

29 December 2020

TO THE CREDITOR AS ADDRESSED

Dear Sir/Madam

IEP Pty Limited (In Liquidation)
ACN 069 168 412
(referred to as either '**IEP**' or '**the Company**')

I refer to the appointment of Tim Norman and myself as Joint & Several Administrators and subsequently Joint & Several Liquidators on 21 August 2020 and 25 September 2020 respectively.

Section 70-40 of the Insolvency Practice Rules (Corporations) 2016 (Cth) (**IPR**) requires a liquidator to report to creditors within three (3) months after the commencement of the winding up. This Report provides details of the progress of the winding up, further information to customers to assist with their enquiries and claims; details regarding the Company's assets and liabilities and whether creditors and customers will receive a distribution (**Report**).

This Report should be read in conjunction with our Report to Creditors pursuant to Section 75-225 of the IPR dated 17 September 2020 (**Administrators Report**). A copy of this Report and the Administrators Report are available on the Deloitte – STA Travel and IEP webpage: www.deloitte.com/au/STATravelAU.

We appreciate that this is a stressful and difficult time for those impacted by the Company's collapse. We also appreciate that thousands of customers are continuing to seek clarity about how they are directly impacted. Unfortunately, the Liquidators are unable to assist customers with their individual enquiries regarding the status of their booking as these bookings are held with third parties.

Customers should contact travel providers directly regarding any booking that existed as at 21 August 2020. However, please be aware that COVID-19 continues to significantly impact the leisure, tourism and hospitality sectors with many travel providers operating at a reduced capacity which is causing delays in attending to customer enquiries and the processing of refunds (where applicable).

The Liquidators appreciate your patience as we work through these issues and will continue to update creditors and customers at www.deloitte.com/au/STATravelAU.

Yours faithfully



Jason Tracy
Joint and Several Liquidator



Report to creditors

IEP Pty Limited (In Liquidation)

ACN 069 168 412

29 December 2020

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Annexures

Annexure 1 – Summary of receipts and payments for the period 21 August 2020 to 30 November 2020

Annexure 2 - Information sheet prepared by the Australian Restructuring Insolvency & Turnaround Association

Glossary

Act	Corporations Act 2001
ACCC	Australian Competition and Consumer Commission
Administrators	Jason Tracy and Tim Norman
ARITA	Australian Restructuring Insolvency Turnaround Association
ASIC	The Australian Securities & Investments Commission
ATO	Australian Taxation Office
Auditor	LNP Audit and Assurance Pty Ltd
c.	Circa
CBA	Commonwealth Bank of Australia Limited
COI	Committee of Inspection
Company or IEP	IEP Pty Limited
The Court	The Federal Court of Australia or any of the state Supreme Courts
Deloitte or DTT	Deloitte Financial Advisory Pty Ltd
Directors	Wayne Andrew Nagle, Holly Erin McVeigh, Victoria Felicity Clunie Cunningham and Colin James Parselle
DOCA	Deed of Company Arrangement
ERV	Estimated Realisable Value
ESOP	Estimated Statement of Position
FY	Financial Year Ended 31 December 20XX
FY20YTD	Financial period beginning 1 January 2020 and ended 31 July 2020
IEP New Zealand	IEP New Zealand Limited (In Liquidation)
International STA Travel Group	All circa 40 entities which formed the STA Travel Group globally with STA Travel Holding AG as the parent company
IP	Intellectual property
IPR	Insolvency Practice Rules (Corporations) 2016 (Cth)
IPS	Insolvency Practice Schedule (Corporations) 2016 (Cth)
k	Thousands
m	Millions
Management	Management of the Company
NAB	National Australia Bank Limited

PPSR	Personal Properties and Securities Register
Relation back day	The date of appointment of administrators
Report	Report to Creditors dated 29 December 2020
ROCAP	Report on Company's Affairs and Property
STA Travel Academic	STA Travel Academic Pty Limited (Subject to Deed of Company Arrangement)
STA Travel	STA Travel Pty Limited (In Liquidation)
STA Travel International	STA Travel International Ltd (In Liquidation)
STA Travel Group	The entities within the International STA Travel Group domiciled in Australia. These entities include: <ul style="list-style-type: none"> • STA Travel Pty Limited (In Liquidation) • STA Travel Academic Pty Limited (Subject to Deed of Company Arrangement) • IEP Pty Limited (In Liquidation)
STA Travel Holding	STA Travel Holding AG (In Liquidation)
STA Travel UK entities	STA Travel Management Ltd (In Liquidation); STA Travel International Ltd (In Liquidation) and STA Travel Ltd (In Liquidation)
UK	United Kingdom
Ultimate holding company	Diethelm Keller Holdings Ltd

1 Executive Summary

1.1 Purpose of this Report

Section 70-40 of the Insolvency Practice Rules (Corporations) 2016 (Cth) (**IPR**) requires a liquidator to report to creditors within three (3) months after the commencement of the winding up. This Report (**Report**) provides details of the progress of the winding up, further information to customers to assist with their enquiries and claims; details regarding the Company's assets and liabilities and whether creditors and customers will receive a distribution.

This Report is to be read in conjunction with our Report to Creditors pursuant to Section 75-225 of the IPR dated 17 September 2020 (**Administrators Report**). A copy of this Report and the Administrators Report are available on the Deloitte – STA Travel and IEP liquidation webpage: www.deloitte.com/au/STATravelAU.

1.2 Appointment of Administrators and Liquidators

Tim Norman and myself were appointed Joint and Several Administrators to IEP Pty Limited (referred to as '**the Company**' or '**IEP**') on 21 August 2020 by the Directors of the Company pursuant to Section 436A of the Corporations Act 2001 (Cth) (**Act**).

The appointment of administrators to STA Travel arose following the parent entity for the International STA Travel Group being STA Travel Holding AG (**STA Travel Holding**), a company registered in Switzerland, filing for insolvency on 20 August 2020.

Once STA Travel Holding was subject to an insolvency process in Switzerland, the majority of the Directors of the Company resolved that the Company was insolvent or likely to become insolvent at some future time and to appoint us as administrators. Immediately following our appointment as administrators, we made contact with the ultimate holding company Diethelm Keller Holdings Ltd to ascertain whether a global restructure may be proposed. However, we did not receive responses to our enquiries and consequently a global restructure was unable to be progressed.

1.3 The business of IEP is closed

The business of IEP is closed. Customers are advised that IEP was agent for the respective travel providers, not the supplier of travel services. It is our understanding that in accordance with IEP's terms and conditions, flights and other services are provided by the travel provider on the travel providers' respective terms and conditions. As a result, it is considered that travel providers are generally responsible for all aspects of the services booked, including re-bookings, cancellations and delays. Refunds relating to flights are governed by the travel providers' respective terms and conditions and fare rules for the specific fare.

We appreciate that this is a stressful and difficult time for those impacted by the Company's collapse. We also appreciate that customers are continuing to seek clarity about how they are directly impacted. Unfortunately, the Liquidators are unable to assist customers with their individual enquiries regarding the status of their booking as their bookings are with third parties.

Customers should contact travel providers directly regarding any booking that existed as at 21 August 2020. COVID-19 continues to significantly impact the leisure, tourism and hospitality sectors with many travel providers operating at a reduced capacity which is causing delays in attending to customer enquiries and the processing of refunds (where applicable).

1.4 Investigations

Our investigations to date have not revealed any possible offences committed by the Directors of the Company or potential recoverable voidable transactions. However, our investigations are ongoing, and we will continue to examine closely any obligations relating to requirements to hold customer monies on trust and the extent to which categories of customer monies and other cash from operations may have been comingled. These investigations are complex and ongoing.

Separately, our financial solvency assessment of the Company indicates that IEP was likely not insolvent until on or around 20 August 2020 (being one day prior to the appointment of Administrators) when the parent company STA Travel Holding filed for insolvency. When taking this matter into account coupled with the temporary relief measures for directors of financially distressed businesses, it is unlikely there would be a material cause of action available (if any) to creditors and customers in relation to an insolvent trading claim. Notwithstanding, any suggestion of insolvency is expected to be vigorously disputed and defended by the Directors.

1.5 Dividend

From our investigations, as at the date of this Report we consider the Company has insufficient realisable assets to enable payment of a dividend to unsecured creditors and customers of the Company as outlined in the table below:

Class of Creditor	Optimistic dividend	Pessimistic dividend
Unsecured creditors and customers	Nil	Nil

1.6 STA Travel and IEP Liquidation webpage

We appreciate your patience as we work through these issues and will continue to update customers and creditors at www.deloitte.com/au/STATravelAU.

2 Introduction

2.1 Details of our appointments

Tim Norman and myself were appointed Joint and Several Administrators to IEP on 21 August 2020 by the Directors of the Company pursuant to Section 436A of the Act.

At the second meeting of creditors held on 25 September 2020, creditors resolved to place the Company into liquidation. At that time, Tim Norman and myself were appointed Joint and Several Liquidators of IEP.

Once STA Travel Holding was subject to an insolvency process in Switzerland, the majority of the Directors of the Company resolved that the Company was insolvent or likely to become insolvent at some future time and to appoint us as administrators. Immediately following our appointment as administrators, we made contact with the ultimate holding company Diethelm Keller Holdings Ltd to ascertain whether a global restructure may be proposed. However, we did not receive responses to our enquiries and consequently a global restructure was unable to be progressed.

2.2 Purpose of this Report

Section 70-40 of the IPR requires a liquidator to report to creditors within three (3) months after the commencement of the winding up. This Report provides details of the progress of the winding up, information about the Company's assets and liabilities and whether creditors and customers will receive a distribution.

This Report is to be read in conjunction with our Report to Creditors pursuant to Section 75-225 of the IPR dated 17 September 2020. A copy of this Report and the Administrators Report are available on the Deloitte – STA Travel and IEP liquidation webpage: www.deloitte.com/au/STATravelAU.

2.3 Electronic communication

Section 600G of the Act allows liquidators to make communications and notifications available for creditors to access electronically. Liquidators however, must notify creditors when information is made available electronically and provide instructions on how it can be accessed. If a creditor has nominated an email address, liquidators can send notification of reports or other communication being available electronically by email, otherwise, a notice must be sent by post.

Electronic communication is speedy and cost effective and reduces the expenses incurred in an administration. Creditors have already been notified how to access information via our website for the liquidation of IEP which is as follows: www.deloitte.com/au/STATravelAU.

If you are having difficulty accessing the above website, please contact our office by email at STATravel@deloitte.com.au. Alternatively, if you do not have access to the internet and would like to receive future correspondence by post, please inform us.

3 Enquiries undertaken to date

3.1 Liquidators' actions to date

Since the date of the winding up, we have been primarily focused on the following tasks:

3.1.1 Communications with customers; creditors and key stakeholders

- Drafting and issuance of the Report
- Correspondence and meetings with key stakeholders including the Australian Competition and Consumer Commission (**ACCC**) and various state consumer agencies
- Correspondence with other creditors.

3.1.2 Asset recoveries

- Collection of outstanding debtors (non-customer refund monies)
- Investigation; analysis and correspondence with debtor parties regarding outstanding balances (non-customer refund monies).

3.1.3 Investigations

- Further investigations into the Company's demise including any possible offences committed by the Directors of the Company and whether there are any potential recoverable voidable transactions
- Correspondence and meetings with the attorneys in Switzerland representing the liquidation of STA Travel Holding
- Correspondence with the liquidators administering the winding-up of STA Travel Management Ltd; STA Travel International Ltd and STA Travel Ltd (referred to as the '**STA Travel UK entities**'), related party entities registered in the United Kingdom, including enquiries regarding the intercompany loan accounts.

3.1.4 Statutory

- Attending to statutory and regulatory lodgements and requests.

3.2 Pending matters

We will attend to the following matters prior to the finalisation of the winding up:

3.2.1 Communications with customers; creditors and key stakeholders

- Continue to attend to creditor and customer enquiries (where possible)
- Further correspondence and meetings with key stakeholders including the ACCC and various state consumer agencies.

3.2.2 Asset recoveries

- Finalise investigation; analysis and correspondence with debtor parties regarding outstanding balances (non-customer refund monies)
- Ascertain whether the liquidators have the ability to sell the domain name for IEP.

3.2.3 Investigations

- Finalise investigations into the Company's demise including any possible offences committed by the Directors of the Company and whether there are any potential recoverable voidable transactions
- Finalise investigation into the intercompany loan accounts with the STA Travel UK entities.

3.2.4 Statutory

- Attending to statutory and regulatory lodgements and requests
- Finalisation of the winding up.

3.3 Receipts and payments for the period 21 August 2020 to 30 November 2020

A summary of our receipts and payments for the period 21 August 2020 to 30 November 2020 is attached as **Annexure 1**.

4 Background

4.1 Summary of business operations

The principal activity of IEP was operating an international exchange program for young people.¹

The Company was incorporated in May 1995 and provided agency services to assist students and young adults to secure visas and work placement opportunities to work overseas. The day-to-day management of the Company's business was handled by Victoria Cunningham who is based in the United Kingdom with the employees conducting the Company's business principally provided by IEP New Zealand Limited (In Liquidation) (**IEP New Zealand**).

Once STA Travel Holding was subject to an insolvency process in Switzerland, the majority of the Directors of the Company resolved that the Company was insolvent or likely to become insolvent at some future time and to appoint us as administrators. Immediately following our appointment as administrators, we made contact with the ultimate holding company Diethelm Keller Holdings Ltd to ascertain whether a global restructure may be proposed. However, we did not receive responses to our enquiries and consequently a global restructure was unable to be progressed.

As a result, the business of IEP was closed effective 24 August 2020.

4.2 Incorporation and registered office

A search of the ASIC database disclosed the Company was incorporated in Victoria on 16 May 1995. The Company's registered office and principal place of business are disclosed as Building 10, Level 2, 658 Church Street, Richmond VIC 3121.

4.3 Shareholders, Officers and Security Interests

4.3.1 Shareholders

IEP is a proprietary company limited by shares. The ASIC database records the sole shareholder of the Company as follows:

Shareholder	Class	Number	%
Bunac Travel Services Ltd	ORD	500,010	100.00

4.3.2 Officers

The ASIC database indicates that during the 12-month period prior to the Administrators' appointment the Company's Directors were:

Name	Position	Appointed	Ceased
Holly Erin McVeigh	Director	31 July 2018	N/A
Colin James Parselle	Director	13 May 2020	N/A
Victoria Felicity Clunie Cunningham	Director	21 July 2020	N/A
Wayne Andrew Nagle	Director	21 July 2020	N/A
Nino Alexander Ostertag	Director	10 April 2019	23 March 2020
Ivan Walter	Director	11 June 2019	4 December 2019

¹ IEP Pty Limited financial statements for the year ended 31 December 2019

The currently appointed directors of the Company are collectively referred to as the '**Directors**'.

The ASIC database does not specify a current secretary for the Company.

4.3.3 Ultimate holding company

The Ultimate holding company for IEP is Diethelm Keller Holdings Ltd.

4.3.4 Related entities

The Company's Directors are also current directors of the following entities within the STA Travel Group, being related entities registered in Australia:

Related entity	Common director	Entity status
STA Travel Academic Pty Limited (Subject to Deed of Company Arrangement)	Wayne Andrew Nagle	External administration
STA Travel Pty Limited (In Liquidation)	Wayne Andrew Nagle and Colin James Parselle	External administration

4.3.5 Appointed Auditor

According to the ASIC database, LNP Audit and Assurance Pty Ltd were the Appointed Auditor (**Auditor**) for the Company since 16 June 2017.

4.3.6 Security Interests registered against the Company

We have conducted searches of the Personal Property Securities Register (**PPSR**) for the Company which revealed the following security interests:

Secured Party	Collateral Class	PMSI	Start Date
Toyota Finance Australia Ltd	Motor vehicle	Yes	30 January 2012

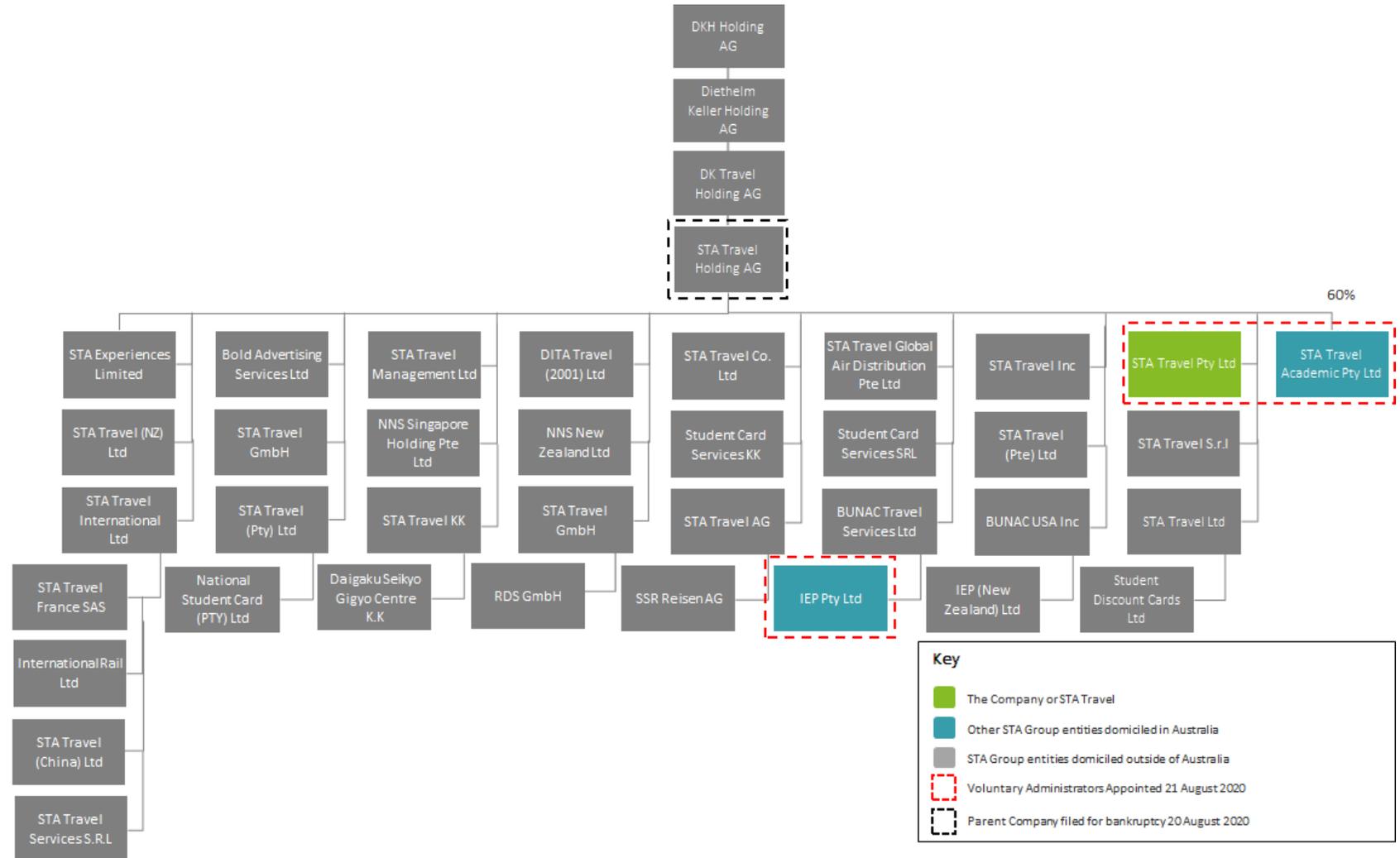
Following our initial appointment as Administrators, we wrote to the secured party seeking details regarding their registered security interest against the Company. From our investigation, we determined it was appropriate for the referred party to remove their security interest registered on the PPSR as they no longer have any equitable security interest in the Company.

4.3.7 Winding Up Applications

Our review of the ASIC records as at the date of the appointment of Administrators did not disclose any winding up applications filed against the Company.

4.4 Group Structure

The International STA Travel Group includes approximately forty (40) entities with STA Travel Holding being the holding entity for the group. We have prepared the following diagram to illustrate the structure of the International STA Travel Group:



The above entities are collectively referred to as the 'International STA Travel Group'.

Whilst the International STA Travel Group encompasses circa forty (40) entities, creditors and customers are advised that we were only appointed as Joint and Several Voluntary Administrators to the following three (3) Australian domiciled entities on 21 August 2020 being:

Related entity	Status of external administration
IEP Pty Limited (In Liquidation)	IEP was placed into Voluntary Administration on 21 August 2020 and was subsequently placed into Liquidation on 25 September 2020.
STA Travel Pty Limited (In Liquidation)	STA Travel was placed into Voluntary Administration on 21 August 2020 and was subsequently placed into Liquidation on 25 September 2020.
STA Travel Academic Pty Limited (Subject to Deed of Company Arrangement)	STA Travel Academic was placed into Voluntary Administration on 21 August 2020. A Deed of Company Arrangement was entered into for the company on 18 December 2020.

We note that due to the size and complexity of the International STA Travel Group, several functions were completed on a group basis for each of the entities in the International STA Travel Group. The functions completed on a group basis included, but were not limited to the following:

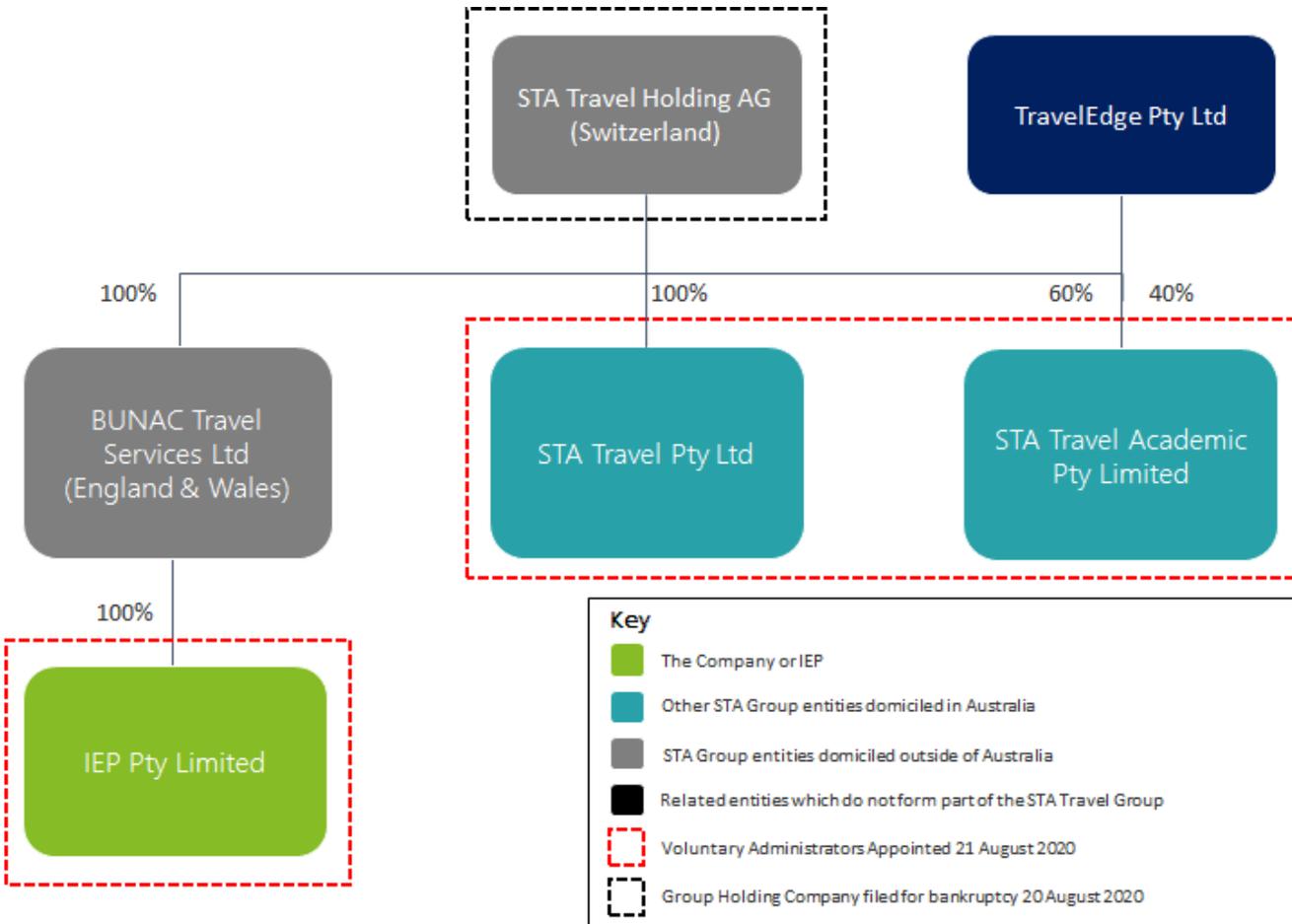
- Preparation and co-ordination of the overall business strategy
- Maintenance and development of key strategic supplier relationships
- Maintaining technological systems, including websites and the point of sales system
- Treasury, cash management and financial reporting
- Providing office support services for each group entities finance, IT and operations functions
- Ownership and maintenance of intellectual property (**IP**) including brand names, patents and trademarks.

The centralisation of several key business functions and ownership of key assets (i.e. brands, trademarks, IP etc.) by a number of entities elsewhere within the International STA Travel Group has resulted in difficulties in conducting the Voluntary Administration and Liquidation appointments for IEP which include, but are not limited to, the following:

- Difficulties in accessing certain records for the Company, particularly financial records as these were prepared and maintained by teams located in the United Kingdom; Romania and New Zealand and
- The ability to achieve a restructure and / or sale of the business of IEP in Australia.

We are continuing to undertake actions to recover records held by entities within the International STA Travel Group and will provide further updates to creditors where appropriate.

We have also prepared the following diagram which details the ownership structure of the Australian domiciled entities which form the STA Travel Group:



We note the Company's parent is Bunac Travel Services Ltd which is domiciled in the United Kingdom in which it is our understanding that it provides the same agency services as IEP.

As noted above, due to the size and complexity of the International STA Travel Group, a number of business functions were completed on a group basis. Accordingly, the Directors of the Company were principally responsible for the day-to-day trading of the Company's business including domestic sales, product offerings and marketing and promotional initiatives.

We understand the day-to-day management of the Company's business was handled by Victoria Cunningham who is based in the UK in which employees were provided by related party entities IEP New Zealand and STA Travel.

4.5 History of the Company

We have prepared the following summary of key events prior to our appointment as Voluntary Administrators to the Company:

Date	Key Event
19 March 2020	The Australian Federal Government announced a temporary hold for entry into Australia with exceptions only for Australian citizens, permanent residents and their immediate family, including spouses, legal guardians and dependants.
Late March 2020	Virgin Australia and Qantas ground their air fleets used for all international travel routes.
April 2020	The Australian State Governments announced restrictions for the movement of people between Australian States and Territories.
29 July 2020	<p>Holly McVeigh and Colin Parselle signed the directors' declaration accompanying the financial statements prepared for the Company for the period 1 January 2019 to 31 December 2019.</p> <p>The Auditor expressed an unmodified opinion in respect of the Company's financial statements prepared for the period 1 January 2019 to 31 December 2019.</p> <p>However, the Auditor included an emphasis of matter regarding the uncertain continuing impacts of COVID-19 on the Company's business:</p> <p><i>"Without modifying our audit opinion, we draw attention to Note 3 in the financial statements, which deals with subsequent events and specifically the possible effects of the future implications of COVID-19 on the Company's future prospects, performance and cashflows. Management have also described how they plan to deal with these events and circumstances.</i></p> <p><i>No adjustments have been made to the financial report relating to the recoverability or classification of the recorded asset amounts and classification of liabilities that may be necessary should the Company not continue as a going concern."</i>²</p>
19 August 2020	<p>Casper Urhammer, a director of STA Travel Holding, emailed all country managers for the International STA Travel Group advising the following:</p> <ul style="list-style-type: none"> • STA Travel Holding would be filing for insolvency • The International STA Travel Group had engaged the international law firm, White & Case LLP to provide advice on the implications of the filing for insolvency of STA Travel Holding on each of its subsidiaries.
20 August 2020	<p>Casper Urhammer, a director of STA Travel Holding, issued an email to all employees of the International STA Travel Group advising that STA Travel Holding would be filing for insolvency.</p> <p>STA Travel Holding filed for insolvency.</p> <p>The directors of the STA Travel Group contacted law firm Maddocks regarding the future of the STA Travel Group in light of STA Travel Holding filing for insolvency.</p>

² IEP Pty Limited financial statements for the year ended 31 December 2019

Date	Key Event
21 August 2020	<p>The Directors of the Company held a meeting at which the following resolutions were passed:</p> <p><i>"that, in the opinion of the directors, the company is insolvent or is likely to become insolvent at some future time."</i>³</p> <p><i>"that the company appoint Jason Tracy and Timothy Norman as Administrators pursuant to Section 436A of the Corporations Act 2001."</i>⁴</p> <p>The other entities, which together formed the STA Travel Group being, STA Travel Academic and STA Travel were also placed into Voluntary Administration at meetings held on 21 August 2020.</p>

4.6 Report on Company Affairs and Property

Pursuant to Section 438B of the Act, the Directors of the Company were required to provide a Report on Company Affairs and Property (**ROCAP**) as at the date of our initial appointment within five (5) business days of receipt of the request from the Administrators or such longer period as the Administrators allow.

The Directors of the Company have each provided a ROCAP as disclosed in the following table:

Director Name	Receipt of ROCAP
Colin James Parselle	1 September 2020
Holly Erin McVeigh	31 August 2020
Victoria Felicity Clunie Cunningham	31 August 2020
Wayne Andrew Nagle	31 August 2020

Further information regarding the ROCAPs completed by the Directors of the Company is outlined in Section 5 of the Administrators Report.

The ROCAPs, together with the respective accompanying schedules have been lodged and copies may be obtained from ASIC. Alternatively those ROCAPs may be inspected by contacting our team by email at STATravel@deloitte.com.au.

The ROCAP represents a snapshot of the asset and liability position of a company on a going concern and forced asset realisation basis, as prepared by the Directors. The book values shown in the ROCAPs do not reflect actual returns to creditors. The Liquidators provide a comparison of these values to our estimated realisable amounts at **Section 5** of this Report (see below).

³ Minutes of meeting of directors held at 7:30am on 21 August 2020

⁴ ibid

5 Estimated assets and liabilities

5.1 Overview

Set out in the table below is a comparison of the Directors estimated realisable values (**ERV**) of the assets of STA Travel and separately details of the outstanding liabilities for the Company. A comparison is also provided being the Liquidators' ERV and amounts realised as at 30 November 2020.

	Section in Report	Book Value (\$) ⁽¹⁾	Directors' ERV (\$) ⁽²⁾	Liquidators' ERV (\$) ⁽³⁾	Realised by Administrators & Liquidators (\$)
ASSETS					
Cash at bank	5.2.1	15,088	15,088	15,088	15,088
Debtors	5.2.2	276,994	-	-	-
Other assets	5.2.3	-	-	22,723	22,723
TOTAL ASSETS		292,082	15,088	37,811	37,811
LIABILITIES					
Priority creditor employee entitlements	5.3.1	-	-	-	N/A
Unsecured creditors	5.3.2	17,106	17,106	109,714	N/A
TOTAL LIABILITIES		17,106	17,106	109,714	N/A
ESTIMATED SURPLUS / (SHORTFALL) TO UNSECURED CREDITORS		274,976	(2,018)	(71,903)	N/A

Notes:

- (1) The Book Value is from the management accounts of the Company.
- (2) Directors' ERV are the figures disclosed in the ROCAPs completed by the Directors of the Company.
- (3) Liquidators' ERV are the expected asset realisations and known liability claims, excluding any contingent customer claims (refer **Section 5.3.2** of this Report for further information).

The following commentary is provided regarding the asset and liability position of the Company.

5.2 Assets

5.2.1 Cash at bank

As outlined in Section 5.1.1 of the Administrators Report, the ROCAPs submitted by the Directors disclose one (1) bank account maintained by the Commonwealth Bank of Australia Limited (**CBA**) with a balance of \$15,088. These funds were successfully recovered by the Administrators on 24 September 2020.

5.2.2 Debtors

5.2.2.1 Preliminaries

As outlined in Section 5.1.2 of the Administrators Report, the ROCAPs submitted by the Directors disclose the following debts due to the Company:

Debtor	Section in Report	Book Value (\$)	Directors' ERV (\$)	Liquidators' ERV (\$)	Realised by the Administrators & Liquidators (\$)
Related party debtor claims (non-customer refund monies)	5.2.2.2	274,906	-	-	-
Other debtors	5.2.2.3	2,088	-	-	-
Total		276,994	-	-	-

Details regarding the debtor balances outlined in the table above are discussed in **Section 5.2.2.2** and **Section 5.2.2.3** of this Report.

5.2.2.2 Related party debtor claims (non-customer refund monies)

We provide the following update regarding related party debtor claims (non-customer refund monies) as summarised in the table below:

Related party debtor claims	Description	Estimated amount to be recovered (\$)	Likelihood of recovery
STA Travel International	<p>The Directors' ROCAPs disclose amounts payable by STA Travel International to the Company totalling \$274,906.</p> <p>It appears these funds were advanced by IEP to STA Travel International in the form of a loan for the purpose of short-term liquidity and working capital in the normal course of business. The loan was due for repayment to the Company by 30 June 2020.</p> <p>Creditors are advised that liquidators were appointed to STA Travel International on 24 September 2020.</p> <p>Our enquiries to date suggest that a dividend will not be paid to unsecured creditors which includes the related party intercompany loan account between STA Travel International and the Company.</p>	-	Low
Total		Nil	

5.2.2.3 Other debtors

The Directors' ROCAPs disclose debts due to the Company from Nomad World Hostels and Cairns Bed & Bar for \$1,888 and \$200 respectively.

We have written to the abovementioned debtors to pursue the potential recovery of the amounts owing to the Company. However, as we have limited information pertaining to these debts, it is not commercial for these debts to be pursued.

5.2.3 Other Assets

As outlined in Section 5.1.3 of the Administrators Report, the ROCAPs submitted by the Directors disclose the following other assets of the Company:

Other assets	Section in Report	Directors' ERV (\$)	Liquidators' ERV (\$)	Realised by the Administrators & Liquidators (\$)
Plant and equipment	5.2.3.1	1,106	-	-
Website and Domain	5.2.3.2	636	Not known	-
Income tax refund	5.2.3.3	-	22,723	22,723
Total		1,742	Not known	22,723

The following commentary is provided regarding the 'other assets' of the Company.

5.2.3.1 Plant and equipment

The Directors' ROCAPs disclose IT equipment as an asset of the Company with an ERV of \$1,106.

Our investigations have identified that the IT equipment owned by the Company are currently in the possession of contracted staff from STA Travel which rendered services for the Company's business.

Given the above, the Liquidators consider it is not commercial to collect and arrange the sale of these items.

5.2.3.2 Website and Domain

The Directors' ROCAPs disclose the Company's website and domain name as an asset of the Company with an ERV of \$636.

Our investigations have identified that there might be parties interested in purchasing the Company's website and domain to enable the continuation of the international IEP brand in Australia.

Given the commercially sensitive nature of these discussions, we have not provided any further details regarding the potential realisable value of these assets.

We will provide further updates regarding our ability to realise the Company's website and domain to creditors as appropriate.

5.2.3.3 Income tax refund

An income tax refund was recovered during the Voluntary Administration period for the amount of \$22,723 as outlined in the summary of receipts and payments from 21 August 2020 (being the commencement of the Voluntary Administration) to 30 November 2020 which is attached as **Annexure 1**.

5.3 Liabilities

5.3.1 Employee Entitlements

As outlined in Section 5.1.4 of the Administrators Report, the Directors' ROCAPs did not disclose any amounts owing for employee entitlements.

We understand the staff that rendered services to enable IEP to operate its business were employed by related party entities IEP New Zealand and STA Travel via service arrangements. In the event we identify employee entitlements payable by the Company, we note those claims will represent an unsecured priority claim pursuant to section 556 of the Act.

5.3.2 Unsecured Creditors

As outlined in Section 5.1.5 of the Administrators Report, the Directors' ROCAPs disclose three (3) creditors with claims totaling \$17,106.

Our investigations have identified the following potential unsecured creditor claims for the winding up:

Trade creditor	Description of claim	Amount (\$)
IEP New Zealand Limited (In Liquidation)	Recharge costs for providing resources for the Company's business	107,443
STA Travel Pty Limited (In Liquidation)	Recharge costs for providing resources for the Company's business	1,446
Titan Partners	Trade creditor claim	825
Australian Taxation Office	Contingent creditor in the winding up – claim is yet to be quantified	Not known
CBA	Potential merchant chargebacks and outstanding merchant facility terminals	Not known
Total		>109,714

We have also identified amounts paid by various customers of IEP who may have claims against the Company. We understand there are 617 customers who have made payments to the Company totaling \$311k. When including creditor and contingent customer claims in totality, unsecured creditors against the Company could be as high as \$420,714.

Notwithstanding the above, as at the date of this Report we have received limited information regarding any potential customer claims against the Company. Our enquiries are continuing in this regard in which creditors and customers will be provided further updates as appropriate.

At this stage of our investigation, claims received from unsecured creditors have not been adjudicated as it is unlikely that a dividend will be paid to creditors of the Company.

6 Update to customers

6.1 Agent for the travel providers

Customers are advised that IEP was agent for the respective travel providers, not the supplier of travel services. It is our understanding that in accordance with IEP's terms and conditions, flights and other services are provided by the travel provider on the travel providers' respective terms and conditions. As a result, it is considered that travel providers are generally responsible for all aspects of the services booked, including re-bookings, cancellations and delays. Refunds relating to flights are governed by the travel providers' respective terms and conditions and fare rules for the specific fare.

We request that customers which are currently categorised as unsecured creditors of the Company can lodge a Form 535 - Formal Proof of Debt or Claim Form (**POD Form**). This POD Form is available via the following link www.deloitte.com/au/STATravelAU and once completed should be sent with supporting documentation via email to STATravel@deloitte.com.au. Customers are advised that they are **not** required to submit a further POD Form with the liquidators' office unless the amount that the customer is claiming has changed.

Customers might also be eligible for a chargeback via their financial institution subject to the relevant credit card scheme rules. It is our understanding that a chargeback can be denied under the relevant credit card scheme rules by the end merchant where customers are able to either receive the good or service that they paid for, or receive a refund for same. Given this, we strongly encourage customers to contact the relevant airline, land or tourism operator prior to making a chargeback request. Customers are also encouraged to check the terms and conditions of any travel insurance they may have purchased as part of their travel arrangements.

7 What happened to the business of the Company

7.1 Explanations for difficulties

The Directors have advised that the Company's failure was due to the following reasons:

- i. The ability of STA Travel International to settle the intercompany loan account owing to the Company totalling \$275k which was one of the Company's largest assets. As outlined in **Section 5.2.2.2** of this Report, STA Travel International is currently in liquidation in which it is unlikely a dividend will be paid to creditors.
- ii. The parent company STA Travel Holding filing for insolvency on 20 August 2020 creating financial uncertainty for the International STA Travel Group to continue as a going concern.
- iii. The anticipated continuation of travel restrictions led the Company's Directors to anticipate that the Company's short-term sales would not increase resulting in the Company being unable to pay its debts as and when they fell due.

Following our investigations into the Company's demise, the Liquidators concur with the reasons provided by the Directors of the Company regarding IEP being placed into external administration.

7.2 Analysis of the historical financial position and performance of the Company

An analysis of the historical financial position and performance of the Company is outlined in Section 4 of the Administrators' Report.

8 Possible recovery actions

8.1 Investigations

8.1.1 Introduction

There is a general duty by a liquidator to investigate the Company's business, property, affairs and financial circumstances. There are a number of possible recovery actions that may be brought by a liquidator under Part 5.7B of the Act which may result in more funds available for distribution to the creditors.

The liquidator also has an obligation to report possible director breaches of duties or likely misconduct that comes to our attention to ASIC. ASIC may, as a consequence of such a report, prosecute the directors and a successful prosecution may result in the director(s) being fined or imprisoned. However, any action undertaken in this regard will have no impact on likely dividends to creditors.

An explanation of the possible recoveries that may arise as a consequence of offences by a director and insolvent and voidable transactions is attached at **Annexure 2**. This information sheet has been prepared by the Australian Restructuring Insolvency & Turnaround Association (**ARITA**) and is intended to reduce the amount of generic information included as part of the body of this report. Creditors who are not familiar with the nature of offences and liquidator actions should refer to the appendix for explanations. If further explanation is required of the material contained in **Annexure 2** or of our investigations, creditors should contact our office.

8.1.2 Overview of investigation

In the time available to us, we have undertaken the following investigations to prepare this Report and formulate our opinions:

- ASIC searches
- Searches of the Personal Property Securities Register
- Review of the books and records of the Company
- Discussions and questionnaires completed by the Directors
- Review of the completed ROCAPs completed by the Directors of the Company
- Discussions with creditors and customers
- Review of the financial statements and management accounts of the Company
- Discussions and correspondence with the management team of IEP
- Review of the Company's lodgement history with the ATO
- Correspondence and meetings with various finance and management personnel based in the United Kingdom of the International STA Travel Group.

Liquidators are required to complete and lodge a report pursuant to section 533 of the Act with ASIC where it appears:

- a past or present officer of the Company may have been guilty of an offence or misconduct in relation to the Company and/or
- the Company may be unable to pay more than 50 cents in the dollar to unsecured creditors.

Creditors and customers are advised that the Liquidators are required to submit a report to ASIC pursuant to section 533 of the Act as our investigations as at the date of this Report suggest there will be insufficient realisable assets to enable payment of a dividend to unsecured creditors and customers of the Company. Reports lodged pursuant to section 533 of the Act with ASIC are not available to the public.

We have undertaken an investigation of the affairs of the Company in relation to suspected contraventions of section 180 to section 184 of the Act regarding the general duties of directors and officers.

From our investigations to date we have not found that the Directors have acted dishonestly and/or fraudulently in the exercise of their powers and discharge of their duties. To date, there has been no evidence that the Directors have used their powers other than in the Company's interest. Therefore, no amount has been attributed to recovery actions available to the Liquidators at this time.

Notwithstanding the above, we advise that our investigations are continuing in relation to the handling of customers funds to ascertain whether the Company's Directors may have breached any duties in failing to adequately act as a 'trustee' in respect of customer funds. we will continue to investigate any potential breaches of director duties and provide creditors and customers with updates on our investigations as appropriate.

8.1.3 Books and records

Pursuant to section 286 of the Act, a company must keep written financial records that correctly record and explain its transactions, financial position and performance and would enable true and fair financial statements to be prepared and presented in accordance with the accounting standards.

Failure by a company to maintain books and records in accordance with section 286 of the Act provides a rebuttable presumption of insolvency of a company which may be relied upon in a liquidator's application for compensation for insolvent trading and other actions for recoveries pursuant to part 5.7B of the Act from related entities.

In our opinion, it appears as though the books and records have been maintained in accordance with section 286 of the Act.

8.1.4 Assessment of solvency in accordance with section 588G of the Act

An analysis of the assessment of solvency is outlined in Section 7.4 of the Administrators Report.

In response to the COVID-19 pandemic, the Australian Government passed legislation being the *Coronavirus Economic Response Package Omnibus Act 2020 (Cth)* which inserted Section 588GAAA 'Safe harbour - temporary relief in response to the coronavirus' into the Act. This provisional section provides new safe harbour protections for granting temporary relief for directors of financially distressed businesses including relief from potential personal liability for insolvent trading for the six-month period commencing from 24 March 2020. This provision was temporarily extended until 31 December 2020.

As our financial solvency assessment of the Company indicates that STA Travel was likely not insolvent until on or around 20 August 2020 (being one day prior to the appointment of Administrators) when the parent company STA Travel Holding filed for insolvency. When taking this matter into account coupled with the temporary relief measures for directors of financially distressed businesses, it is unlikely there would be a material cause of action available (if any) to creditors and customers in relation to an insolvent trading claim. Notwithstanding, any suggestion of insolvency is expected to be vigorously disputed and defended by the Directors.

8.1.5 Voidable transactions

8.1.5.1 Overview

An analysis of the voidable transactions is outlined in Section 7.5 of the Administrators Report.

It is important to note that such transactions are only voidable if they are considered insolvent transactions of the Company. In order for a liquidator to recover any amount it would first be necessary to establish that the Company was in fact insolvent at the time of the transaction.

Generally such actions are expensive and are likely to require Court applications. As such, should there be inadequate funds available, or the liquidators consider it uncommercial or not in the creditors' best interests, such recovery actions may not be commenced by the liquidators. Alternatives that can be considered include:

- Some or all of the creditors may wish to fund an action and in doing so can be entitled to receive their contribution in priority to other creditors
- Litigation insurance may be available to fund an action(s), however it is usually a requirement that legal advice indicates there is a strong potential for success
- Section 100-5 of the IPS entitles a liquidator to assign any right to sue. This may enable us to quickly convert what might otherwise be a lengthy and time consuming legal action into an upfront payment in cash. Creditors must be notified in advance if we were to consider such an option.

Since the Company was placed into liquidation, further investigations have been undertaken by the Liquidators to assess whether there are any potential voidable transactions. A summary of our findings are outlined below:

Type of voidable transaction	Section of the Act	Investigation findings to date
Unfair preference payments	588FA	We have not identified any payments that may be unfair preferences within the six (6) months prior to our appointment.
Uncommercial transactions	588FB	Our review of Company records to expose evidence of uncommercial transactions entered into by the Company has not identified any transactions that would constitute an uncommercial transaction.
Unfair loans	588FD	Our investigations of the Company books and records revealed that IEP has not made or received any loans from or to any parties which committed the Company to extortionate terms.
Arrangements to avoid employee entitlements	596AB	We have not to date identified any transactions of this nature.
Unreasonable director-related transactions	588FDA	Our investigations have not to date identified any unreasonable director-related transactions.
Transactions with the purpose of defeating creditors	588FE(5)	Our investigations have not to date identified any transactions undertaken for the purposes of defeating creditors.
Circulating security interests created within six months prior to the relation back day	588FJ	Our investigations have not to date identified any voidable security interests.
Related party transactions	588FE(4)	Please refer to commentary in Section 8.1.5.2 to Section 8.1.5.5 of this Report.

8.1.5.2 Related party transactions (Section 588FE(4))

These transactions are those representing insolvent transactions (unfair preferences or uncommercial transactions) with a related party within four (4) years prior to the relation back day.

In conducting our investigations, we have identified that the Company entered into a number of transactions with related entities. We have summarised these inflows and outflows between the Company and related entities for the period 1 August 2018 to 21 August 2020 as discussed in the commentary below:

8.1.5.3 Transactions with STA Travel

Our investigation has identified net payments by IEP to STA Travel for the amount of \$2k for the period 1 August 2018 to 21 August 2020 as outlined in the following table:

Transactions with STA Travel	Amount (\$'000)
Receipts received by IEP from STA Travel	1
Less: Payments from IEP to STA Travel	(3)
Net payments by IEP to STA Travel	(2)

Given the quantum of payments from IEP to STA Travel and our view that the Company was not insolvent until on or around 20 August 2020, we have not considered it commercial to conduct any further investigations regarding the payments by the Company to STA Travel.

8.1.5.4 Transactions with Bunac Travel Services Ltd

Our investigation has identified net receipts received by IEP from Bunac Travel Services Ltd for the amount of \$1k for the period 1 August 2018 to 21 August 2020 as outlined in the following table:

Transactions with Bunac Travel Services Ltd	Amount (\$'000)
Receipts received by IEP from Bunac Travel Services Ltd	1
Less: Payments from IEP to Bunac Travel Services Ltd	-
Net receipts received by IEP from Bunac Travel Services Ltd	1

Our investigations indicate that the Company has received more funds from Bunac Travel Services Ltd than it has paid to that same related entity and as such, it is unlikely that the Company has any claim against Bunac Travel Services Ltd for related party transactions.

8.1.5.5 Transactions with STA Travel International

As outlined in **Section 5.2.2.2** of this Report, the balance owing by STA Travel International as at the date of our initial appointment totaled \$275k.

Our investigation has identified net payments by IEP to STA Travel International for the amount of \$174k for the period 1 August 2018 to 21 August 2020 as outlined in the following table:

Transactions with STA Travel International	Amount (\$'000)
Receipts received by IEP from STA Travel International	66
Less: Payments from IEP to STA Travel International	(240)
Net Payments by IEP to STA Travel International	(174)

The above analysis also includes a \$90k payment from IEP to STA Travel International on 20 August 2020. As detailed throughout this Report, we consider that the Company was insolvent on or around 20 August 2020 when the parent company for the International STA Travel Group, STA Holding, filed for insolvency in Switzerland. As such, this payment was made by the Company to a related entity at a time when we consider the Company was insolvent.

Notwithstanding the above, liquidators were appointed to STA Travel International on 24 September 2020. Our enquiries to date suggest that a dividend will not be paid to unsecured creditors which includes the related party intercompany loan account between STA Travel International and the Company and therefore it would be uncommercial to pursue this matter further.

Whilst our investigations are continuing in relation to the abovementioned transactions, it is currently not expected to result in a material cause of action available (if any) to creditors as it appears these funds had been transferred as part of the business operating activities between STA Travel and STA Travel International. Separately, STA Travel International is currently in liquidation in which a dividend is not expected to unsecured creditors.

8.1.6 Holding Company Liability

Section 588V of the Act states that a holding company is liable for the debts of its subsidiary where the subsidiary is insolvent, and:

- The holding company and one or more of its directors were aware it was insolvent or
- It is reasonable to expect the holding company or its directors would have been aware that the subsidiary was insolvent.

As the holding company, STA Travel Holding filed for insolvency on 20 August 2020 (being one day prior to the appointment of Administrators) and as such, any claim against the holding company pursuant to section 588V of the Act would rank as an unsecured claim in the insolvency of STA Travel Holding.

8.2 Summary of our investigations

Our investigations to date have not revealed any possible offences committed by the Directors of the Company or potential recoverable voidable transactions. However, our investigations are ongoing, and we will continue to examine closely any obligations relating to requirements to hold customer monies on trust and the extent to which categories of customer monies and other cash from operations may have been comingled. These investigations are complex and ongoing.

Separately, our financial solvency assessment of the Company indicates that IEP was likely not insolvent until on or around 20 August 2020 (being one day prior to the appointment of Administrators) when the parent company STA Travel Holding filed for insolvency. When taking this matter into account coupled with the temporary relief measures for directors of financially distressed businesses, it is unlikely there would be a material cause of action available (if any) to creditors and customers in relation to an insolvent trading claim. Notwithstanding, any suggestion of insolvency is expected to be vigorously disputed and defended by the Directors.

9 Likelihood of creditors receiving a dividend

9.1 Estimated Statement of Position

We have prepared the following analysis regarding the expected realisations from the winding up of the Company as outlined in the table below:

	Section in Report	Liquidation High	Low
Assets			
Cash at Bank	5.2.1	15,088	15,088
Debtors	5.2.2	-	-
Other Assets - Income Tax Refund	5.2.3	22,723	22,723
Total Assets		37,811	37,811
Other Realisations			
Liquidators' Recovery Actions	8	Nil	Nil
Total Other Realisations		Unknown	Unknown
Costs of External Administration			
Voluntary Administrators' Remuneration		47,988	47,988
Voluntary Administrators' Expenses		5,000	5,000
Liquidators' Remuneration		25,000	100,000
Liquidators' Expenses		5,000	15,000
Total Costs of External Administration		82,988	167,988
Funds Available for Distribution to Creditors		-	-
Creditor Claims			
Priority Employee Creditors	5.3.1	-	-
Unsecured Creditors	5.3.2	109,714	420,714
Total Creditor Claims		109,714	420,714
Distribution to Creditors			
Unsecured Creditors		-	-
Total Distribution to Creditors		-	-
Return (cents in the dollar)			
Unsecured Creditors		-	-

The values included in the Estimated Statement of Position (**ESOP**) are discussed below.

9.1.1 Optimistic scenario

These values have been included on the basis that there is potential for an increased recovery or realisation above that of a pessimistic position for specific assets. Where there are two estimates of the value of an asset, the higher value has been included in the optimistic calculations. Achieving these values is subject to a number of factors that would arise during the realisation process. This includes various market forces affecting the value of each asset, including the interest in each asset and the general economic status at the time of sale.

9.1.2 Pessimistic scenario

The values included in this calculation are considered the lower possible values recoverable from the specific assets of the Company. These amounts have been calculated by either discounting for a reduced return or where two values were provided for an asset, the lower value was included.

Again, the realisations will be subject to costs and also fluctuations in various other factors outlined in the previous section.

9.1.3 Outcome for creditors and customers

From our investigations as at the date of this Report, we consider the Company has insufficient realisable assets to enable payment of a dividend to unsecured creditors of the Company as outlined in the table below:

Class of Creditor	Pessimistic dividend	Optimistic dividend
Unsecured creditors including customers	Nil	Nil

Whilst we have no reason to doubt any information contained in this Report, we reserve the right to alter our conclusions should the underlying data prove to be inaccurate or materially change from the date of this Report.

9.2 STA Travel and IEP Liquidation webpage

We trust creditors and customers find this Report informative and useful.

The Liquidators appreciate your patience as we work through the remaining issues and will continue to update creditors and customers at www.deloitte.com/au/STATravelAU. We again encourage customers to contact the travel providers in the first instance.

Yours faithfully



Jason Tracy

Joint and Several Liquidator

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Annexure 1 – Summary of receipts and payments for the period 21 August 2020 to 30 November 2020

RECEIPTS	Amount (\$)
Cash at Bank	15,088.30
Other Assets (income tax refund)	22,723.38
Total Receipts	37,811.68
PAYMENTS	
Appointees' Remuneration	31,000.00
Legal Fees (Taxable)	781.00
Bank Charges	140.00
Total Payments	31,921.00
GST Receivable/(Payable)	3,178.10
Cash on Hand	2,712.58

Annexure 2 - ARITA Creditor Information Sheet - Offences,
Recoverable Transactions and Insolvent Trading

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.
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.

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.

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. It will only be necessary to satisfy the court that there was a breach on the balance of probabilities. There is no time limit on when the transaction occurred.

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.

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