insolvency Notices website. Preparation and issuance of my annual report to creditors convening the annual meeting of creditors including notice of meeting, receipts and payments summary and remuneration report. Preparation and lodgement of advertisement of annual meeting on ASIC Insolvency Notices website.
	Dealing with proofs of debt	Receipting and filing Proofs of debt received.
	Meeting of Creditors	For upcoming creditors' meeting, preparation of meeting file, including attendance register, list of creditors, reports to creditors, proxy schedule, proof of debt schedule, draft minutes of meeting and the liquidator's notes for meeting. Chair upcoming meeting of creditors. Preparation and lodgement of minutes of upcoming creditors' meeting with ASIC. Responding to stakeholder queries and questions immediately following upcoming meeting.
Employees [\$5,000]	Employees enquiries	Receive and follow up employee enquiries via telephone. Review and prepare correspondence to employees and their representatives via email and post.
	Fair Entitlements Guarantee ("FEG") Scheme	Correspondence with the Department of Employment. Preparation of verification spreadsheets (at the request of the Department of Employment) for the remaining employee claims expected to be received under FEG which will require my review of each individual employee file in order to extract specific information required under FEG for verification purposes. Liaising with the Department of Employment in relation to the verification of the remaining employee claims

Task Area	General Description	Includes
		including responding to queries raised and providing additional information in support of such claims. Preparation of FEG distributions including letters and cheques for advances received from the Department of Employment for payment to employees. Completion of FEG Acquittal spreadsheet and statement for each distribution made and email to the Department of Employment. Completion and distribution of PAYG Payment Summaries for each employee who received a FEG payment.
	Calculation of entitlements	Preparation of correspondence to the Australian Taxation Office including the completion of a spreadsheet providing specific employee details and outstanding superannuation guarantee charge by employee and quarter.
Investigation [\$60,000]	Conducting investigation	Review of relevant books and records of the Company in conducting my continuing investigations into the affairs of the Company. Summarising statutory searches of directors and related entities. Liaising with directors regarding outstanding and ongoing investigatory issues. Review possible preference payments made during the 6 month period prior to my appointment including the review of specific Company records and the preparation and issuance of preference enquiry / demand letters. Review responses to preference enquiry / demand letters and prepare further correspondence as necessary. Collate and file documents in investigation files.
	Examinations (if required)	Preparing brief to my lawyer. Liaising with my lawyer regarding examinations. Attendance at examination. Reviewing examination transcripts. Liaising with my lawyer regarding

Task Area	General Description	Includes
		outcome of examinations and further actions available.
	Litigation / Recoveries	Commence proceedings to wind up related parties with debit balance loan accounts being Trubloc Pty Ltd and Colbyco Pty Ltd, if directed to do so by creditors at the upcoming meeting. Liaising with my lawyer regarding possible recovery actions available against directors including insolvent trading, voidable transactions and breaches of sections 181 and 182 of the Act. Finalise my letter of demand to related party Roadsigns No 2 Superannuation Fund in relation to unfair preference payments received. Finalise my letters of demand to current and former directors in relation to the insolvent trading action available against them. Finalise my letters of demand to current and former directors in relation to breaches of sections 181 and 182 of the Act. Finalise my letter of demand to former director Troy Colburt in relation to the motor vehicle transferred to him just prior to my appointment. Continuing my investigations into the financial positions of directors in order to assess capability of meeting claims against them including the following: • Preparation of correspondence to former director Troy Colburt seeking further particulars in relation to his personal asset and liability position. • Review correspondence from directors Ian and Christina Colburt in response to my correspondence seeking further particulars in relation to their personal assets and liabilities. Discussions with my lawyer in relation to same. Internal meetings to discuss status of

Task Area	General Description	Includes
		litigation. Preparing brief to my lawyer. Liaising with my lawyer regarding recovery actions. Attending to negotiations. Attending to settlement matters.
Administration [\$10,000]	Correspondence	Receive and follow up general enquiries via telephone. Sort and date stamp incoming mail.
	Document maintenance/file review/checklist	Filing of documents. File reviews. Updating MYOB Insolvency Tasks checklist.
	Bank account administration	Deposit incoming debtor cheques at bank and process payments on NAB connect. Inputting all receipts and payments into MYOB insolvency (liquidator's computerised accounting system) including preparation of receipt and payment vouchers attaching backup documents. Regular bank account reconciliations. Preparation of receipts and payments summary. Correspondence with bank regarding specific transfers.
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including forms 524 and 5011.
	ATO and other statutory reporting	Preparation of Business Activity Statements for the June 2015 and September 2015 quarters. Completion and lodgement of PAYG payment summary statement.
	Planning / Review	Discussions regarding status of administration.
	Books and records / storage	Dealing with records in storage including the retrieval and return of boxes as required.

Total \$150,000.00 plus GST

The above estimate has been calculated based upon the A2Z Insolvency Solutions' current hourly rates attached at Annexure 5 to the report to creditors dated 22 June 2015.

The above is an estimate of the work required to be completed for the period 10 June 2015 to the convening of the annual meeting of creditors in early November 2015. The amount

represents a remuneration cap being the maximum remuneration I am entitled to draw without seeking further fee approval from creditors. As I will only draw remuneration as incurred I may draw less than the remuneration cap.

Please note however that the above is an estimate only and is subject to change depending on the actual work required and issues which may arise in the liquidation for the relevant period. If my actual costs exceed the above estimate, I may seek further fee approval at a later date for this period.

4. Calculation of Remuneration - 21 August 2014 to 9 June 2015

Employee	Position	\$/ hour (ex GST)	Total actual hours	Total (\$)	Task Area				
					Assets \$	Creditors \$	Employees \$	Investigation \$	Administration \$
A Zeidan	Appointee	450	578.4	260,280	62,595	80,055	19,395	73,575	24,660
D El-Bayeh	Senior 1	200	221.9	44,380	5,180	8,840	6,160	540	23,660
A Nizamani	Senior 2	200	4.9	980	40	20			920
Y Khan	Inter. 1	150	291.1	43,665	1,575	5,505	15,810	12,315	8,460
Y Sarakbi	Inter. 1	150	207.7	31,155	1,560	9,600	3,015	12,555	4,425
A Tang	Inter. 2	130	15.2	1,976		676			1,300
Temp	Office Clerk	110	6.5	715					715
Total				\$383,151	70,950	104,696	44,380	98,985	64,140
GST				\$38,315					
Total (Incl. GST)				\$421,466					
Actual Hours				1,325.7	186.1	328.1	199.4	332.0	280.1
Average hourly rate				\$318	381	319	223	298	229

I note that the above remuneration calculation does not include an amount of \$71,582.00 (excluding GST) in time costs which I am proposing to write off, resulting in an effective discount to creditors of this amount.

5. Statement of remuneration claim

At the upcoming meeting of creditors to be held on 9 July 2015, creditors will be asked to pass the following resolutions:

Resolution 1: Liquidator's Retrospective Fees

"That the further remuneration of the Liquidator for the period 21 August 2014 to 9 June 2015, calculated at the hourly rates of A2Z Insolvency Solutions as detailed at Annexure 4 in the report to creditors dated 22 June 2015, is determined in the amount of \$283,151.00 plus GST of \$28,315.10."

Resolution 2: Liquidator's Prospective Fees

"That the remuneration of the Liquidator from 10 June 2015 to the convening of the annual meeting of creditors in early November 2015 is determined at a sum equal to the cost of time spent by the Liquidator and his staff, calculated at the hourly rates as detailed at Annexure 5 in the report to creditors dated 22 June 2015, to a limit of \$150,000.00, plus GST of \$15,000.00, payable as and when incurred, without limiting the right of the Liquidator to approach creditors or the committee of inspection or the Court to approve further remuneration."

As noted above, remuneration to date of \$100,000.00 (excluding GST) has been approved and paid in this administration. Approval of this remuneration was obtained at the first meeting of creditors held on 11 September 2014.

6. Remuneration recoverable from external sources

To date, I have not received any remuneration from external sources such as the Department of Employment or ASIC nor do I expect to in the future.

7. Disbursements

Disbursements are divided into three types:

- Externally provided professional services - these are recovered at cost. An example of an externally provided professional service disbursement is legal fees.
- Externally provided non-professional costs such as travel, accommodation and search fees - these are recovered at cost.
- Internal disbursements such as photocopying, printing and postage. These disbursements would generally be charged at cost; though some expenses such as telephone calls, photocopying and printing may be charged at a rate which recoups both variable and fixed costs. The recovery of these costs must be on a reasonable commercial basis.

I have undertaken a proper assessment of disbursements claimed for the Company, in accordance with the law and applicable professional standards. I am satisfied that the disbursements claimed are necessary and proper.

The following disbursements have been paid by the Administration to my firm for the period from 21 August 2014 to 9 June 2015. Where amounts have been paid to my firm for externally provided services and costs, that is in reimbursement of a cost previously paid by my firm either due to a lack of funds in the Administration at the time the payment was due or the direct invoicing of my firm by the supplier. All of the below transactions appear in the summary of receipts and payments **attached** at Annexure "2" to the report to creditors as Appointee disbursements.

Disbursements paid 21 August 2014 to 9 June 2015	Basis	Total (Excl. GST)
Externally provided non-professional services		
Advertising	At Cost	\$217.00
Electronic Devices	At Cost	\$550.72
Teleconference facilities	At Cost	\$318.18
Search fees	At Cost	\$275.65
Parking	At Cost	\$74.16
Miscellaneous	At Cost	\$10.96
Internal disbursements		
Photocopying	\$0.60 per page	\$10,839.00
Printing	\$0.60 per page	\$3,091.80
Postage	At Cost	\$3,165.20
Stationery -Folders	\$4.00 per folder	\$76.00
Stationery – File index / dividers	\$4.00 per set of 10	\$32.00
Motor vehicle use	ATO standard rate per km	\$710.78
Total		\$19,361.45

Where payments to third parties are paid directly from the Administration bank account, they are only included in the attached summary of receipts and payments. Legal fees paid to date amount to \$68,285.30 (GST inclusive). Below is a summary of the areas of work my lawyers have been required to undertake in the liquidation of the Company:

- Conduct general security review of registered interests over the Company;
- Consider ANZ security interest and Eclipse security interest;
- Provide advice in relation to the Eclipse security interest;
- Obtain release of second ranking security interest over the Company;
- Review Sale Agreement and provide advice in relation to Sale Agreement;
- Consider issues arising out of the Sale Agreement, including novation of certain of the Company's business contracts and retention of title claim obligations;
- Provide advice on novation agreements;
- Review and consider validity of retention of title claims ("ROT Claims") made by various creditors;
- Negotiate terms of novation agreements;
- Negotiate and resolve ROT Claims;
- Attend to settlement of ROT Claims;
- Consider and resolve first tranche of retention fund and warranty claims under the Sale Agreement;
- Arrange release of first tranche of retention monies;
- Review adjustment claims under Sale Agreement and negotiate with purchaser; and
- Attend 1st creditors' meeting and attendances upon the liquidator.

Future disbursements provided by my firm will be charged to the administration on the following basis:

Internal disbursements	Rate (Excl. GST)
Advertising	At Cost
Faxes	\$0.50 per page
Courier	At Cost
Printing & Photocopies	\$0.70 per page
Postage	At Cost
Stationery	
- Folders	\$5.00 per folder
- Filing Index	\$5.00 per set of 10
Motor vehicle use	ATO standard rate per km

8. Report on Progress of the Administration

Please refer to the **attached** report to creditors for a report on the progress of the Administration.

9. Summary of Receipts and Payments

As noted above, a summary of the Liquidator's receipts and payments for the period 21 August 2014 to 9 June 2015 is **attached** at Annexure "2" to the report to creditors.

10. Queries

The above information is provided to assist creditors in considering the appropriateness of the remuneration claim that is being made.

Creditors should feel free to contact the Liquidator's office to seek further information concerning the remuneration claim if they so need.

11. Information Sheet

ASIC has produced a Remuneration Information Sheet titled "Approving fees: a guide for creditors" that can be downloaded from the ASIC web site www.asic.gov.au or alternatively a copy can be obtained if you contact this office.

Yours faithfully,

OLD ROAD FURNITURE NO 1 PTY LIMITED
(In Liquidation)



Ahmad Zeidan
Liquidator

Annexure "4"

A2Z INSOLVENCY SOLUTIONS

SCHEDULE OF HOURLY RATES (PREVIOUS RATES)

Position	Rate (GST Excl.)	GST	Total Rate (GST Incl.) \$	Description – guide only
Principal/Appointee	450.00	45.00	495.00	Registered Liquidator – bringing specialist skills to the administration or insolvency task.
Associate	330.00	33.00	363.00	Extensive insolvency experience, at least 3 years as a Senior Manager, tertiary qualified and capable of controlling all aspects of an administration. May be appropriately qualified to take appointments in their own right.
Senior Manager	300.00	30.00	330.00	More than 7 years insolvency experience, at least 2 years as a Manager, tertiary qualified. Answerable to the Appointee but otherwise responsible for all aspects of an administration. Experienced at all levels and considered very competent. Controls staff and on the job training.
Manager	270.00	27.00	297.00	6-7 years insolvency experience, tertiary qualified, with well-developed technical and commercial skills. Answerable to the Appointee but otherwise responsible for all aspects of an administration. Experienced at all levels and considered very competent. Controls staff and on the job training.
Supervisor	240.00	24.00	264.00	4-6 years insolvency experience. Likely tertiary qualified. Will have had conduct of smaller administrations and experience in control of staff. Assists in planning and control of medium to larger administrations.

Senior 1	220.00	22.00	242.00	2-4 years insolvency experience. Likely tertiary qualified or nearing completion. Assists in planning and control of small to medium jobs as well as performing some of the more difficult work on larger administrations.
Senior 2	200.00	20.00	220.00	1-2 years insolvency experience. Likely tertiary qualified or nearing completion. Required to assist in day-to-day fieldwork under supervision of more senior staff.
Intermediate 1	150.00	15.00	165.00	Less than 2 years insolvency experience. Likely tertiary course underway or near complete. Has little or no professional experience. Required to assist in day-to-day fieldwork under supervision of more senior staff.
Intermediate 2	130.00	13.00	143.00	Less than 1 year insolvency experience. Trainee likely undertaking a degree with an accounting major. Required to assist in day to day fieldwork under supervision of more senior staff.
Secretary	130.00	13.00	143.00	Appropriate skills.
Personal Assistant / Office Clerk	110.00	11.00	121.00	Non-qualified. Tasks include reception duties, filing, inputting data, deliveries, collecting/posting mail and banking.
Junior	80.00	8.00	88.00	Non-qualified. Required to assist in administration and day-to-day fieldwork under supervision of more senior staff.

Notes:

- (i) the Firm maintains its time records in a computerised system (MYOB Practice Manager);
- (ii) the categories above do not cover professional staff who are not studying tertiary degree courses majoring in accounting/law or have attained like qualifications. A2Z Insolvency Solutions recognises that in this category there are some people who are highly skilled and believes it is not possible to give a description which will adequately cover all situations. The Firm therefore decides what is the relevant and appropriate charge-out rate for this category of staff.

Some people may be employed on a contract basis and may not necessarily have specialist insolvency experience. In this regard contractors are charged in accordance with their classification as determined by the firm based on their academic qualifications and experience; and
- (iii) these categories are a guide only. Individual circumstances will dictate category of staff and hourly rates.

Annexure “5”

A2Z INSOLVENCY SOLUTIONS

SCHEDULE OF HOURLY RATES (CURRENT)

Position	Hourly Rate (excl. GST)	Description – guide only
Principal/Appointee	550	Registered Liquidator – bringing specialist skills to the administration or insolvency task.
Associate	420	Extensive insolvency experience, at least 3 years as a Senior Manager, tertiary qualified and capable of controlling all aspects of an administration. May be appropriately qualified to take appointments in their own right.
Senior Manager	390	More than 7 years insolvency experience, at least 2 years as a Manager, tertiary qualified. Answerable to the Appointee but otherwise responsible for all aspects of an administration. Experienced at all levels and considered very competent. Controls staff and on the job training.
Manager	360	6-7 years insolvency experience, tertiary qualified, with well-developed technical and commercial skills. Answerable to the Appointee but otherwise responsible for all aspects of an administration. Experienced at all levels and considered very competent. Controls staff and on the job training.
Supervisor	320	4-6 years insolvency experience. Likely tertiary qualified. Will have had conduct of smaller administrations and experience in control of staff. Assists in planning and control of medium to larger administrations.
Senior 1	280	2-4 years insolvency experience. Likely tertiary qualified or nearing completion. Assists in planning and control of small to medium jobs as well as performing some of the more difficult work on larger administrations.
Senior 2	240	1-2 years insolvency experience. Likely tertiary qualified or nearing completion. Required to assist in day-to-day fieldwork under supervision of more senior staff.
Intermediate 1	220	Less than 2 years insolvency experience. Likely tertiary course underway or near complete. Has little or no professional experience. Required to assist in day-to-day fieldwork under supervision of more senior staff.

Intermediate 2	190	Less than 1 year insolvency experience. Trainee likely undertaking a degree with an accounting major. Required to assist in day to day fieldwork under supervision of more senior staff.
Secretary	150	Word processing and general office administration.
Personal Assistant / Office Clerk	150	Non-qualified. Tasks include reception duties, filing, inputting data, deliveries, collecting/posting mail and banking.
Junior	100	Non-qualified. Required to assist in administration and day-to-day fieldwork under supervision of more senior staff.

Notes:

- (i) The above rates are exclusive of GST.
- (ii) The Firm maintains its time records in a computerised system (MYOB Practice Manager). Work performed on matters is recorded and charged in six (6) minute intervals.
- (iii) Some people may be employed on a contract basis and may not necessarily have specialist insolvency experience. In this regard contractors are charged in accordance with their classification as determined by the firm based on their academic qualifications and experience.
- (iv) These categories are a guide only. Individual circumstances will dictate category of staff and hourly rates.
- (v) These hourly rates are effective from 1 December 2014.

Annexure “6”

FORM 529

Corporations Act 2001

NOTICE OF MEETING OF CREDITORS

**OLD ROAD FURNITURE NO 1 PTY LIMITED
FORMERLY KNOWN AS ROAD SIGNS AND MARKING SUPPLIES PTY LIMITED
FORMERLY T/AS ROAD MANAGEMENT SOLUTIONS
A.C.N. 054 587 325
(IN LIQUIDATION)**

Notice is given that a meeting of creditors will be held at the Fraser Room, Level 1, 33 Erskine Street, Sydney NSW on Thursday, 9 July 2015 at 3.00pm.

AGENDA

1. To consider the Liquidator's report to creditors dated 22 June 2015.
2. To approve the further remuneration of the Liquidator for the period 21 August 2014 to 9 June 2015 in the amount of \$283,151 plus GST.
3. To approve the future remuneration of the Liquidator for the period 10 June 2015 to the convening of the annual meeting of creditors in early November 2015 to a limit of \$150,000 plus GST.
4. Any other matters which may be properly brought before the meeting.

Telephone conference facilities are available.

- a) The telephone conference number is 1800 064 278 (please note you will need to key in the participant pin of 16435167 followed by the # key when prompted).
- b) A creditor who wishes to participate in the meeting by telephone must give the Liquidator, not later than the second-last working day before the day on which the meeting is to be held, a written statement setting out:
 - i) the name of the creditor;
 - ii) an address to which notices to the creditor may be sent;
 - iii) a telephone number at which the creditor may be contacted; and
 - iv) any facsimile transmission number to which notices to the creditor may be sent.
- c) A creditor, or the proxy or attorney of a creditor, who participates in the meeting by telephone must pay any costs incurred by the creditor, proxy or attorney in participating and is not entitled to be reimbursed for those costs from the assets of the company.

Any creditor wishing to participate in the meeting by telephone must advise my office of the details requested above by no later than 5.00pm on Tuesday, 7 July 2015.

A form of proxy is **attached**. Proxies to be used at the meeting must be lodged with the Liquidator prior to the commencement of the meeting. Creditors wishing to vote at the meeting should establish their debt or claim by completing and lodging the **attached** proof of debt with the Liquidator prior to the commencement of the meeting.

Dated this 22nd day of June 2015



AHMAD ZEIDAN

Liquidator

A2Z Insolvency Solutions

Suite 103, Level 1, 84 Pitt Street

SYDNEY NSW 2000

Corporations Act 2001

**OLD ROAD FURNITURE NO 1 PTY LIMITED
FORMERLY KNOWN AS ROAD SIGNS AND MARKING SUPPLIES PTY LIMITED
FORMERLY T/AS ROAD MANAGEMENT SOLUTIONS
A.C.N. 054 587 325
(IN LIQUIDATION)**

APPOINTMENT OF PROXY

I/We
of
a creditor of the abovenamed company hereby appoint

.....
or, in his or her absence

.....
as my/our *general/*special proxy to vote at the meeting of creditors to be held at the Fraser Room, Level 1,
33 Erskine Street, Sydney NSW on Thursday, 9 July 2015 at 3pm or at any adjournment of that meeting.

*(i) This proxy is to be used as a **general proxy** to vote on all matters arising at the meeting.

OR

*(ii) This proxy is to be used as a **special proxy** to vote on the following resolutions as specified.

- | | | |
|---|---|---|
| 1 | <div style="text-align: center;"> <i>for *</i>
 <hr style="width: 50%; margin: 0 auto;"/> <i>against *</i> </div> | That the further remuneration of the Liquidator for the period 21 August 2014 to 9 June 2015, calculated at the hourly rates of A2Z Insolvency Solutions as detailed at Annexure 4 in the report to creditors dated 22 June 2015 is determined in the amount of \$283,151.00, plus GST of \$28,315.10. |
| 2 | <div style="text-align: center;"> <i>for *</i>
 <hr style="width: 50%; margin: 0 auto;"/> <i>against *</i> </div> | That the future remuneration of the Liquidator from 10 June 2015 to the convening of the annual meeting of creditors in early November 2015 is determined at a sum equal to the cost of time spent by the Liquidator and his staff, calculated at hourly rates of A2Z Insolvency Solutions as detailed at Annexure 5 in the report to creditors dated 22 June 2015, to a limit of \$150,000.00 plus GST of \$15,000.00, payable as and when incurred, without limiting the right of the Liquidator to approach creditors or the committee of inspection or the Court to approve further remuneration. |

***IMPORTANT: CROSS OUT WHICHEVER IS INAPPLICABLE.**

DATED this day of 2015

.....
(name of creditor)

.....
(signature)

.....
(capacity of person signing)

.....
(contact number)

NOTES TO PROXY

- (1) The person(s) appointed proxy may be the Chairperson or such other person as the creditor may approve, and the proxy form, when signed, must be lodged by the time and at the address named for that purpose in the notice convening the meeting at which it is to be used.
- (2) Note that any person signing on behalf of a company must be duly authorised by the company.

CERTIFICATE OF WITNESS

(This certificate is to be completed only if the person giving the proxy is blind or incapable of writing. The signature of the creditor, contributory, debenture holder or member must not be witnessed by the person nominated as proxy)

I of
(Name) (Address)
.....
.....

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 or her before he or she signed or marked the instrument.

.....
Dated
.....
(Signature of Witness)

Description
.....

Place of residence
.....
.....

FORM 535

Subregulation 5.6.49(2)

Corporations Act (2001)

**FORMAL PROOF OF DEBT OR CLAIM
(GENERAL FORM)**

To the Liquidator of Old Road Furniture No 1 Pty Limited (In Liquidation) formerly known as Road Signs and Marking Supplies Pty Ltd

1. This is to state that the company was on 21 August 2014, and still is, justly and truly indebted to:

(full name and address of the creditor and, if applicable, the creditor's partners. If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor)
for \$ _____ and _____ cents.

Date	Consideration (state how the Debt arose)	Amount \$ c	Remarks (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. 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.
- *3. I am the creditor's agent authorised in writing to make this statement in writing. 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.

.....
Signature
Occupation:
Address:

Dated: