



**SHERIDANS**

CHARTERED ACCOUNTANTS

# **CLIENTI SPORCHI PTY LTD**

Formerly 6 Star Group Australia Pty Ltd

(In Liquidation)

ACN 620 345 164

## **Report to Creditors**

Section 70-40

Insolvency Practice Rules (Corporations) 2016

**13 September 2024**

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**Enclosures**

- (i) Proof of Debt or Claim form

## 1. Introduction

- 1.1 I refer to my appointment as Liquidator of the company on 18 June 2024 and to my initial information for creditors dated 15 July 2024.
- 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 of a dividend being paid in the liquidation.

## 2. Receipts and payments

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

	\$
<b>Receipts</b>	
Cash at bank	212.65
Motor vehicles	57,000.00
GST (net)	5,130.00
Accounts receivable	1,095.72
	63,438.37
<b>Payments</b>	
Bank charges	12.20
Legal fees	5,000.00
Secured creditors	50,028.10
Valuations	700.00
	55,740.30
<b>Cash at bank as at 13 September 2024</b>	<b>7,698.07</b>

## 3. Assets

- 3.1 The company's director provided the company's balance sheet as at 18 June 2024 which, along with his Report on Company Activities and Property ("ROCAP"), gave an estimate of potential realisations. Set out below is a comparison of this estimate with the Liquidator's estimate and actual realisations to date.

	Ref	ROCAP estimate \$	Liquidator's estimate \$	Liquidator's realisations to date \$
Cash at bank	3.2	4,820.37	212.65	212.65
Pre-appointment debtors	3.5	99,354.93	1,095.72	1,095.72
Motor vehicles, trailers & watercrafts (equity)	3.9	12,283.00	19,095.80	6,971.90
Real property (equity)	3.14	195,857.57	Commercially sensitive	Nil
Other plant & equipment	3.19	17,421.68	18,375.00	Nil
Shares in Genoffgrid Pilbara Pty Ltd	3.22	20,000	Unknown	Nil
Other assets	3.24	Various	Unknown	Nil
		<b>349,737.55</b>	<b>38,779.17</b>	<b>8,280.27</b>

### Cash at bank

- 3.2 The company held five bank accounts with the Commonwealth Bank of Australia ("CBA") at the date of liquidation, with an estimated balance of \$4,820 per the balance sheet.
- 3.3 I requested that CBA close the company's bank accounts and transfer the remaining funds into the liquidation account.

### 3. Assets (cont.)

- 3.4 I have now realised the full amount of the company's cash at bank, being \$213.

#### *Pre-appointment debtors*

- 3.5 The company's records recorded pre-appointment debts owing to the company totalling \$99,355. These debts relate to invoices issued to customers for work completed that remained unpaid at the date of liquidation.
- 3.6 I have attempted to contact all debtors regarding the amount due to the company. Several debtors have presented counterclaims or defences to the amount owing.
- 3.7 To date, I have realised \$1,096 from one debtor and I have determined that \$90,710 of debts is uncollectable. I am continuing to pursue the remaining debtors.
- 3.8 Additionally, Mr Corea has advised that there were further debts that the company had written off at 30 June 2023 that he considers are due and payable to the company. I am investigating these debts to determine whether any should be pursued.

#### *Motor vehicles, trailers & watercrafts*

- 3.9 According to the company's records, the company held motor vehicles, trailers and watercrafts (together referred to as "the vehicles") to the value of \$264,266 at the date of liquidation. Mr Corea noted that most of the vehicles were subject to finance agreements with a combined amount of approximately \$295,000 owing to secured creditors.
- 3.10 I obtained desktop valuations for the vehicles. The valuer estimated the combined value of the vehicles to be \$240,500. The vehicles comprised mostly encumbered vehicles with little to no equity, along with one unencumbered motor vehicle and four unencumbered trailers.
- 3.11 I have since disclaimed each of the vehicles that had no equity, and I have realised \$6,972 plus GST from the sale of five of the encumbered vehicles after paying out the secured creditors.
- 3.12 There remains one encumbered motor vehicle which I have agreed a sale price for and am awaiting receipt of the funds from the purchaser. I expect to receive approximately \$3,500 plus GST after payment of the outstanding amount due to the financier.
- 3.13 I have also agreed a sale price of \$8,500 plus GST in respect of the unencumbered motor vehicle and trailers and am awaiting receipt of the funds from the purchaser.

#### *Real property*

- 3.14 Mr Corea disclosed on his ROCAP that the company owns the residential property at 7 Ferguson Street, Nickol WA. The property is recorded on the company's balance sheet at \$466,800. Mr Corea noted that the property is subject to a mortgage with Brighten Home Loans, and that Munggu Pty Ltd has registered a caveat over the property.

### 3. Assets (cont.)

- 3.15 I have obtained a formal valuation for the property. I have also determined that the current amount owing to Brighten Home Loans is \$302,431, and that the caveat lodged by Munggu Pty Ltd is in relation to a debt of \$40,849 owed by the company to Munggu Pty Ltd.
- 3.16 Accordingly, I estimate that there is significant equity in the property. I note that I am still investigating the legitimacy of the caveat lodged by Munggu Pty Ltd, which is a related party.
- 3.17 I am currently in the process of realising the property.
- 3.18 I also note that the property is currently tenanted. I am in discussion with the current tenants regarding outstanding rent due to the company.

#### *Other plant & equipment*

- 3.19 In addition to the vehicles (see Section 3.9 above), the company's balance sheet recorded other plant and equipment at book value of \$17,424, comprising mostly tools and office equipment.
- 3.20 My investigations to date indicate that at least some of these assets were sold prior to my appointment as liquidator of the company, without the company receiving the proceeds from the sales of these assets.
- 3.21 I am currently attempting to recover any funds relating to the sale of the company's assets, and discussions are currently ongoing regarding the sale of the remaining plant and equipment.

#### *Shares in Genoffgrid Pilbara Pty Ltd*

- 3.22 The company's balance sheet records shares held in Genoffgrid Pilbara Pty Ltd with a book value of \$20,000. I note however that a company search of Genoffgrid Pilbara Pty Ltd shows that the company is no longer a shareholder.
- 3.23 My investigations into this asset are ongoing.

#### *Other assets*

- 3.24 Included on the company's balance sheet are numerous other assets that may have been incorrectly recorded on the company's accounting software.
- 3.25 My investigations into these assets are ongoing, however on the basis of current information, it appears unlikely that the company has any other realisable assets.

#### 4. Secured creditors

- 4.1 See below a table summarising the security interests registered against the ACN of the company, according to a search of the Personal Property Securities Register (“PPSR”) on 18 June 2024.

Secured creditor	Status
AC Solar Group Pty Ltd	Creditor has advised that no money is owing and has discharged its PPSR registration.
InfraBuild Group	
Lawrence & Hanson Group	
Lift Equipt Pty Ltd	
Metal Manufactures Pty Ltd	
Mobile Concreting Solutions Pty Ltd	
Solar Juice Pty Ltd	
Australian Motorcycle and Marine Finance Pty Ltd	Valid security interest. Creditor has been paid in full and registration has subsequently been discharged.
Pepper Asset Finance Pty Ltd	
De Lage Landen Pty Ltd	Valid security interest. Interest has been disclaimed. Estimated value of secured assets is \$150,000. Residual unsecured claims estimated to total \$62,251.
FlexFleet Pty Ltd	
Macquarie Leasing Pty Ltd	
Shift Financial Pty Ltd	
Metro Finance Pty Ltd	Valid security interest. Asset to be realised. Estimated value of secured asset is \$35,500. No residual unsecured claim is expected.
Prospa Advance Pty Ltd	PPSR registration determined to be invalid.

- 4.2 Aside from the caveat lodged by Munggu Pty Ltd over the company’s residential property (see Section 3.14 above), I have not identified any related party secured creditors.

#### 5. Priority creditors

- 5.1 Set out below is the director’s estimate of the company’s priority creditors compared to my estimate:

	ROCAP estimate \$	Liquidator’s estimate \$
Superannuation	57,675.36	61,288.71
	<b>57,675.36</b>	<b>61,288.71</b>

- 5.2 It appears that the company has at least one related party priority creditor, being Mr Corea. As an excluded employee, the director’s priority claims in respect of wages and superannuation are capped at \$2,000, pursuant to the Corporations Act 2001. Any amounts left owing in excess of this cap are treated as ordinary unsecured claims.
- 5.3 If you were an employee of the company at the date of liquidation, or you have previously been employed by the company, you may be a creditor of the company for any or all of the following debts: outstanding wages, annual leave, long service leave, pay in lieu of notice, redundancy and/or superannuation.

## 5. Priority creditors (cont.)

- 5.4 If you are owed accrued entitlements, you may be eligible for assistance under the Federal Government's Fair Entitlements Guarantee Act 2012 ("FEG"). For further information regarding FEG, please call the FEG hotline: 1300 135 040 or go to the website: [www.employment.gov.au/fair-entitlements-guarantee-feg](http://www.employment.gov.au/fair-entitlements-guarantee-feg). **Former employees have only 12 months from the date of liquidation to lodge a FEG claim and FEG has no discretion to extend this time.**
- 5.5 Please find enclosed a Proof of Debt or Claim form to enable any priority creditors who have not already done so to lodge their claim against the company. Note that any FEG claim must be lodged separately with FEG.

## 6. Unsecured creditors

- 6.1 According to the company's records, the company had five unsecured creditors, whose claims totalled \$959,468.
- 6.2 On the basis of current information, I estimate that the total amount owed to unsecured creditors is \$1,230,319. I note that I have not yet adjudicated on any claims.
- 6.3 I have not identified any related party of unsecured creditors (excluding Mr Corea as noted in Section 5).
- 6.4 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.

## 7. Dividend

- 7.1 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 statutory priority of certain claims and costs.
  - (iv) The value of various classes of claims including secured, priority and unsecured creditor claims.
  - (v) The volume of enquiries by creditors and other stakeholders.
- 7.2 On the basis of current information, I consider it likely that a dividend will be paid to priority creditors, and unclear whether a dividend will be paid to unsecured creditors.
- 7.3 The likelihood of a dividend being payable will become clearer after my investigations into the caveat over the company's real property have been finalised, and the property has been realised.
- 7.4 If a dividend is payable, 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.

## 8. Reasons for the company's failure

- 8.1 I note that company's business ceased to trade on or around 18 June 2024.
- 8.2 From my preliminary inquiries to date (see Section 9, below), I consider that the reasons for the company's failure are likely to be as follows:
- (i) Inability to pay statutory tax.
  - (ii) Poor strategic management of the business.

## 9. Inquiries undertaken to date

- 9.1 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.
  - (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 on Company Activities and Property.
  - (ix) General inquiries of the company's director regarding assets and liabilities.
  - (x) Sending an initial notice to creditors, encouraging creditors to submit their claim against the company.
  - (xi) Obtaining legal advice regarding the company's lease agreement regarding the property.

## 10. Further inquiries that may need to be undertaken

- 10.1 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 11, below).
  - (iv) Lodging a report with ASIC detailing my investigation findings.

## 10. Further inquiries that may need to be undertaken (cont.)

- (v) General inquiries of the company's director regarding assets and liabilities.
- 10.2 If creditors are aware of a particular matter that requires investigation, please contact this office immediately.

## 11. Possible recovery actions

- 11.1 I have not yet determined any possible recovery actions but note that 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.

## 12. What happens next?

- 12.1 I will proceed with the liquidation, including:
- (i) Realising the remaining assets.
  - (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.
- 12.2 I may write to creditors again with further information on the progress of the liquidation.

## 13. More information

- 13.1 Creditors can access information which may be of assistance on the following websites:
- (i) Sheridans at [www.sheridansac.com.au/downloads/](http://www.sheridansac.com.au/downloads/)
  - (ii) ARITA at [www.arita.com.au/creditors](http://www.arita.com.au/creditors)
  - (iii) ASIC at [www.asic.gov.au](http://www.asic.gov.au) (search for "insolvency information sheets")

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

Yours faithfully



JENNIFER E. LOW  
Liquidator of  
Clienti Sporchi Pty Ltd