

LAWSONS COMMERCIAL FLOORING PTY LTD
(In Liquidation)
ACN 151 557 612

Annual Report to Creditors

28 August 2018

Contents**Page**

1.	Introduction	3
2.	Receipts and payments	3
3.	Asset realisations	3
4.	Secured creditors	5
5.	Priority creditors	5
6.	Unsecured creditors	6
7.	Investigations	6
8.	Further work required	8
9.	Independence	8
10.	Remuneration	8
11.	Meeting of creditors	8

Annexures

- A Receipts and payments
- B Schedule of Liquidator's remuneration

Enclosures

- (i) Proof of Debt or Claim

1.0 Introduction

- 1.1 I refer to my Circular to Creditors dated 18 July 2017 and to my Report to Creditors dated 6 October 2017.
- 1.2 As you are aware, I was appointed Liquidator of Lawsons Commercial Flooring Pty Ltd (“the company”) on 7 July 2017.
- 1.3 The purpose of this report is to update you on the progress of the liquidation in accordance with Section 508 of the Corporations Act 2001 (“the Act”). Despite its repeal, Section 508 of the Act continues to apply in respect of a liquidation with an annual reporting year commencing prior to 1 September 2017 but ending after 1 September 2017 (Section 1603 of the Act).

2.0 Receipts and payments

- 2.1 See Annexure A for a summary of the receipts and payments in the liquidation of the company from 7 July 2017 to 28 August 2018.

3.0 Asset realisations

- 3.1 The director of the company, Mr Steven Lawson, gave an estimate in his Report as to Affairs (“RATA”) of potential realisations. Set out below is a comparison of this estimate with the Liquidator’s actual realisations to date.

Asset	Ref	Estimated value (RATA) \$	Realisations to date (excl. GST) \$
Cash at bank	3.2	Nil	36,314
Pre-appointment debts	3.3	37,222	38,948
Plant and equipment	3.4	10,000	7,099
Motor vehicles		51,677	1,463
Total		98,899	83,824

3.2 Cash at bank

- 3.2.1 The company’s bank account was closed on 23 October 2017 and a total balance of \$36,314 was received.

3.3 Pre-appointment debts

- 3.3.1 The company’s records showed that the company had an accounts receivable balance at the date of liquidation of \$398,586. The director estimated that \$37,222 of this balance would be realisable.
- 3.3.2 I have determined that \$276,572 of the debt outstanding in the company’s records was either paid prior to my appointment or was not validly owed.
- 3.3.3 One debt of \$27,377 is owed by Turquoise Developments Pty Ltd (in Liquidation) (“Turquoise”).

3.0 Asset realisations (cont.)

3.3.4 A Liquidator was appointed to Turquoise on 25 May 2017. I have submitted a Proof of Debt in the liquidation however, I am advised that it is unlikely that a dividend will be paid to unsecured creditors of Turquoise.

3.3.5 To date, I have realised pre-appointment debts of \$38,948.

3.3.6 A further \$13,750 remains owed to the company with respect to retentions.

3.3.7 This amount includes a retention in the sum of \$1,265 owed by Cooper & Oxley Builders Pty Ltd ("CO").

3.3.8 Administrators were appointed to CO on 7 February 2018 who subsequently became Trustees of the Cooper & Oxley Builders Creditors' Trust on 25 May 2018.

3.3.9 I have submitted a Proof of Debt with the Trustees and await receipt of a dividend in due course.

3.4 *Plant and equipment, and motor vehicles*

3.4.1 Please refer to my previous Report to Creditors dated 6 October 2017 for details regarding these assets.

Balance of page intentionally left blank

4.0 Secured creditors

- 4.1 According to a search of the Personal Property Securities Register, the following security interests were registered against the company's ACN.

Secured party	Details of charge
Australia and New Zealand Banking Group Limited ("ANZ")	Circulating and non-circulating security interest (see Paragraphs 4.2 and 4.3).
Altro Alpaca Pty Ltd	Invalid registrations.
Signature Floor Coverings Pty Ltd	No items were located that could be subject to a security interest. Proofs of Debt for unsecured claims submitted.
St. George Finance Pty Ltd	Purchase Money Security Interests. Relates to motor vehicles. Disclaimed due to negative equity.
Toyota Finance Australia Limited	
Mercedes-Benz Financial Services Australia Pty Ltd	
Elgas Limited	Purchase Money Security Interest. Relates to supply of gas bottles. Collateral has been collected by the creditor.
Pacific Brands Holdings Pty Ltd	There is no debt owed to these creditors.
Cook Industrial Minerals Pty Ltd	
John Holland Pty Ltd	
Tarkett Australasia Pty Ltd	
Hanes Australia Pty Ltd	
Road Gear Australia Pty Ltd	
Forbo Floorcoverings Pty Ltd	
Westpac Banking Corporation	
Manag Distributors Pty Ltd	
Airstep Australia Pty Ltd	
Foamco Industries Pty Ltd	
Gelpack Enterprises Pty Ltd	

- 4.2 The director's RATA listed ANZ as a secured creditor in relation to a corporate guarantee provided by the company. The guarantee is in respect of loan facilities provided to the partnership of Steven and Kylie Lawson. ANZ has a circulating and non-circulating security interest over the company's assets.
- 4.3 ANZ has advised that the outstanding balance due is \$3,086,503. It is my understanding that ANZ has yet to realise its principal security for the loan facilities, being a commercial property owned by the partnership of Steven and Kylie Lawson.

5.0 Priority creditors

- 5.1 The director's RATA listed the Australian Taxation Office ("ATO") as the company's only priority creditor in respect of unpaid superannuation. The director estimated that the amount outstanding to the ATO was \$242,937.
- 5.2 The ATO has submitted a claim for outstanding superannuation in the sum of \$226,193.
- 5.3 To date, I have received one Proof of Debt from a former employee of the company in the sum of \$15,661 in respect of unpaid superannuation. I note that this outstanding amount would be incorporated into the ATO's claim.

5.0 Priority creditors (cont.)

- 5.4 If you were an employee of the company at the date of liquidation, or if you had previously been employed by the company, you may be a creditor of the company for any or all of the following debts: outstanding wages, annual leave, long service leave, pay in lieu of notice, redundancy and superannuation.
- 5.5 I note that former employees who did not make a claim under the Federal Government's Fair Entitlements Guarantee Act 2012 ("FEG") prior to 7 July 2018 are no longer eligible to receive an advance from FEG.
- 5.6 Based on current information, I anticipate that a dividend will likely be payable to priority creditors of the company.
- 5.7 Please find enclosed a Proof of Debt or Claim form to enable priority creditors to lodge their claim against the company.

6.0 Unsecured creditors

- 6.1 According to the directors, the company had 32 unsecured creditors, whose claims totalled \$1,664,721.
- 6.2 To date, I have received claims from 26 unsecured creditors whose claims total \$1,428,102.
- 6.3 On the basis of current information, I estimate that the total amount owed to unsecured creditors is \$1,783,672. I note that this amount excludes any shortfall to ANZ.
- 6.4 Based on current information, I consider it unlikely that a dividend will be paid to unsecured creditors of the company.
- 6.5 Please find enclosed a Proof of Debt or Claim form to enable unsecured creditors to lodge their claim against the company.

7.0 Investigations

Failure of the company

- 7.1 From my initial investigations, I determined that the failure of the company was caused by:
- (i) a failure to maintain accurate and complete books and records in a timely manner;
 - (ii) excessive spending on unnecessary and non-business expenses, drawings and related party expenses, asset acquisitions and wages;
 - (iii) a failure to provide for taxation liabilities;
 - (iv) a decline in sales during the year ended 30 June 2017; and
 - (v) poor strategic management of the business.

7.0 Investigations (cont.)

Preferences

- 7.2 There is the potential for a Liquidator to recover payments to creditors that have been preferred over other creditors of the company within six months of the company being placed into external administration. That is, if a creditor receives payment in preference to other creditors, the amount paid to that creditor is potentially recoverable by the Liquidator.
- 7.3 From my investigations, I have identified parties that may have received a preference. My investigations into this matter are ongoing.

Insolvent trading

- 7.4 I have determined that the company traded while insolvent from 1 March 2015.
- 7.5 In the event that a company continues to trade while it is insolvent, the director may become personally liable for debts incurred by the company and which remain outstanding as at the date of liquidation.
- 7.6 The director was made bankrupt on 28 November 2017. I have therefore submitted a Proof of Debt with the Official Trustee in respect of the bankrupt director's liability for insolvent trading.

Breaches of director duties

- 7.7 From my investigations, I believe that the director has breached the following sections of the Act:
- (i) Section 180 - Due care and diligence
 - (ii) Section 181 - Good faith
 - (iii) Section 182 - Use of position
 - (iv) Section 286 - Record keeping
 - (v) Section 588G - Insolvent trading

Australian Securities and Investments Commission ("ASIC")

- 7.8 On 13 June 2018, I submitted to ASIC a detailed account of my investigation into the conduct of the company's director with regard to his breaches of civil obligations under the Act, including insolvent trading.
- 7.9 ASIC subsequently reviewed my findings and advised that it did not intend to commence any further investigation into the matters raised in my report.

Possible recovery actions

- 7.10 I have identified a number of potential recovery actions, including uncommercial transactions and unreasonable director-related transactions.
- 7.11 My investigations into these matters are ongoing.

8.0 Further work required

- 8.1 The outstanding matters that are delaying the finalisation of the liquidation are the realisation of pre-appointment debts, investigating and pursuing voidable transaction claims and other recovery actions, and the payment of a dividend to priority creditors.
- 8.2 Once these matters are resolved, I can proceed to finalise the liquidation. On the basis of current information, I estimate that the liquidation will remain ongoing for another year.

9.0 Independence

- 9.1 A Declaration of Independence, Relevant Relationships and Indemnities was contained in my Circular to Creditors dated 18 July 2017. There have been no changes to my independence in this matter.

10.0 Remuneration

- 10.1 Please refer to Annexure B for details of the Liquidator's remuneration.
- 10.2 At the meeting of creditors held on 8 August 2017, creditors approved my remuneration up to a limit of \$60,000 plus GST.
- 10.3 As at 31 July 2018, I have incurred remuneration of \$150,608 plus GST.
- 10.4 To date, I have been paid remuneration of \$42,300 plus GST.

11.0 Meeting of creditors

- 11.1 If a creditors' voluntary winding up continues for more than one year, a Liquidator must either convene an Annual General Meeting or prepare a report and lodge it with ASIC.
- 11.2 In fulfilling my obligations as Liquidator of the company under Section 1603 of the Act (see Paragraph 1.3), I will lodge a copy of this report with ASIC. I have decided not to convene an annual meeting of creditors.

Should you have any queries in relation to the above matters, please do not hesitate to contact Melissa Ledger or Sarah Marsegaglia of this office.

Yours faithfully



JENNIFER E. LOW
Liquidator of
Lawsons Commercial Flooring Pty Ltd

LAWSONS COMMERCIAL FLOORING PTY LTD
(In Liquidation)
ACN 151 557 612

Receipts and payments
for the period 7 July 2017 to 28 August 2018

	<u>\$</u>
Receipts	
Pre-appointment debts	38,948
Cash at bank	36,314
Contribution	20,000
Sale of forklift	3,099
Sale of office equipment	4,000
Sale of Holden Rodeo	1,463
	<u>103,824</u>
Payments	
Bank fees	78
Liquidator's fees:	
Direct realisation fees - circulating assets	16,528
Direct realisation fees - non-circulating assets	5,772
General	20,000
Insurance	1,122
Agent's fees	1,302
Agent's disbursements	250
GST (net)	1,938
	<u>46,990</u>
Cash at bank as at 28 August 2018	<u><u>56,834</u></u>

LAWSONS COMMERCIAL FLOORING PTY LTD
(In Liquidation)
ACN 151 557 612

Liquidator's remuneration
for the period 7 July 2017 to 31 July 2018

Name	Position	Hours	Sheridans Rate ① \$ / hr	Charge \$
J. E. Low	Liquidator	15.2	538	8,177.60
D. Blanchett	Senior Manager	100.4	381	38,252.40
S. O'Connor	Manager	34.3	301	10,324.30
M. Ledger	Senior 1	131.9	243	32,051.70
P. Nguyen	Intermediate 2	25.9	175	4,532.50
S. Marsegaglia	Graduate	360.6	147	53,128.60
J. Don	Graduate	4.5	147	661.50
A. Avery	Secretary	10.5	137	1,438.50
M. Francis	Secretary	14.9	137	2,041.30
Total fees incurred		698.20		150,608.40

① Rounded to the nearest dollar.

LAWSONS COMMERCIAL FLOORING PTY LTD
ACN 151 557 612
(In Liquidation) ("the company")

FORM 535 - FORMAL PROOF OF DEBT OR CLAIM

This is to state that the company was on 7 July 2017 and still is, justly and truly indebted to

_____ for:

\$ _____ and _____ cents

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

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 \$	Due date

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. ①

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. ①

① *Delete both if this proof is made by the creditor personally. Otherwise, strike out or leave, as appropriate.*

Please ensure this proof is signed for completion, before lodgement.

Date: _____

Signature: _____

Name: _____

Occupation: _____

Creditor's address: _____

☐ I nominate to receive electronic notification of notices or documents in accordance with Section 600G of the Corporations Act 2001 at the following email address:
