



Strategic Equity Alliance Pty. Ltd. (In Liquidation)
ACN 164 571 546
(SEA)

Statutory Report to Creditors

We refer to our initial information for creditors dated 17 January 2020 in which we advised you of our appointment as liquidator and your rights as a creditor in the liquidation.

The purpose of this report is to:

- provide you with an update on the progress of the liquidation; and
- advise you of the likelihood of a dividend being paid in the liquidation.

1. Update on the progress of the liquidation

Set out below is a brief summary on the background of SEA:

- SEA was registered in Queensland on 1 July 2013.
- Justin Lee Broad was the sole director of SEA. ASIC's record details no other registered directors prior to the appointment of the Liquidators. SEA's records show Glenn Gaudet as the CEO for SEA.
- SEA was a corporate aggregation investment company that aimed to consolidate a range of similar businesses before proceeding with an Initial Public Offering (**IPO**) and listing the consolidated group on the Australian Stock Exchange (**ASX**).
- SEA previously operated from leased premises located at Suite 1201, Level 12, 203 Robina Town Centre Drive, Robina (**Robina premises**). SEA's lease at the Robina premises was terminated by the landlord due to non-payment of rent and the landlord took possession on 8 October 2019.
- The Director has advised me that SEA ceased trading on 1 December 2019 when an IPO for a Smash Repair group was unable to proceed.
- On 2 December 2019, Trident Global Finance Pty Ltd lodged a winding up order against SEA in the Queensland Supreme Court.
- On 19 December 2019, Mike Hill, Jamie Harris, and I were appointed Liquidators of SEA pursuant to an order of the Supreme Court of Queensland.
- On 20 January 2020, Mr Broad submitted a Report on Company Activities and Property (**ROCAP**) setting out the Director's view on the financial position of SEA.



2. Estimated assets

2.1 Summary

Set out below is a summary of SEA's assets based on the Director's ROCAP, SEA's books and records, and the Liquidators' investigations to date:

Estimated assets				
\$ (incl. GST)	Director's ROCAP	Books and records	Liquidators' estimate	Comments
Cash at bank	-	1,120	512	Refer section 2.2
Rental Bonds	73,874	62,440	-	Refer section 2.2
Furniture and fixtures	-	76,516	-	Refer section 2.3
Debtors/loans	5,777,244	5,715,428	TBD	Refer section 2.4
Shares	-	-	715	Refer section 2.5
Convertible note	-	803,518	-	Refer section 2.6
Other	-	110,643	-	Refer section 2.7
Total	5,851,118	6,769,665	TBD	

2.2 Cash at Bank

The Liquidators issued a notification to Australian banks and identified two bank accounts held with Australian and New Zealand Banking Group (**ANZ**). A summary of the accounts and the Liquidators actions is provided in the below table:

Bank accounts		
Account	Balance (\$)	Action
1	512	These funds have been transferred into the Liquidation bank account.
2	11,435	These funds were held as security for a rental bank guarantee which has been called on by the landlord. Uncollectable by the Liquidators.

Further, it was identified that SEA held a credit card with ANZ. As at the date of appointment, the balance of the credit card was \$21,883 debit. ANZ has lodged a Proof of Debt (**POD**) for this amount.

2.3 Furniture and fixtures

A list of furniture and fixtures was disclosed in the Director's ROCAP. I understand the furniture and fixtures were previously located at SEA's Robina premises. As the landlord took possession of the Robina premises due to SEA's default, SEA no longer has access to these assets. No recoveries are expected from these assets.

2.4 Debtors/loans

A range of debtors were disclosed in the ROCAP. The Liquidators have issued correspondence and are continuing to liaise and negotiate with debtors where appropriate. A recovery from debtors is expected, however the quantum is unknown at this time.

2.5 Shares

The Director's ROCAP noted that SEA owns 20,801 shares in P2P Transport Ltd (**P2P**), a company listed on the ASX. The Director did not ascribe a value to these shares. We have undertaken steps to realise these shares. Based on the share price at the time of preparation of this report, it is estimated that, net of commission, approximately \$715 will be realised with respect to the P2P shares. This may change due to recent stock market volatility.



2.6 *Convertible note*

SEA's books and records disclosed a convertible note with a book value of \$803,518. The Liquidators are continuing to review the books and records in their possession to determine the value, if any, and collectability of the convertible note.

2.7 *Other*

Other assets disclosed in SEA's books and records include leasehold improvements, and an immaterial amount of long term investments and preliminary expenses. No recoveries are expected from these assets.

2.8 *BAS refund*

The Director's ROCAP detailed a BAS refund of \$12,386 relating to the December 2019 quarter. To receive the refund, all outstanding pre-appointment lodgements will need to be lodged. The Liquidators' investigations have identified that SEA owes a debt to the ATO of \$2,371 and has the following lodgements outstanding to the ATO;

- BASs for October and December 2019;
- income tax returns for 30 June 2018, 2019 and 2020; and
- PAYG payment summaries for 30 June 2016 and 2020.

The Liquidators are currently reviewing the available books and records to determine if the required books and records for the outstanding lodgements are held. If sufficient records are held, an assessment of the commerciality of completing these lodgements to receive the refund will be undertaken.

3. **Estimated liabilities**

3.1 *Summary*

Set out below is a summary of SEA's liabilities based on the Director's ROCAP, SEA's books and records, and the Liquidators' investigations to date.

Estimated liabilities				
Creditor class	Director's ROCAP		Liquidators' estimate	
	Number	Amount (\$)	Number	Amount (\$)
Priority creditors: wages and superannuation	-	-	2	223,191
Priority creditors: leave of absence	-	-	-	0
Priority creditors: retrenchment	-	-	-	0
Secured creditors	1	1,045	1	41,369
Unsecured creditors	26	2,783,521	29	2,275,253
Total	27	2,784,566	32	2,539,813

3.2 *Priority creditors*

The Director's ROCAP did not disclose any priority creditors. The Liquidators' investigations, have identified a claim by the Australian Taxation Office (**ATO**) for outstanding superannuation guarantee charge of \$223,191.

Further, the Liquidators are advised a former employee has lodged a claim under the Fair Entitlements Guarantee for outstanding employee entitlements. The Liquidators are investigating this claim with the limited books and records currently in their possession. The Liquidators' are currently unable to estimate the amount of this claim, and as such have not provided a value. Accordingly, the amount owed to priority creditors may increase.

3.3 *Secured creditors*

The Liquidators conducted a search of the Personal Property Securities Register, which identified two registered securities in relation to SEA. The Liquidators notified the relevant parties, one of which discharged their security.



The other security was in relation to a Canon multi-function device (**MFD**) that formed part of the furniture and fixtures that were addressed in section 2.3. The Liquidators have disclaimed SEA's interest in the MFD.

3.4 *Ordinary unsecured creditors*

The Director's ROCAP disclosed that SEA had 27 unsecured creditors with outstanding liabilities of approximately \$2.8 million.

Based on enquiries and investigations to date, the Liquidators estimate that there are outstanding unsecured liabilities of approximately \$2.3m. These claims largely relate to:

- outstanding trade creditors; and
- loans provided to SEA by various entities.

4. **Investigations**

4.1 *Books and records*

The Liquidators have obtained access to the following books and records of SEA:

- MYOB account, including financial records from approximately March 2017 until the date of the Liquidators' appointment; and
- four boxes of physical books and record including copies of supplier tax invoices, copies of employee documentation, and other various company records.

The Liquidators understand that there were further company records held located at SEA's former premises in Robina, however, as discussed in section 2.3, the Liquidators have been unable to secure those books and records.

4.2 *Recovery actions*

Before the Liquidators commence recovery actions for insolvent trading damages or voidable transactions, the Liquidators are required to determine the date of insolvency of SEA. Based on the Liquidators' preliminary investigations, it appears that SEA became insolvent prior to the appointment of the Liquidators. It is noted that the ATO commenced an application for the winding up of SEA in September 2018 which was ultimately dismissed and the ATO issued a garnishee notice on SEA's bank accounts in April 2018 for unpaid tax debts.

If the Liquidators are able to establish that SEA was in fact insolvent prior to the date of appointment, the Director may be personally liable for any debts incurred after the date of insolvency. Should it be determined that SEA was insolvent prior to the appointment, the Liquidators will consider whether there is sufficient evidence that the Director had reasonable grounds to suspect that SEA was insolvent at the time of incurring those debts before commencing any such action.

The Liquidators anticipate the statutory investigations will be finalised within three to six months from the date of this report, following which the Liquidators will report their findings to the Australian Securities and Investments Commission (**ASIC**).

5. **Outstanding matters**

The following matters remain outstanding in the Liquidation:

- recovery from SEA's debtors, loans from SEA, and the convertible note;
- finalising investigations into SEA's affairs;
- finalisation of investigations with respect to insolvent trading and voidable transactions (including unfair preference payments) and recovery actions;
- lodgement of a section 533 report, which reports the outcome of our statutory investigations to ASIC; and
- if sufficient funds become available in the liquidation, distributing SEA's surplus assets to its creditors.



The Liquidators anticipate these matters will be completed within six to twelve months, at which time the Liquidation will be finalised and an application made to ASIC to have SEA deregistered.

6. Receipts and payment to date

Below is a summary of the Receipts and Payments in the winding up to date:

Receipts and payments for the period 19 December 2019 to 17 March 2020	
Account	GST inclusive amount (\$)
Receipts	
Cash at bank	512
Total receipts	512
Total payments	
	-
Net receipts (payments)	512

7. Likelihood of a dividend

A number of factors will affect the likelihood of a dividend being paid to creditors, including:

- the size and complexity of the liquidation;
- the amount of assets realisable and the costs of realising those assets;
- the statutory priority of certain claims and costs;
- the value of various classes of claims including secured, priority and unsecured creditor claims, and
- the volume of enquiries by creditors and other stakeholders.

Based on information available to us at this time, and absent any unforeseen issues, we consider it unlikely that a dividend may be payable to creditors with admitted claims in the liquidation.

If a dividend is going to be paid, you will be contacted before that happens and, if you have not already done so, you will be asked to lodge a proof of debt. This formalises the record of your claim in the liquidation and is used to determine all claims against SEA.

9. What happens next?

We will proceed with the liquidation, which will include:

- pursuing recovery of debtors, loans, and the convertible note;
- the potential recoveries from insolvent trading claims and/or voidable transactions;
- completing our investigations into SEA's affairs;
- if identified, pursuing any viable claims for statutory recovery actions; and
- completing our reporting to the corporate insolvency regulator, the Australian Securities and Investments Commission (ASIC).

If we receive a request for a meeting that complies with the guidelines set out in the initial information provided to you, we will hold a meeting of creditors. We may write to you again with further information on the progress of the liquidation.

We expect to have completed this liquidation within six to twelve months of the date of this report.



10. Where can you get more information?

You can access information which may assist you on the following websites:

- ARITA at www.arita.com.au/creditors.
- ASIC at www.asic.gov.au (search for "insolvency information sheets").

If you have any queries, please contact Harry Given on (07) 3333 9878. For further information about this engagement, please refer to the website <https://www.mcgrathnicol.com/creditors/strategic-equity-alliance-pty-ltd/>.

Dated: 18 March 2020

Anthony Connelly
Liquidator

Enclosures:

- 1 Proof of Debt (Form 535) (if required)
- 2 Proof of Debt Guidance Notes (if required)
- 3 ARITA Information Sheet – Offences, Recoverable Transactions & Insolvent Trading

FORM 535
FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)

ACN
"the Company"

To the Liquidator/Administrator of the Company

1. This is to state that the Company was on _____, and still is, justly and truly indebted to:
_____ (name of creditor)
of _____ (address of creditor)
for \$ _____ and _____ cents (GST inclusive) GST amount _____

Date	Consideration (state how the Debt arose)	Amount \$ c	Remarks (include details of voucher substantiating payment)

2. 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 \$c	Due Date

3. Select which of the below applies (choose one):

- The creditor is a company and I am signing as a director of the company
- The creditor is a company and I am signing as an authorised representative/duly constituted attorney of the company
- I am an individual and I am signing in my personal capacity (which includes employees)
- The creditor is a sole trader and I am signing as the proprietor
- The creditor is a partnership and I am signing as a partner of the partnership
- I am signing in my personal capacity as a member or contributory of the Company
- Other: _____

4. If you are a related party, state your relationship _____

I nominate to receive electronic notifications of documents in accordance with Section 600G of the Corporations Act at the following email address

Email: _____

5. Is this debt claimed on the basis of an assignment? Yes No

If so, what consideration was paid for the debt? _____

This debt was incurred for the consideration stated and the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

Signature Dated

Name: _____

Address: _____



Proof of Debt Guidance Notes

(Please read carefully before filling in Form 535 or Form 536)

It is a creditor's responsibility to prove their claim to our satisfaction.

When lodging claims, creditors must ensure:

- the proof of debt form is properly completed in every particular; and
- evidence, as set out under "Information to support your claim", is attached to the Form 535 or Form 536.

Directions for completion of a Proof of Debt

1. Insert the full name and address of the creditor.
2. Under "Consideration" state how the debt arose, for example "goods sold to the company on _____".
3. Under "Remarks" include details of any documents that substantiate the debt (refer to the section "Information to support your claim" below for further information).
4. Where the space provided for a particular purpose is insufficient to contain all the information required for a particular item, please attach additional information.

Information to support your claim

Please note that unless you provide evidence to support the existence of the debt, your debt is not likely to be accepted. Detailed below are some examples of debts creditors may claim and a suggested list of documents that should accompany a proof of debt to substantiate the debt.

Trade Creditors

- Invoice(s) and statement(s) showing the amount of the debt; and
- Advice(s) to pay outstanding invoice(s) (optional).

Guarantees/Indemnities

- Executed guarantee/indemnity;
- Notice of Demand served on the guarantor; and
- Calculation of the amount outstanding under the guarantee.

Judgment Debt

- Copy of the judgment; and
- Documents/details to support the underlying debt as per other categories.

Deficiencies on Secured Debt

- Security Documents (eg. mortgage);
- Independent valuation of the secured portion of the debt (if not yet realised) or the basis of the creditor's estimated value of the security;
- Calculation of the deficiency on the security; and
- Details of income earned and expenses incurred by the secured creditor in respect of the secured asset since the date of appointment.

Loans (Bank and Personal)

- Executed loan agreement; and



- Loan statements showing payments made, interest accruing and the amount outstanding as at the date of appointment.

Tax Debts

- Documentation that shows the assessment of debts, whether it is an actual debt or an estimate, and separate amounts for the primary debt and any penalties.

Employee Debts

- Basis of calculation of the debt;
- Type of Claim (eg. wages, holiday pay, etc);
- Correspondence relating to the debt being claimed; and
- Contract of Employment (if any).

Leases

- Copy of the lease; and
- Statement showing amounts outstanding under the lease, differentiating between amounts outstanding at the date of the appointment and any future monies.

Creditor Information Sheet

Offences, Recoverable Transactions and Insolvent Trading



Offences

A summary of offences under the Corporations Act that may be identified by the administrator:

180	Failure by company officers to exercise a reasonable degree of care and diligence in the exercise of their powers and the discharge of their duties.
181	Failure to act in good faith.
182	Making improper use of their position as an officer or employee, to gain, directly or indirectly, an advantage.
183	Making improper use of information acquired by virtue of the officer's position.
184	Reckless or intentional dishonesty in failing to exercise duties in good faith for a proper purpose. Use of position or information dishonestly to gain advantage or cause detriment. This can be a criminal offence.
198G	Performing or exercising a function or power as an officer while a company is under administration.
206A	Contravening a court order against taking part in the management of a corporation.
206A, B	Taking part in the management of corporation while being an insolvent, for example, while bankrupt.
206A, B	Acting as a director or promoter or taking part in the management of a company within five years after conviction or imprisonment for various offences.
209(3)	Dishonest failure to observe requirements on making loans to directors or related companies.
254T	Paying dividends except out of profits.
286	Failure to keep proper accounting records.
312	Obstruction of an auditor.
314-7	Failure to comply with requirements for the preparation of financial statements.
437D(5)	Unauthorised dealing with company's property during administration.
438B(4)	Failure by directors to assist administrator, deliver records and provide information.
438C(5)	Failure to deliver up books and records to the administrator.
588G	Incurring liabilities while insolvent
588GAB	Officer's duty to prevent creditor-defeating disposition
588GAC	A person must not procure a company to make a creditor-defeating disposition
590	Failure to disclose property, concealed or removed property, concealed a debt due to the company, altered books of the company, fraudulently obtained credit on behalf of the company, material omission from Report as to Affairs or false representation to creditors.
596AB	Entering into an agreement or transaction to avoid employee entitlements.

Recoverable Transactions

Preferences

A preference is a transaction, such as a payment by the company to a creditor, in which the creditor receiving the payment is preferred over the general body of creditors. The relevant period for the payment commences six months before the commencement of the liquidation. The company must have been insolvent at the time of the transaction, or become insolvent because of the transaction.

Where a creditor receives a preference, the payment is voidable as against a liquidator and is liable to be paid back to the liquidator subject to the creditor being able to successfully maintain any of the defences available to the creditor under the Corporations Act.

Creditor-defeating disposition

Creditor-defeating dispositions are the transfer of company assets for less than market value (or the best price reasonably obtainable) that prevents, hinders or significantly delay creditors' access to the company's assets in liquidation. Creditor-defeating dispositions are voidable by a liquidator.

Uncommercial Transaction

An uncommercial transaction is one that it may be expected that a reasonable person in the company's circumstances would not have entered into, having regard to the benefit or detriment to the company; the respective benefits to other parties; and any other relevant matter.

To be voidable, an uncommercial transaction must have occurred during the two years before the liquidation. However, if a related entity is a party to the transaction, the period is four years and if the intention of the transaction is to defeat creditors, the period is ten years. The company must have been insolvent at the time of the transaction, or become insolvent because of the transaction.

Unfair Loan

A loan is unfair if and only if the interest was extortionate when the loan was made or has since become extortionate. There is no time limit on unfair loans – they only must be entered into before the winding up began.

Arrangements to avoid employee entitlements

If an employee suffers loss because a person (including a director) enters into an arrangement or transaction to avoid the payment of employee entitlements, the liquidator or the employee may seek to recover compensation from that person or from members of a corporate group (Contribution Order).

Unreasonable payments to directors

Liquidators have the power to reclaim '*unreasonable payments*' made to directors by companies prior to liquidation. The provision relates to payments made to or on behalf of a director or close associate of a director. The transaction must have been unreasonable, and have been entered into during the 4 years leading up to a company's liquidation, regardless of its solvency at the time the transaction occurred.

Voidable charges

Certain charges over company property are voidable by a liquidator:

- circulating security interest created within six months of the liquidation, unless it secures a subsequent advance;
- unregistered security interests;
- security interests in favour of related parties who attempt to enforce the security within six months of its creation.

Insolvent trading

In the following circumstances, directors may be personally liable for insolvent trading by the company:

- a person is a director at the time a company incurs a debt;
- the company is insolvent at the time of incurring the debt or becomes insolvent because of incurring the debt;
- at the time the debt was incurred, there were reasonable grounds to suspect that the company was insolvent;
- the director was aware such grounds for suspicion existed; and
- a reasonable person in a like position would have been so aware.

The law provides that the liquidator, and in certain circumstances the creditor who suffered the loss, may recover from the director, an amount equal to the loss or damage suffered. Similar provisions exist to pursue holding companies for debts incurred by their subsidiaries.

A defence is available under the law where the director can establish:

- there were reasonable grounds to expect that the company was solvent and they did so expect;
- they did not take part in management for illness or some other good reason; or
- they took all reasonable steps to prevent the company incurring the debt.

The proceeds of any recovery for insolvent trading by a liquidator are available for distribution to the unsecured creditors before the secured creditors.

Important note: This information sheet contains a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. This document may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances.

Queries about the voluntary administration should be directed to the administrator's office.