Aerison Group Limited and its related entities (All Administrators Appointed)('the Group')

Supplementary Report by Administrators

31 August 2023

KordaMentha

1 Purpose of supplementary report

I refer to my report to creditors dated 24 August 2023 ('the Report'). Defined terms in this report have the meaning set out in the Report unless stated otherwise.

The purpose of this supplementary report is to provide an update of matters that have occurred since the Report was issued in advance of the Meeting, which is scheduled to take place at 2pm on 31 August 2023.

2 Revised DOCA proposal

2.1 Revised proposal

Party 2 as described in the Report has resubmitted a binding proposal. Key summary of the terms of this proposal are:

Name	Consideration	Financing	Conditions precedent	Comments
Party 2 - 24 August 2023	Upfront consideration of $3.75 million CBA finance leases rolled and not part of the DOCA consideration. Deferred consideration from future cash flows over 6-month period of $1.0 million. 60% of work in progress WIP up to a cap of $4.0 million (max $2.4 million contribution amount).	Party 2 indicated the proposal is not subject to finance. However, we have not been provided with evidence of funds available to complete a transaction.	Meeting with employees to confirm their intention to remain employed on existing terms going forward. Engage with counterparties of material customer contracts. Customer counterparties agreeing to proposed varied terms of contracts . Requires consent of CBA.	Deferred consideration is at risk and dependent on future cash flows of the Aerison business. Party 2 does not have the support of key management personnel. Party 2 has been required to complete extensive due diligence to submit final binding offer. No confirmation provided on funding.
Party 2 - 30 August 2023	Upfront consideration of $3.75 million CBA finance leases rolled and not part of the DOCA consideration. Deferred consideration from future cash flows over 5-month period of $1.0 million. 60% of work in progress WIP up to a cap of $4.0 million (max $2.4 million contribution amount).	Party 2 provided evidence of cash and a bank facility to fund the up-front portion of the DOCA contribution. Third party working capital facility remains indicative only.	Administrators to facilitate introductions between Party 2 and key personnel of each material contract. Lease Agreements to be agreed between Party 2 and landlords at both Forrestfield workshop and the West Perth office. Key employees to be transferred from AGL to APL. Requires consent of CBA.	Conditionality materially reduced. Deferred consideration is at risk and dependent on future cash flows of the Aerison business. No confirmation on working capital funding which places deferred consideration at risk and ongoing solvency.

2.2 Limitations of the proposal

Party 2 has not been in a position to demonstrate:

- Sufficient working capital to fund business going forward as only evidence provided is for an indicative proposal
- An ability to complete the transaction in timely manner; which may result in dilution to returns to creditors
- An understanding of the nature and scope of the business (including the go forward cash flows) which provides comfort that business will trade profitably post effectuation.

Given Party 2 has been unable to demonstrate these items, the Administrators have concerns about ongoing solvency of the Pooled Companies should a transaction with Party 2 go ahead.

3 Recommendation

For the limitations of the revised DOCA proposal from Party 2 outlined above, it remains the Administrators' recommendation that the DOCA detailed in our report dated 24 August 2023 is recommended.

The DOCA proposal outlined in our report dated 24 August 2023 is in the best interests of all stakeholders of the Pooled Companies, and accordingly Creditors should resolve that Pooled Companies enter the PIC DOCA outlined in the Report.

4 Next steps

Creditors requiring further information regarding the administration can contact KordaMentha on (08) 9220 9333 or by email at aerison@kordamentha.com.

Dated: 31 August 2023

Richard Tucker
Administrator

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