



SHERIDANS
CHARTERED ACCOUNTANTS

CITYCOURT PTY LTD

(In Liquidation) ACN 075 142 228

ATF THE FOOTWEAR WHOLESALE TRUST

ABN 34 985 269 986

Formerly trading as “WA Shoe Care Products” and “SA Shoe
Care Products”

Annual Report to Creditors

9 August 2018

Contents **Page**

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

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 26 May 2017.
- 1.2 As you are aware, I was appointed Liquidator of Citycourt Pty Ltd (“the company”) on 15 May 2017 and Receiver and Manager of the assets of the Footwear Wholesale Trust on 2 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 15 May 2017 to 9 August 2018.

3.0 Asset realisations

- 3.1 The directors of the company, Mr Michael Mercanti and Ms Sybil Mercanti, gave an estimate in their Reports as to Affairs (“RATA”) of potential realisations. I advise that the directors submitted identical RATAs. 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	Nil
Cash on hand	3.3	700	250
Pre-appointment debts	3.4	1,825,446	52,981
Stock	3.5	500,000	42,322
Plant and equipment	3.6	10,000	
Other assets	3.7	Nil	4,798
Shares	3.8	Not on RATA	5,158
Trading revenue	3.9	N/A	146,097
	Total	2,336,146	251,606

3.2 Cash at bank

- 3.2.1 A debit balance was held in the company’s Westpac bank account at the date of my appointment. Therefore, no amount was realised following the closure of this bank account.

3.3 Cash on hand

- 3.3.1 The company’s cash on hand was realised at a value of \$250.

3.0 Asset realisations (cont.)

3.4 *Pre-appointment debts*

3.4.1 The company's records showed that the company had an accounts receivable balance at the date of liquidation of \$2,046,724. The director estimated that \$1,825,446 of this balance would be realisable.

3.4.2 To date, I have realised pre-appointment debts of \$52,981.

3.4.3 A further \$2,085,623 remains owed to the company by related parties in respect of accounts receivable, unpaid trust distributions and loan accounts.

3.4.4 My investigation into the amounts owed by related entities is ongoing. I will advise creditors of any realisations in due course.

3.5 *Stock*

3.5.1 At the date of my appointment there was considerable uncertainty regarding the value of the company's stock.

3.5.2 In their RATAs, the directors estimated that the stock had a realisable value of \$500,000. The company's management staff reluctantly estimated that the stock could be realised at a value of \$400,000.

3.5.3 Following my appointment, I determined that it was not commercially viable to obtain an independent stocktake. I therefore arranged for a comprehensive stocktake to be undertaken by the company's staff. The result was a valuation of \$199,931 of stock on hand, valued at cost price, excluding any inventory subject to a valid Purchase Money Security Interest (see Section 4.0).

3.5.4 I note that by the date of liquidation the company was only selling inventory that had recently been purchased and it was determined that most of the inventory on hand was obsolete. The cost price valuation of \$199,931 appeared to therefore be heavily overstated.

3.5.5 In addition to the stock included as part of the sale of the business (see Section 3.10), stock was sold during the trade on of the business (see Section 3.9).

3.6 *Plant and equipment*

3.6.1 Plant and equipment, with an auction value of \$6,840 plus GST, was included with the sale of the business (see Section 3.10).

3.6.2 A stitching machine was sold separately for \$2,000 plus GST, being its auction value.

3.7 *Other assets*

3.7.1 The other assets listed on the directors' RATAs were unrealisable sundry debtors (details of which were unknown) and formation costs. In addition, the directors' RATAs disclosed a number of shares and foreign currency with no realisable value.

3.0 Asset realisations (cont.)

3.7.2 A prepayment of \$4,729 was recovered from one of the company's telecommunications providers and a further \$69 was refunded by ASIC.

3.8 *Shares*

3.8.1 As a result of my investigations, I discovered that the company owned a small number of publicly listed shares. I engaged a stockbroker to sell the shares and received \$5,158 (less brokerage fees).

3.9 *Trading revenue*

3.9.1 Initial cash flow estimates suggested that the business could trade at a cash surplus. In addition, I had the apparent benefit of a large volume of inventory on hand to assist with a short period of trading.

3.9.2 Accordingly, I continued to trade the business 'SA Shoe Care' following my appointment as liquidator of the company. I ceased to operate the business on 21 July 2017.

3.9.3 The trade on of the business enabled me to sell the business as a going concern (see Section 3.10) which resulted in a better price for the business assets than would have been achievable in a forced sale scenario.

3.9.4 Revenue of \$146,097 was realised as a result of my trading the business.

3.9.5 Revenue realised, net of rent, utilities, employee related costs, merchant fees, printer hire fees and stock purchases, was \$66,474. See Annexure A for further details.

3.10 *Sale of business*

3.10.1 As noted in Section 3.9, I continued trade the business 'SA Shoe Care' following my appointment as liquidator of the company to enable me to sell the business as a going concern.

3.10.2 Prospective purchasers were identified through discussions with the directors and the staff. An initial Information Memorandum ("IM") was provided to these prospective purchasers. The IM was also provided to interested parties who had contacted me via my Seek Business and Gumtree advertisements.

3.10.3 A Supplementary Information Memorandum and the results of the stocktake (see Section 3.5) was also provided to the interested parties.

3.10.4 Negotiations with the leading offerors were conducted in an attempt to improve their offers.

3.10.5 An agreement for the sale of the business assets, stock, and plant and equipment was entered into by way of a Deed signed on 20 July 2017. I received payment of \$40,322 plus GST on 21 July 2017 in full and final settlement of the sale agreement.

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.

Secured party	Details of charge
Westpac Banking Corporation	Highest ranking circulating and non-circulating security interest. Recently advised that the amount still outstanding is \$1,546,464.78
Fuji Xerox Australia	Purchase Money Security Interest. Relates to two printers, which were disclaimed due to negative equity. The creditor has repossessed the printers.
Locksmiths Supply Company	Purchase Money Security Interest. Relates to the supply of goods. No items were located to satisfy the security interest.
Pferd Australia Pty Ltd	Purchase Money Security Interest. Relates to the supply of goods. Nominal amount owing paid.
Waproo Pty Ltd	Purchase Money Security Interest. Relates to the supply of goods. Creditor was paid for stock sold during the trading period and collected remaining stock. Proof of Debt not yet submitted for the unsecured shortfall.
H. Leffler & Son Pty Ltd	Invalid registration. Proof of Debt for unsecured claim submitted.
Bic Australia Pty Ltd	There is no debt owed to these creditors.
Newell Australia	
Shann Australia Pty Ltd	

5.0 Priority creditors

- 5.1 In their RATAs, the directors disclosed that the company's employees were owed \$6,916 in respect of outstanding wages, pay in lieu of notice and long service leave. The directors advised that a further \$29,862 of superannuation entitlements remained outstanding.
- 5.2 A former employee of the company has made a claim under the Fair Entitlements Guarantee Act 2012 ("FEG") and has been paid a total of \$7,743. FEG now has a subrogated priority claim in the liquidation in the amount of \$7,743.
- 5.3 To date, I have received two Proofs of Debt totalling \$15,603 with respect to unpaid superannuation.
- 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 with FEG prior to 15 May 2018 are no longer eligible to receive an advance from FEG.
- 5.6 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 nineteen unsecured creditors whose claims total \$1,244,327.
- 6.3 On the basis of current information, I estimate that the total amount owed to unsecured creditors is \$1,635,829. I note that this amount excludes any shortfall to the company's secured creditors.
- 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 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 the loss of a legal battle involving the company's former director and an inability to service extensive finance.

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.

Breaches of director duties

- 7.4 From my investigations, I believe that the directors have breached the following sections of the Act:
 - (i) Section 182 - Use of position
 - (ii) Section 588G - Insolvent trading

Australian Securities and Investments Commission ("ASIC")

- 7.5 On 16 January 2018, I submitted to ASIC a detailed account of my investigation into the conduct of the company's directors with regard to their breaches of civil obligations under the Act, including insolvent trading.
- 7.6 ASIC subsequently reviewed my findings and advised that it did not intend to commence any further investigation into the matters raised in my report.

7.0 Investigations (cont.)

Transfer of assets

- 7.7 I have received allegations from a third party regarding the transfer of assets prior to my appointment, in particular inventory. This matter is currently being investigated.
- 7.8 If creditors have any further information regarding the transfer of assets prior to my appointment, I would be grateful if you would contact Melissa Ledger or Sarah Marsegaglia of this office.

Motor vehicles

- 7.9 A search of the Department of Transport's records shows that two vehicles were transferred from the company on 11 May 2017 for no consideration.
- 7.10 I consider that I have a voidable transaction claim against the transferee and I am currently pursuing the transferee for the value of the vehicles.

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 third party claims, pursuing preference claims and pursuing other recovery actions.
- 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 26 May 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 June 2017, creditors approved my remuneration up to a limit of \$150,000.00 plus GST.
- 10.3 As at 30 June 2018, I have incurred remuneration of \$318,434.80 plus GST.
- 10.4 To date, I have been paid remuneration of \$125,000.00 plus GST. In addition I have received \$1,170.00 plus GST from FEG for dealing with employee claims.

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 Section 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

A handwritten signature in black ink, appearing to read 'J. E. Low', with a stylized flourish at the end.

JENNIFER E. LOW
Liquidator of
Citycourt Pty Ltd

CITYCOURT PTY LTD ACN 075 142 228 (In Liquidation)
ATF THE FOOTWEAR WHOLESALE TRUST ABN 34 985 269 986
Formerly trading as “WA Shoe Care Products” and “SA Shoe Care Products”

Receipts and payments for the period 15 May 2017 to 9 August 2018

	\$
Receipts	
Trading revenue	146,096.87
Pre-appointment debts	52,980.84
Sale of business	40,321.99
Sale of stitching machine	2,000.00
Cash on hand	250.00
Sale of shares	5,158.39
Refunds	4,798.17
FEG advance	1,170.00
GST (net)	43.06
Total receipts	252,819.32
Payments	
Trading expenses:	
Stock purchases	37,264.31
Rent	7,786.75
Merchant fees	271.20
Printer hire fees	52.71
Utilities	1,228.41
Employment related expenditure:	
Wages (net)	23,809.48
Allowances - Mileage	882.38
PAYG	4,623.00
Superannuation	3,275.85
Workers compensation insurance	428.90
Bank fees	436.29
Accounting software subscription	245.45
Valuation fee	800.00
Stocktake costs:	
Wages (net)	4,763.13
PAYG	1,287.00
Costs of sale of business	299.00
Brokerage fees	200.00
General insurance	654.09
Legal fees	11,425.54
Liquidator's fees	125,000.00
Liquidator's fees (FEG)	1,170.00
Liquidator's disbursements:	
Advertising	302.99
Courier	39.10
Facsimiles	45.50
Printing & photocopying	753.80
Postage	587.20
Travel	15.33
Searches	293.50
Stationery	16.72
Storage	92.90
Telephone	235.00
Legal fees	1,205.00
Mail redirection	889.82
Total payments	230,380.35
Cash at bank as at 9 August 2018	22,438.97

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**Liquidator’s remuneration
for the period 15 May 2017 to 30 June 2018**

Name	Position	Hours	Sheridans Rate ① \$ / hr	Charge \$
J. E. Low	Liquidator	73.7	538	39,650.60
D. Blanchett	Senior Manager	234.5	381	89,344.50
S. O’Connor	Manager	113.9	280	31,843.10
M. Ledger	Senior 1	383.7	235	90,150.30
P. Nguyen	Intermediate 2	75.2	156	11,765.60
H. Christianopoulos	Graduate	48.1	147	7,071.70
S. Marsegaglia	Graduate	275.5	148	40,744.90
J. Don	Graduate	1.4	147	205.80
A. Avery	Secretary	21.4	137	2,931.80
M. Francis	Secretary	33.0	137	4,521.00
M. Lawrence	Secretary	1.5	137	205.50
Total fees incurred		<u>1,261.9</u>		<u>318,434.80</u>

① Rounded to the nearest dollar.

CITYCOURT PTY LTD
ACN 075 142 228
(In Liquidation) ("the company")

FORM 535 - FORMAL PROOF OF DEBT OR CLAIM

This is to state that the company was on 15 May 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:
