

ANQUAN SECURITIES & INVESTMENTS PTY LTD

(In Liquidation)
ACN 110 803 659

Report to Creditors

Section 70-40
Insolvency Practice Rules (Corporations) 2016

19 November 2018

Contents	Page
1 Introduction	3
2 Receipts and payments	3
3 Assets	3
4 Liabilities	4
5 Dividend	4
6 Reasons for the company's failure	5
7 Inquiries undertaken to date	5
8 Further inquiries that may need to be undertaken	6
9 Possible recovery actions	6
10 What happens next?	6
11 More information	7

Enclosures

- (i) Proof of Debt or Claim form

1. Introduction

- 1.1 I refer to my appointment as Liquidator of the company on 20 August 2018 and to my Initial Information for Creditors dated 30 August 2018.
- 1.2 The purpose of this report is to provide creditors with an update on the progress of the liquidation in accordance with Section 70-40 of the Insolvency Practice Rules (Corporations) 2016, and to advise creditors of the likelihood that a dividend will be paid in the liquidation.

2. Receipts and payments

- 2.1 The following is a summary of receipts and payments in the liquidation to date:

	\$
Receipts	
Cash at bank	41,352.05
	41,352.05
Payments	
Bank fees	19.80
Liquidator's fees	15,200.90
Liquidator's disbursements:	
Advertisements	64.00
Facsimiles	34.00
Postage	30.00
Printing & photocopying	37.80
Searches	61.90
Stationery	4.18
Telephone	7.00
GST (net)	1,543.98
	17,003.56
Cash at bank as at 19 November 2018	24,348.49

3. Assets

3.1 *Cash at bank*

- 3.1.1 The company's director gave an estimate in his Report as to Affairs ("RATA") of potential realisations. The only asset of the company listed in the director's RATA was cash at bank which he estimated was \$41,545.40.
- 3.1.2 The sum of \$41,352.05 was realised upon the closure of the company's bank account.

3.2 *Potential insurance claim*

- 3.2.1 As noted in my Initial Information for Creditors dated 30 August 2018 (section 9.3) the company's insurer declined cover on the basis of the company's alleged failure to comply with its duty of disclosure.
- 3.2.2 My investigations include identifying the relevant records to enable this matter to be assessed.

3. Assets (cont.)

- 3.2.3 While my investigations are not yet complete, I expect that legal analysis will be required necessitating a comprehensive extraction of the relevant records.

4. Liabilities

- 4.1 According to the director's RATA, the company had no secured or priority creditors and six unsecured creditors, whose claims totalled \$1,208,480.
- 4.2 On the basis of current information, I estimate that the total amount owed to unsecured creditors is \$1,502,480.
- 4.3 As previously advised, there are two related party unsecured creditors, being Mercia Taxation and Accounting Pty Ltd and MPS1 Pty Ltd. Neither entity has submitted a Proof of Debt. However, the director advised in his RATA that the entities were owed \$512,590 and \$50,000 respectively.
- 4.4 Based on the potential claims I have been informed could be determined by the Australian Financial Complaints Authority ("AFCA") (formerly the Financial Ombudsman Service or "FOS"), I estimate that the total amount owed to contingent creditors is \$2,490,000.
- 4.5 Please find enclosed a Proof of Debt or Claim form to enable any unsecured creditors who have not already done so to lodge their claim against the company.

5. Dividend

- 5.1 The likelihood that a dividend will be paid to creditors will be affected by a number of factors including:
- (i) The size and complexity of the administration.
 - (ii) The amount of assets realisable and the costs of realising those assets.
 - (iii) The value of various classes of claims including secured, priority and unsecured creditor claims.
 - (iv) The volume of enquiries by creditors and other stakeholders.
- 5.2 At this stage I am unable to estimate whether sufficient funds will be available to pay a dividend to creditors of the company. The likelihood of a dividend becoming payable is dependent on the outcome of my investigations as outlined in section 3.2.
- 5.3 If a dividend is payable, creditors (including contingent creditors) will be contacted prior to payment of the dividend and will be asked to lodge a Proof of Debt. This will formalise creditors' claims against the company.

6. Reasons for the company's failure

- 6.1 From my preliminary inquiries to date (see section 7, below), I consider that the reasons for the company's failure relate primarily to the failure of the Macro Group of companies.
- 6.2 The Macro Group of companies, and in particular 511 GTN Pty Ltd ("511 GTN"), required a replacement AFSL holder in order to raise funds for its managed investment scheme and engaged the company accordingly.
- 6.3 On 29 May 2012 the company authorised 511 GTN as its Authorised Representative. 511 GTN was the trustee of the Newman Estate Property Trust (referred to as the G Trustee in my 30 August 2018 report).
- 6.4 On the same date the company authorised Desiree Veronica Macpherson as its Sub-Authorised Representative.
- 6.5 It appears that, in addition to the managed investment scheme, 511 GTN raised finance by way of short term debt at interest rates up to 84%.
- 6.6 The liquidator of the Macro Group of companies has assessed that the Group may have been insolvent from the date 511 GTN failed to settle on the property acquisition in late 2011.
- 6.7 As 511 GTN, the trustee for the managed investment scheme, was unable to honour the investments, investors have obtained or claimed FOS determinations against the AFSL i.e. the company.
- 6.8 Section 917B of the Act provides that the company, as the sole AFSL holder in respect of the representative, is liable for the conduct of the representative.
- 6.9 I note that company's business ceased to trade on or around September 2017.

7. Inquiries undertaken to date

- 7.1 The following inquiries have been made to date:
 - (i) Undertaking searches including a company search, PPSR search, vehicle search, director search and property search.
 - (ii) Contacting the Sheriff's Office to determine whether any recovery action has been undertaken on behalf of creditors.
 - (iii) Contacting the Child Support Agency and Workcover WA to determine the company's outstanding liabilities.
 - (iv) Contacting the Office of State Revenue and the Australian Taxation Office ("ATO") to determine the company's outstanding tax-related liabilities.
 - (v) Requesting that the ATO provide me with access to the company's taxation records via the Business Portal.
 - (vi) Collecting and preparing a listing of the company's books and records including extensive electronic records.

7. Inquiries undertaken to date (cont.)

- (vii) Reviewing the company's financial statements and draft accounts to determine whether there are any unaccounted for assets and/or liabilities.
- (viii) Reviewing the director's Report as to Affairs.
- (ix) General inquiries of the company's director(s) regarding assets and liabilities.
- (x) Sending an initial notice to creditors, encouraging creditors to submit their claim against the company.
- (xi) Meetings with the Australian Securities and Investments Commission ("ASIC").
- (xii) Discussions with FOS.
- (xiii) Discussions with investors.

8. Further inquiries that may need to be undertaken

8.1 I note the following further inquiries may need to be undertaken:

- (i) Extensive review of the company's books and records.
- (ii) Conducting an investigation into the company's affairs and the conduct of its officers.
- (iii) Determining whether there are any possible recovery actions (see section 9, below).
- (iv) Lodging a report with ASIC detailing my investigation findings.
- (v) General inquiries of the company's director(s) regarding assets and liabilities.

8.2 If creditors are aware of a particular matter not mentioned in this report that requires further investigation, please contact this office immediately.

9. Possible recovery actions

9.1 In addition to the potential claim against the company's insurer (see section 9.3 of my Initial Information for Creditors dated 30 August 2018) the most common recovery actions available to a liquidator are as follows:

- (i) Insolvent trading.
- (ii) Unfair preferences.
- (iii) Uncommercial transactions.
- (iv) Unfair loans.
- (v) Unreasonable director-related transactions.

10. What happens next?

10.1 I will proceed with the liquidation, including:

- (i) Investigating the insurance claim.
- (ii) Recovering any further available property.
- (iii) Completing my investigations into the company's affairs.
- (iv) Completing my reporting to the corporate insolvency regulator, ASIC.

10.2 I will write to creditors again with further information on the progress of the liquidation once any significant developments have been achieved.

11. More information

11.1 Creditors can access information which may be of assistance on the following websites:

- (i) Sheridans at www.sheridansac.com.au/downloads/
- (ii) ARITA at www.arita.com.au/creditors
- (iii) ASIC at www.asic.gov.au (search for “insolvency information sheets”)

If you wish to discuss the above matters, please contact David Blanchett or Melissa Ledger of this office.

Yours faithfully

A handwritten signature in black ink, appearing to read 'J. E. Low'.

JENNIFER E. LOW
Liquidator of
Anquan Securities & Investments Pty Ltd

ANQUAN SECURITIES & INVESTMENTS PTY LTD
ACN 110 803 659
(In Liquidation) ("the company")

PROOF OF DEBT OR CLAIM

This is to state that the company was on 20 August 2018 and still is justly and truly indebted to _____ for:

\$ _____ and _____ cents

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

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 \$	Due date

I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied. ①

I am the creditor's agent authorised in writing to make this statement in writing. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied. ①

① *Delete both if this proof is made by the creditor personally. Otherwise, strike out or leave, as appropriate.*

Please ensure this proof is signed for completion, before lodgement.

Date: _____

Signature: _____

Name: _____

Occupation: _____

Creditor's address: _____

☐ I nominate to receive electronic notification of notices or documents in accordance with Section 600G of the Corporations Act 2001 at the following email address:
