
5 MAY 2016

Raw Group Sunshine Plaza Pty Ltd ACN 165 477 994

(In Liquidation) (“the Company”)

Formerly ATF Raw Sunshine Plaza Unit Trust (“the Trust”)

Formerly Trading As Factory: The Project

Table of Contents

Section 1: Introduction2

 Background2

 Purpose of the Report2

 Glossary2

 Disclaimer2

Section 2: Company History2

Section 3: Key Work Undertaken3

Section 4: RATA and Books and Records3

 RATA3

 Books and Records3

Section 5: Financial Position as at Appointment Date4

 Notes to the Statement of Financial Position4

Section 6: Historical Financial Position6

 Notes to the Historical Financial Position6

Section 7: Historical Financial Performance7

Section 8: Investigations7

Section 9: Unfair Preferences7

Section 10: Estimated Return to Unsecured Creditors7

Section 11: Acts and Dealings to be Carried Out7

Section 12: Estimated Timeframe for Completion of the Liquidation8

Section 13: Receipts and Payments8

Section 14: Queries8

Schedule 1: Glossary9

Section 1: Introduction

Background

1. Nathan Landrey and Joanne Dunn were appointed as Joint and Several Liquidators of the Company pursuant to Section 491(1) of the Act at a meeting of members held on 16 February 2015.

Purpose of the Report

2. This report has been prepared pursuant to Section 508 of the Act to provide, amongst other things, the following information:
 - 2.1 An account of the acts and dealings of the Liquidators and the conduct of the winding up of the Company for the 12 months from 16 February 2015 to 15 February 2016;
 - 2.2 A description of the acts and dealings that remain to be carried out in order to complete the winding up; and
 - 2.3 An estimate of when the liquidation is likely to be finalised.
3. This report should be read in conjunction with the Liquidators' previous circular to Creditors dated 18 February 2015.

Glossary

4. A glossary of the defined terms used in this report appears at Schedule 1.

Disclaimer

5. This report is based on information sourced from the Company's books and documents and information provided to the Liquidators. The Liquidators have reviewed the books, documents and information and whilst limited independent verification of the information has been conducted, no audit has been undertaken.
6. The Liquidators have no reason to doubt the information contained in this report. The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. The Liquidators reserve the right to alter any conclusions reached on the basis of any changed or additional information which may become available to them.
7. Neither the Liquidators, FTI Consulting, nor any employee thereof undertakes any responsibility in any way whatsoever to any person in respect of any errors in this Report arising from incorrect information provided to the Liquidators.
8. This report is not for general circulation, publication, reproduction or any other use other than to assist the Creditors in evaluating their position as Creditors of the Company and must not be disclosed without the written approval of the Liquidators.
9. The Liquidators do not assume or accept any responsibility for any liability or loss sustained by any Creditor or any other party as a result of the circulation, publication, reproduction or any other use of the report.
10. Each Creditor must seek their own independent legal advice as to their rights and the options available to them with respect to the liquidation of the Company.

Section 2: Company History

11. The Company was a trustee company for the Trust, Raw Sunshine Plaza Unit Trust. The Trust operated Factory: The Project, a restaurant / bar / nightclub, at premises leased at the Sunshine Plaza, Horton Parade, Maroochydore.
12. The business was operational for approximately eighteen months prior to the Liquidators' appointment, and did not trade subsequent to the Appointment Date.
13. The Director of the Company identified increased competition and trading losses as the reasons for failure.

Section 3: Key Work Undertaken

14. During the Report Period, the Liquidators have attended to the following key matters for the winding up of the Company:
 - 14.1 Attending the trading premises to identify potential asset recoveries;
 - 14.2 Engaging an agent to provide an indicative valuation of the remaining assets;
 - 14.3 Liaising with the landlord regarding the lease, the collection of items and the bank guarantee;
 - 14.4 Liaising with Creditors to enable the collection of plant and equipment and stock subject to security interests and ROT claims;
 - 14.5 Preparing circulars to employees and Creditors and holding the first meeting of Creditors;
 - 14.6 Realisation of cash assets and plant and equipment items;
 - 14.7 Liaising with a secured creditor and their solicitors regarding the realisation of assets, and distributing funds from the realisation of the plant and equipment items;
 - 14.8 Obtaining the Company's books and records and reviewing accounting information from the Company's accounting software;
 - 14.9 Communicating and obtaining information from the Company's Director and external accountants;
 - 14.10 Attending to employee, Creditor and media enquiries;
 - 14.11 Undertaking investigations and assessing potential voidable transactions; and
 - 14.12 Statutory compliance and lodgements with ASIC and the ATO.

Section 4: RATA and Books and Records

RATA

15. The Director provided the Liquidators with a completed Form 509 Presentation of Summary of Affairs of a Company and a completed Form 507 Report as to Affairs ("**RATA**") outlining the assets and liabilities of the Company.

Books and Records

16. Section 286 of the Act requires that a Company must keep written financial records that:
 - 16.1 Correctly record and explain its transactions and financial position and performance; and
 - 16.2 Would enable true and fair financial statements to be prepared and audited.
17. The books and records that have been received from the Director and the Company's external accountants include:
 - 17.1 Access to the accounting system ("**Xero**"), including monthly profit and loss statements, monthly balance sheets, aged debtors and creditors listings;
 - 17.2 The Company and Trust Registers;
 - 17.3 Bank statements;
 - 17.4 Supplier and various other correspondence; and

- 17.5 Limited payroll and taxation records.
18. The Liquidators are of the opinion that the Director has complied with the obligations of Section 286 of the Act.

Section 5: Financial Position as at Appointment Date

19. A statement of financial position as at the Appointment Date is provided at Table 1. The statement of financial position is based on the RATA, the books and records received, the Liquidators' investigations and recoveries made in the liquidation.

Table 1: Statement of Financial Position as at 16 February 2015

| | | RATA | RATA | FTI |
|---|-------|------------------|----------------------|--------------------|
| | Notes | Book Value | Estimated Realisable | Realised Value |
| | | (\$) | Value | (\$) |
| | | (\$) | (\$) | (\$) |
| Assets | | | | |
| Cash at Bank | 20.1 | 2,000 | 2,000 | 8,027 |
| Cash on Hand | 20.2 | 3,000 | 3,000 | 3,440 |
| Stock | 20.3 | 9,000 | 9,000 | 0 |
| Plant and Equipment | 20.4 | 40,000 | 20,000 | 3,300 |
| Bank Guarantee | 20.5 | 137,000 | 137,000 | 0 |
| Contingent Assets | 20.6 | 0 | 0 | 0 |
| | | 191,000 | 171,000 | 14,767 |
| Liabilities | | | | |
| Secured Creditors | 20.7 | 89,091 | 89,091 | 17,912 |
| Employees' Entitlements | 20.8 | 46,889 | 46,889 | 47,546 |
| Unsecured Creditors (Trade) | 20.9 | 264,671 | 264,671 | 474,370 |
| Unsecured Creditors (Related) | 20.10 | 0 | 0 | 807,272 |
| | | 400,651 | 400,651 | 1,347,100 |
| Estimated Total Surplus/(Deficiency) | | (209,651) | (229,651) | (1,332,333) |

Source: The Director's RATA and FTI analysis

Notes to the Statement of Financial Position

20. The following notes should be read in conjunction with the statement of financial position.
- 20.1 *Cash at Bank*
The Company held pre-appointment bank accounts with CBA and NAB. The CBA account was the Company's main operating account as at the Appointment Date. \$2,199.50 was recovered from the pre-appointment CBA bank account.
- The Company held two (2) pre-appointment bank accounts with NAB, a former operating account and the term deposit securing the bank guarantee (the bank guarantee is discussed separately below at paragraph 20.5). The surplus interest on the term deposit was transferred to the NAB operating account and \$5,827.65 was realised upon the closure of this account.
- 20.2 *Cash on Hand*
Upon appointment, the Liquidators arranged for members of staff to attend the trading premises. \$3,440 was recovered in cash located at the premises.
- 20.3 *Stock*
The Director advised in the RATA that the Company held stock on appointment with an estimated realisable value of approximately \$8,000 to \$9,000, however also noted that the assets were subject to security interests. The majority of remaining stock located at the trading premises upon appointment

was alcohol and was collected by secured creditors shortly after the Appointment Date. No realisations are anticipated from this source.

20.4 *Plant and Equipment*

The plant and equipment predominately related to the fit-out of the trading premises or items that were subject to security interests. The majority of the fixtures and fittings were unable to be removed from the leased trading premises. The Director informed the Liquidators of a coffee machine that was held in storage. Given one (1) of the secured creditors held a security interest over all present and after-acquired property (“**ALLPAAP**”), the Liquidators sought consent to sell the coffee machine and split the net proceeds with the secured creditor. The coffee machine was sold for \$3,300 including GST. No further realisations are anticipated from the sale of plant and equipment.

20.5 *Bank Guarantee*

Pursuant to the lease for the trading premises, the Company provided the landlord with a bank guarantee from NAB for an amount of \$123,750. The bank guarantee was secured by a term deposit held by the Company with NAB. Given the rent arrears and the work required to “make-good” the premises, the landlord called on the full amount of the bank guarantee. Accordingly, apart from the surplus interest received (as discussed at paragraph 20.1) no proceeds will be received in the liquidation from this source.

20.6 *Contingent Assets*

The Director indicated in the RATA that there was a potential insurance claim that could be pursued relating to the burnout of a cold room compressor. The Liquidators contacted the insurers to further investigate, however an insurance claim had not been made by the Company and the policy had lapsed due to non-payment. No realisations are anticipated from this source.

20.7 *Secured Creditors*

The Liquidators identified numerous secured creditors that had security interests over stock and plant and equipment items. As previously noted, one (1) secured creditor had an ALLPAAP registration. The Liquidators, with consent from the landlord, made attempts to allow secured creditors to collect their remaining items on site. Accordingly, apart from the ALLPAAP registration, the balance of claims made by these creditors will represent an unsecured claim in the liquidation given the items that secured their claims have now been recovered or are no longer in possession of the Company and/or Trust. Further, the Liquidators are not aware of any assets that would warrant enforcement action by a secured creditor.

20.8 *Employee Entitlements*

The outstanding employee entitlements are made up of annual leave for four (4) part-time employees of \$3,766 and superannuation contributions that were unpaid from July 2014 in the amount of \$43,780 (before interest and penalties). The Liquidators informed the former employees that some entitlements (excluding superannuation) may be recoverable under the Fair Entitlement Guarantee (“**FEG**”) scheme. To date, the Liquidators have not been informed of any claims made under the FEG scheme.

20.9 *Unsecured Creditors (Trade)*

The outstanding amount of unsecured creditor claims includes residual claims made by secured creditors, the landlord’s original claim, taxation liabilities and amounts owing to trade creditors. The Liquidators did not receive updated claim amounts from all secured creditors who collected their items or from the landlord, however the Liquidators will not be pursuing updated claim forms unless the likely dividend prospects change (see paragraph 29).

20.10 *Unsecured Creditors (Related)*

The books and records show that related parties are owed approximately \$807,272 from loans made to the Company.

Section 6: Historical Financial Position

21. A summary of the monthly historical financial position for the prior financial year up to the Appointment Date (as extracted from Xero) is shown in Table 2.

| \$ | Notes | Feb-15 | Jan-15 | Dec-14 | Nov-14 | Oct-14 | Sep-14 | Aug-14 | Jul-14 | Jun-14 |
|--------------------------|-------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|
| Assets | | | | | | | | | | |
| Current Assets | 22.1 | 217,835 | 235,914 | 326,335 | 409,587 | 283,846 | 286,059 | 313,972 | 323,022 | 310,670 |
| Non-Current Assets | 22.2 | 307,706 | 307,706 | 307,706 | 307,706 | 307,706 | 307,706 | 307,706 | 307,706 | 301,070 |
| | | 525,541 | 543,620 | 634,041 | 717,293 | 591,553 | 593,766 | 621,679 | 630,729 | 611,740 |
| Liabilities | | | | | | | | | | |
| Current Liabilities | 22.3 | 415,094 | 365,274 | 429,668 | 477,316 | 318,838 | 346,979 | 310,209 | 237,538 | 162,138 |
| Non-Current Liabilities | 22.4 | 807,272 | 807,272 | 750,272 | 750,272 | 651,272 | 531,431 | 499,581 | 499,581 | 499,581 |
| | | 1,222,366 | 1,172,546 | 1,179,940 | 1,227,588 | 970,110 | 878,410 | 809,790 | 737,119 | 661,719 |
| Net Assets/Equity | 22.5 | (696,825) | (628,926) | (545,899) | (510,294) | (378,557) | (284,644) | (188,111) | (106,390) | (49,979) |

Source: Company information extracted from Xero and FTI analysis

Notes to the Historical Financial Position

22. The following notes should be read in conjunction with the historical financial position.

22.1 Current Assets

The books and records of the Company recorded current assets including cash and cash equivalents (\$157k), stock (\$51k), trade debtors (\$7k) and prepayments (\$3k) as at the Appointment Date.

The cash and cash equivalents included cash at bank, the bank guarantee, clearing accounts and floats. Please refer to the previous section on actual cash at bank and cash on hand recovered in the liquidation.

No recoveries were made in the liquidation from stock, trade debtors or prepayments. The Company's books and records reveal that the stock balance did not vary month on month from October 2014 to the Appointment Date.

Accordingly, it appears that the current assets were overstated as at the Appointment Date, particularly in reference to the cash floats and stock.

The current assets were declining month on month from November 2014 to the Appointment Date.

22.2 Non-Current Assets

Non-current assets comprised of the fit-out, computer equipment, fixtures and fittings and plant and equipment items. The non-current assets did not fluctuate month on month during the 2015 financial year up to the Appointment Date, indicating monthly depreciation was not being recorded.

22.3 Current Liabilities

The current liabilities were made up of trade creditors, credit cards, accruals, taxation liabilities and payroll liabilities.

22.4 Non-Current Liabilities

The non-current liabilities were comprised of loans from related parties. It is noted that the loans from related parties grew substantially in the 2015 financial year.

22.5 Net Assets / Equity and Overall Summary of Historical Financial Position

The books and records of the Company show that the Company had a net asset deficiency since at least 30 June 2014 and the deficiency continued to grow month on month up to the Appointment Date. The Company also had a current ratio below one (1) from September 2014 up to the Appointment Date, indicating that the current assets were insufficient to meet current liabilities.

Section 7: Historical Financial Performance

23. A summary of the monthly historical financial performance for the 2016 financial year up to the Appointment Date and the YTD financial performance for FY14 and FY15 (as extracted from Xero) are shown at Table 3.

| \$ | Feb-15 | Jan-15 | Dec-14 | Nov-14 | Oct-14 | Sep-14 | Aug-14 | Jul-14 | FY15 | FY14 |
|--------------------------|-----------------|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|
| Sales | 13,985 | 199,951 | 280,213 | 304,793 | 253,366 | 296,350 | 346,587 | 366,704 | 2,061,950 | 2,216,100 |
| Cost of Sales | (4,387) | (103,209) | (104,058) | (148,968) | (129,426) | (125,915) | (149,859) | (187,010) | (952,831) | (732,618) |
| Expenses | (77,297) | (178,619) | (211,760) | (287,027) | (217,853) | (266,514) | (274,849) | (233,336) | (1,747,255) | (1,533,768) |
| Net Profit/(Loss) | (67,699) | (81,877) | (35,605) | (131,202) | (93,913) | (96,078) | (78,121) | (53,642) | (638,137) | (50,286) |

Source: Company information extracted from Xero and FTI analysis

24. The books and records show that the Company had poor trading performance and did not generate a profit in either FY14 or FY15. It is noted that the Company did not trade for the full financial year in either FY14 or FY15.

Section 8: Investigations

25. Section 533 of the Act requires a liquidator to investigate any offences which may have been committed by the directors or persons who took part in the formation, promotion, administration, management or winding up of a company and to lodge a report on the findings to ASIC. The Liquidators' report pursuant to section 533 has been lodged with ASIC.

Section 9: Unfair Preferences

26. Part 5.7B of the Act allows the Liquidators to bring certain legal recovery proceedings for the benefit of the unsecured Creditors of the Company, including the recovery of unfair preference payments.
27. Unfair preferences are payments made to, or benefits received by a creditor in a period of (usually) six months preceding the liquidation which, if set aside, would be more than that creditor would receive if they were to lodge a Proof of Debt in the liquidation. That is, a creditor has received a benefit, or preference, over the company's other creditors.
28. Based on the available books and records of the Company, the Liquidators have identified a potential claim against the ATO for payments totalling \$42,000 that may represent unfair preferences. The Liquidators have written to the ATO regarding this claim and are awaiting a response.

Section 10: Estimated Return to Unsecured Creditors

29. The estimated return to unsecured Creditors is \$NIL cents in the dollar. Creditors will be notified should the circumstances change and it becomes likely that a dividend will be paid.

Section 11: Acts and Dealings to be Carried Out

30. Prior to the completion of the winding up, the following acts and dealings remain to be carried out by the Liquidators:
- 30.1 Pursuing the potential ATO unfair preference claim and assessing whether legal proceedings are warranted; and
 - 30.2 Attending to all remaining statutory obligations, inclusive of lodgement of this report with ASIC, lodging bi-annual accounts of receipts and payments with ASIC and lodging activity statements with the ATO.
31. In the event that sufficient recoveries are made, the Liquidators may also convene and hold a meeting of Creditors.
32. Following the completion of the abovementioned matters, the Liquidators will be in a position to finalise the liquidation.

Section 12: Estimated Timeframe for Completion of the Liquidation

33. The Liquidators intend to complete the liquidation of the Company by 31 December 2016, however finalisation is dependent upon the timing of the completion of remaining acts and dealings which may be affected by third parties.

Section 13: Receipts and Payments

34. A statement of receipts and payments for the Company for the Report Period is provided in Table 4 below.

**Table 4: Statement of Receipts and Payments for the period
16 February 2015 to 15 February 2016**

| | Amount \$ |
|--|--------------------|
| Receipts | |
| Pre-appointment cash at bank | 8,027.15 |
| Pre-appointment cash on hand | 3,440.00 |
| Plant and equipment | 3,300.00 |
| Upfront indemnity | 20,000.00 |
| GST received | 2,981.00 |
| Interest income | 11.97 |
| | 37,760.12 |
| Payments | |
| Appointee disbursements | (1,194.37) |
| Appointee fees | (33,000.00) |
| Agent fees | (522.50) |
| Payment to secured creditor | (1,388.75) |
| | (36,105.62) |
| Reconciliation as at 15 February 2016 | |
| Opening balance | 0.00 |
| Receipts | 37,760.12 |
| Payments | (36,105.62) |
| Closing balance | 1,654.50 |

Source: FTI analysis

Section 14: Queries

35. Should you have any queries in relation to this report, please contact Declan McDonnell of this office on (02) 8247 8000 or declan.mcdonnell@fticonsulting.com.

Yours faithfully
Raw Group Sunshine Plaza Pty Ltd
(In Liquidation)



Nathan Landrey
Joint and Several Liquidator

s:\sydney\sydmatters\current\raw group sunshine plaza - 445449.0001\9 - creditor meetings and communications\2016 annual report\annual report to creditors - raw group.docx

Schedule 1: Glossary

| Term | Definition |
|-------------------|--|
| Act | Corporations Act 2001 (Cth) |
| ALLPAAP | All Present and After-Acquired Property |
| Appointment Date | Appointment of Liquidators on 16 February 2015 |
| ASIC | Australian Securities and Investments Commission |
| ATO | Australian Taxation Office |
| CBA | Commonwealth Bank of Australia |
| Company / Trustee | Raw Group Sunshine Plaza Pty Ltd ACN 165 477 994 |
| Creditors | Creditors of the Company who have an admissible claim in the liquidation |
| Director | Mr Zeke Rowland, the sole director and secretary of the Company |
| FEG | Fair Entitlement Guarantee, a government scheme for some outstanding employee entitlements |
| FTI Consulting | FTI Consulting (Australia) Pty Ltd |
| FY | Financial Year |
| Liquidators | Nathan Landrey and Joanne Dunn of FTI Consulting |
| NAB | National Australia Bank |
| POD | Proof of debt |
| RATA | Report as to Affairs |
| Report Period | The period from 16 February 2015 to 15 February 2016 |
| ROT | Retention of Title |
| Trust | Raw Sunshine Plaza Unit Trust ABN 64 587 784 740 |
| Xero | The Company's accounting system as at the Appointment Date |
| YTD | Year to Date |



Nathan Landrey
+61 2 8247 8000
nathan.landrey@fticonsulting.com

Declan McDonnell
+61 2 8247 8000
declan.mcdonnell@fticonsulting.com

Liability limited by a scheme approved under Professional Standards Legislation

About FTI Consulting

FTI Consulting is a global business advisory firm dedicated to helping organisations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. FTI Consulting professionals, who are located in all major business centers throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management and restructuring.

www.fticonsulting.com