

Senate Standing Committee on Education and Employment

QUESTIONS ON NOTICE Additional Estimates 2015 - 2016

Outcome 2 - Workplace Relations and Economic Strategy

Department of Employment Question No. EMSQ16-000251

Senator McKenzie provided in writing.

Question

Fair Entitlements Guarantee - Bruck Entitlements - transfer of assets

On 11 February 2016, the Department informed the Committee that there is a public examination underway into Bruck Textile Technologies. Can you explain to the Committee the circumstances surrounding the transfer, and nature of, assets from Bruck Textile Technologies to Australian Textile Mills?

The Department indicated the sale occurred for \$1. What were these assets worth?

As a result of the transaction, can you confirm Bruck had no assets or income, and that it was insolvent?

Answer

On 10 July 2014, the business and assets of Bruck were sold for \$1 plus the assumption of liabilities totalling approximately \$11.247 million to Australian Textile Mills Pty Ltd (ATM) which was a related entity of Bruck's parent company, Australian Textile Group Pty Ltd (ATG).

The sale was effected by way of a Business Sale Agreement (BSA) between Bruck and Australian Textile Mills Pty Ltd (ATM). The BSA provided for transfer of most of Bruck's assets to ATM, including plant and equipment, inventory, intellectual property and contractual assets. It also provided for the transfer of certain of Bruck's liabilities to ATM.

The value of Bruck's assets is a subject of dispute between the liquidators and the directors of Bruck. The directors' view on the value of Bruck assets is likely to be the subject of investigation during the public examinations.

Following this transaction of 10 July 2014, with no substantial assets or way to generate income, Bruck became insolvent and entered creditors' voluntary liquidation on 11 July 2014 initiated by its shareholder Australian Textile Group Pty Ltd ACN 154 306 868, with no prospect of a dividend for creditors. Fifty-eight of Bruck's employees were not offered employment with ATM and, consequently, Bruck remained liable for \$3,845,543 of entitlement liabilities in relation to those employees. As Bruck no longer had assets available to meet those entitlements, the Commonwealth paid \$3,485,030.83 to Bruck under the Fair Entitlement Guarantee (FEG) scheme.