

# Sheridans' View



## Final chapter in Kleenmaid saga (ASIC's final clean up)

Kleenmaid, a business founded by Andrew Young in 1980, was an Australian-owned domestic appliance importer and retailer, operating a chain of company and franchised stores across Australia. Its first product was an American-manufactured washing machine sold through appliance service agents.

In 2008, rumours started to circulate about the financial stability of the company. Administrators were appointed on 9 April 2009. The consolidated debts of the Kleenmaid group totalled approximately \$96 million, which included \$26 million in customer deposits on undelivered appliances.

The company slid into liquidation, and in December 2009 a private equity firm acquired the Kleenmaid subsidiary whose assets included the intellectual property of Kleenmaid's trademark, logo and brand name. Kleenmaid (the name), successfully re-vamped, extended and relaunched, continues today.

The Administrators' 17 May 2009 report indicated that the company may have been trading while insolvent since June 2007. After the company had gone into liquidation, ASIC commenced an investigation into its failure. In February 2012, the three former directors (Gary Armstrong, Bradley Young and Andrew Young) appeared in court for the first time. However, the first disciplinary action concluded was against the Kleenmaid group's former auditor, Wayne Wessels, who was suspended for three years on 29 November 2013 by the Companies Auditors and Liquidators Disciplinary Board.

In August 2015, Gary Armstrong was sentenced to five and a half years' imprisonment for one count of fraud and two counts of insolvent trading. In August 2016, Bradley Young was sentenced to nine years' imprisonment for one count of fraud and 17 counts of criminal insolvent trading. Bradley has appealed his conviction and sentence. Judgment has been reserved for a decision.

The trial and conviction of the third director Andrew Young was more convoluted and lengthy. Although Mr Young was included in the trial with his brother Bradley in 2016, on 26 April 2016 the trial was discontinued against him. The trial against Mr Young commenced again on 28 August 2017, but on 20 October 2017 the jury was discharged because of Mr Young's health.

In 2019, the trial against Mr Young started again. Following a 59-day trial, on 10 January 2020, at the age of 66 years Mr Young was found guilty of two counts of fraud and 17 counts of criminal insolvent trading. On 7 February 2020, Mr Young was sentenced to nine years of imprisonment. During trial deliberations, the self-represented Mr Young said "I've had enough of this court", while after the sentencing ASIC's Commissioner John Price said "Mr Young's lengthy imprisonment reflects the seriousness of this matter and should serve as a strong warning to company directors of the consequences where misconduct is established."

## Pre-insolvency advisor sentenced

Former pre-insolvency advisor John Narramore was sentenced in November 2019 to four and a half years' imprisonment for engaging in activity involving the illegal removal of company assets to prevent creditors' access to those assets.

Fictitious invoices were issued to a company, resulting in the illegal removal of \$743,050. The company subsequently went into liquidation. The funds ended up with the company's director and his associates.



## FOREWORD

*"A joyful life is an individual creation that cannot be copied from a recipe."*

**Mihaly Csikszentmihalyi**

*"If positive psychology teaches us anything, it is that all of us are a mixture of strengths and weaknesses. No one has it all, and no one lacks it all."*

**Christopher Peterson**

*"Probably the biggest insight... is that happiness is not just a place, but also a process... Happiness is an ongoing process of fresh challenges, and... it takes the right attitudes and activities to continue to be happy."*

**Ed Diener**

*"Hope has proven a powerful predictor of outcome in every study we've done so far."*

**Charles R. Snyder**

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# Sheridans' View

## Insolvency Practices Inquiry

In our last edition of Sheridans' View (Issue 47), we noted the Australian Small Business and Family Enterprise Ombudsman's inquiry into Australia's insolvency system, to investigate if current insolvency practices achieve the best possible outcome for small and family businesses in financial trouble.

An interim report was to be issued in December 2019. In the event what was issued on 19 December 2019 was a Discussion Paper, which listed a series of Questions for comment, with an explanation of the reason for the questions.

In addition, the Ombudsman, Kate Carnell, in the ASBFE's quarterly report to December 2019, stated with regard to the submissions to the enquiry so far:

*"The message is clear. Small businesses experiencing financial difficulties are often leaving it too late to seek help. The sooner small and family businesses get help, the more likely it is they can achieve a turnaround or restructure."*

The final report is now expected to be handed down in March 2020.

## Recent Assignments

- **Liquidation of a commercial and industrial contract cleaning business in Western Australia.**
- **Ongoing insolvency administrations, involving the sale of a number of residential properties, sale of bankrupt estates' interests in properties, assignment of rights to sue, sale of shares in private limited companies and investigations.**
- **Insolvency advice to various businesses, including those involved in residential construction, holiday accommodation, roofing and gardening services.**
- **Litigation support including:**
  - Identifying and quantifying the asset pool for a Family Court matter.
  - Investigation going back 28 years to identify and locate individuals and trace property transactions.
  - Expert report regarding claims from a Liquidator against a director and related entity.
  - Advice regarding a loss of profits claim in a State Administrative Tribunal action.

**"Once you start making the effort to "wake yourself up" – that is, be more mindful in your activities – you suddenly start appreciating life a lot more."**

Robert Biswas-Diener

## DID YOU KNOW? Willy Wonka



After watching Willy Wonka and the Chocolate Factory, 5-year-old Jack Zerndt wanted to give everyone a Golden Ticket.

Instead, he and his dad, author James Zerndt, put US \$100 notes in five random books in libraries, grocery stores and charity stores around their hometown of Portland, Oregon, USA. Each book, with the US \$100 note, included a message letting the finder know that it was not a mistake and the reason why the money was there.

The first book, and money, was found at a Goodwill charity store with the note: *"Hello! This book is free. If you need the money, please keep it. If you don't, please give it to someone who does. You are not a Leftover. None of us are!"*



## EDITORIAL

## Positive psychology (a quest for the good life)

### Is this for you? Or is it just "fluffy science" or "happiology"?

Positive psychology is the scientific study of human flourishing, and an applied approach to optimal functioning. Positive psychology studies what makes life most worth living.

Its theory is more than an edict to "be positive" and is far more than self-help material based on nothing but opinions or wishful thinking. Most of us, every now and again, pick up on our negatives, rebuke ourselves and resolve to do better. But positive psychology focuses on our strengths, instead of weaknesses, building the good in life instead of repairing the bad.

This relatively new formal science of positive psychology commenced with the publication of a foundational paper on this new field by Martin Seligman (whose earlier research laid the foundation for the psychological theory of "learned helplessness") and Mihaly Csikszentmihalyi (founding father of "flow") in 2000.

The call of this publication was for a greater focus (particularly in psychology) on the positive in life, what is life-giving rather than life-depleting, and for a move from psychology's overly narrow focus on the negative. To some extent this subfield of psychology is "old wine in new bottles" but it has taken old concepts and re-branded their applicability, contributing to the science of well-being.

Two of the principal benefits of the positive psychology movement are that it:

1. Teaches us the power of shifting our perspective.
2. Gives us a more well-defined idea of what "the good life" is.

So what does positive psychology do? It focuses on the positive events and influences in life, including:

1. Positive experiences (like happiness, joy, inspiration and love).
2. Positive states and traits (like gratitude, resilience and compassion).
3. Positive institutions (applying positive principles within entire organisations and institutions).

**So what makes life worth living for you?**

## CONTACTS



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