

6 November 2018



Crusaders Managers Pty Ltd
ACN 130 244 361 (In Liquidation)
("the Company")

STATUTORY REPORT TO CREDITORS

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1. INTRODUCTION

I refer to the appointment of John Park and I, Kelly-Anne Trenfield, as:

- (i) Replacement Joint and Several Voluntary Administrators of the Company on 20 March 2018;
- (ii) Joint and Several Receivers and Managers (“**Receivers**”) of the assets and undertakings of the 333 Travencore Trust (formerly the Crusaders Trust) on 5 June 2018; and
- (iii) Joint and Several Liquidators (“**Liquidators**”) of the Company on 7 August 2018.

Following is our report to creditors pursuant to Section 70-40 of the Insolvency Practice Rules (Corporations) 2016 (Cth).

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.

2. KEY FINDINGS

Key Findings		
DESCRIPTION	FINDINGS	SECTION OF REPORT
What Happened to the Business?	<p>The Company owned a number of Snap Fitness gyms in Queensland and the Northern Territory in its capacity as trustee for the 333 Travencore Trust (formerly the Crusaders Trust).</p> <p>The Company progressively sold or closed gyms over the last three (3) years.</p> <p>The remaining six (6) gyms were sold by the Receivers, the sale settling on 20 July 2018.</p>	Section 3.1
Assets of the Company	<p>I understand the Company did not own any assets separate from the Trust and therefore, there are no assets to be realised in the liquidation of the Company.</p> <p>As Receivers and Managers of the assets and undertakings of the Trust, I have determined there are no further assets of the Trust to realise.</p>	Section 3.3

Key Findings		
DESCRIPTION	FINDINGS	SECTION OF REPORT
Date of Insolvency	My investigations indicate the Company was insolvent from at least 30 June 2016 onwards, and may have been insolvent for some time prior to that.	Section 4.2
Investigation into the Company's affairs and Voidable Transactions	<p>I am unfunded in the liquidation and therefore my ability to investigate the Company's affairs and any voidable transactions is limited.</p> <p>I have identified a number of transactions which warrant further investigation, however the Company's books and records are insufficient to finalise our investigations.</p> <p>I anticipate the Company's lawyers, Kelly Legal, hold relevant records which may assist in my investigations. I have not received these records to date.</p>	Sections 4.3, 4.4 and 4.5
Likelihood of a Dividend	<p>The Liquidators do not anticipate there will be any return to unsecured creditors.</p> <p>Any return to unsecured creditors is dependent upon any recoveries from voidable transactions. As I am unfunded, my ability to pursue potential recovery matters is limited.</p>	Section 5

3. UPDATE ON THE PROGRESS OF THE LIQUIDATION

I provide an update on the progress of the liquidation as follows:

1.1 Background and what happened to the business of the Company

Detailed below is information regarding the Company obtained from a company search from the Australian Securities and Investments Commission ("ASIC") records as at 19 March 2018.

Table 3 – Company Details

NAME	Crusaders Managers Pty Ltd (In Liquidation)
ACN	130 244 361
DATE OF INCORPORATION	19 March 2008
DATE OF LIQUIDATION	8 March 2018
DIRECTOR NAME	Griffith William Davies
FORMER DIRECTOR	Vanessa Jane Griese (ceased 7 December 2017)
REGISTERED OFFICE	Launch Accounting Pty Ltd Lease WB Mackay Harbour Mackay Harbour QLD 4740
PRINCIPAL PLACE OF BUSINESS	Lease WB Mackay Harbour Mackay Harbour QLD 4740
SHAREHOLDERS	Griffith Davies

The Company traded as trustee for the 333 Travencore Trust (formerly the Crusaders Trust) ("**the Trust**").

The Company in its capacity as trustee for the Trust owned a number of Snap Fitness gyms, located in regional Queensland and the Northern Territory.

The Company progressively sold or closed gyms over the last three (3) years.

On 8 March 2018, Christopher Baskerville of Jirsch Sutherland was appointed Administrator of the Company pursuant to Section 436A of the Corporations Act 2001 (Cth) ("**the Act**").

On 15 March 2018, the former Administrator settled the sale of the Snap Fitness gym at 3 Nylander Street, Parap NT 0820.

As Administrator, I continued to trade the below remaining six (6) Snap Fitness gyms below to facilitate the sale of the gyms on a going concern basis, which was settled by the Receivers on 20 July 2018.

1. Unit 2, 2 Middleton Street, Yarrowonga NT 0830
2. 14 Winnellie Road, Winnellie NT 0820
3. Unit 4, 18 Bacon Street, Moranbah QLD 4744
4. Northern Beaches Central, 10 Eimeo Road, Rural View QLD 4740
5. 7 Discovery Lane, Mackay QLD 4740
6. 465 Stuart Highway, Coolalinga NT 0835

("the Six Gyms")

1.2 Sale of the Company's Assets

The Six Gyms were sold for \$1,085,000 (excluding GST) to Project Noah Holdings Ltd ("**Purchaser**").

The majority of employees transferred to the Purchaser with the sale and the Purchaser recognised employees' prior service and leave entitlements with the Company.

The net proceeds from the sale of the gyms was paid to secured creditors pursuant to their security interests.

1.3 Assets and Liabilities

Pursuant to Section 70-40 of the Insolvency Practice Rules (Corporations) 2016, the below table sets out the estimated statement of position of the Company as at 26 October 2018.

Liquidators' Estimated Statement of Position as at 26 October 2018			
	Optimistic (\$)	Pessimistic (\$)	Notes
Assets			
Cash at bank	75,940	75,940	1
Future trading receipts	2,351	2,210	2
Insolvent trading claim	Nil	Nil	3
Unfair preferences	Nil	Nil	4
Uncommercial transactions	Nil	Nil	4
Unreasonable director-related transactions	Nil	Nil	4
Total assets	78,290	78,150	
Liabilities			
Administrators' fees and disbursements	311,516	311,516	5
Liquidators' fees and disbursements	90,297	100,297	6
Former Administrator's fees and disbursements	42,984	42,984	7
Total	444,796	454,796	
Available funds to distribute to priority creditors	Nil	Nil	
Priority creditor claims			
Wages and superannuation guarantee charge	452,592	452,592	8
Annual leave, leave loading and long service leave	3,607	3,607	8
Redundancy and pay in lieu of notice	Nil	Nil	8
Total priority creditor claims	456,199	456,199	
Unsecured creditors	21,389,716	21,389,716	9
Total liabilities	22,290,711	22,300,711	

Notes:

The notes set out below should be read in conjunction with the above table.

1. Cash at Bank

As at 26 October 2018, the balance of the liquidation bank account was \$75,939.53.

The source of these funds is the surplus generated from trading the gyms in the Administration and Liquidation.

2. Future trading receipts

Further trading receipts of \$2,210 to \$2,351 are expected in the matter in relation to refunds from an insurance policy and taxation refund.

3. Insolvent trading claim

An insolvent trading claim may be brought against the Director and Former Director, however I do not anticipate it would be commercial to pursue.

4. Unfair preferences, uncommercial transactions and unreasonable director-related transactions

At this stage, I have not identified any unfair preferences, uncommercial transactions or unreasonable director-related transactions which may be commercial to recover.

5. Administrators' fees and disbursements

The Administrators have outstanding fees and disbursements of \$308,888.50 (excluding GST) and \$2,627.18 (excluding GST) respectively.

6. Liquidators' fees and disbursements

The Liquidators have outstanding fees and disbursements to 26 October 2018 of \$79,656.50 (excluding GST) and \$640.07 (excluding GST) respectively.

The Liquidators' estimated fees to finalisation of the matter are \$10,000 (excluding GST) to \$20,000 (excluding GST). This estimate may change depending if further investigations are required.

7. Former Administrator's fees and disbursements

I understand the Former Administrator has outstanding fees totalling \$42,984.04 (excluding GST).

8. Priority creditor claims

Outstanding employee entitlements with the Company consist of annual leave for employees who resigned prior to the sale of the Gyms and outstanding superannuation pursuant to the Superannuation Guarantee Charge.

I understand superannuation is underpaid from 1 January 2013 onwards.

Employee Entitlements	
	(\$)
Wages	0
Superannuation	452,592
Annual Leave	3,607
Long Service Leave	0
Total Employee Entitlements	456,199

Employees who are owed leave entitlements from the Company may submit a claim with the Department of Jobs and Small Business pursuant to the Fair Entitlements Guarantee ("FEG") scheme. The FEG scheme covers certain entitlements with the notable exclusion of superannuation.

FEG hotline: 1300 135 040

FEG website: <https://www.jobs.gov.au/fair-entitlements-guarantee-feg>

9. Unsecured Creditors

Unsecured creditor claims include, inter-alia, the following claims:

- (i) \$12,338,088.18 owing to MG and AM Davies Family Trust recorded in the Company's records for monies loaned to the Company;
- (ii) \$665,296.61 owing to Juanita Davies (Griffith Davies' mother) for a loan which was provided at the time the Winnellie gym was established; and
- (iii) \$399,449.22 owing to the Australian Taxation Office for outstanding BAS amounts.
- (iv) The unsecured portion of secured creditors' claims, being \$6,477,296.21.

1.4 Receipts and payments to date

Details of the receipts and payments in the Administration and Liquidation for the period 20 March 2018 to 26 October 2018 is included at **Appendix A**.

As of 26 October 2018, \$75,940 was held by the liquidators.

4. INVESTIGATIONS AND RECOVERY ACTIONS

As Liquidator, I am required to investigate and specify whether there may be any voidable transactions in respect of which money, property or other benefits may be recoverable by a liquidator.

I have identified a number of transactions which warrant further investigation, which may be explained further by books and records of the Company I understand are in the possession of the Company's lawyers, Kelly Legal.

I have requested Kelly Legal provide the Company's records, however to date I have not received these.

I am unfunded in this matter and in the absence of funding to cover the costs of conducting further investigations, I intend to finalise the liquidation.

Therefore, should creditors wish to fund the costs of investigations they should contact this office urgently.

I set out below details of my investigations undertaken to date and my findings in that respect.

4.1. Investigations undertaken

I advise that, to date, I have undertaken the following investigations into the Company's affairs:

- (i) Corresponded with the Company's Director and obtained a questionnaire from the Director regarding the Company's affairs and reasons for the Company's failure;
- (ii) Corresponded with the Company's former Director, Vanessa Griese, to understand the Company's affairs;
- (iii) Requested the Company's lawyers, Kelly Legal, provide the Company's records in their possession;
- (iv) Reviewed the Company's books and records including the Company's accounting package, financial accounts of the Company;

- (v) Reviewed the Company's bank statements for any preferences or unusual and/or material transactions; and
- (vi) Conducted independent searches including, but not limited to, google searches, property searches, company and director searches.

4.2. Date of Insolvency

The Act states a company is considered to be solvent if, and only if, the company is able to pay its debts as and when they become due and payable. A company that is not solvent is insolvent. Accordingly, the test for insolvency is not a balance sheet test but rather a cash flow test.

My investigations indicate the Company may have been insolvent from at least 30 June 2016 onwards, and may have been insolvent for some time prior to that for the following reasons:

- (a) The Company incurred trading losses in the 2015, 2016 and 2017 financial years;
- (b) The Company had limited working capital;
- (c) The Company has unpaid tax debts dating back to 1 January 2013;
- (d) Payables were increasingly outside of usual payment terms from February 2017 onwards;
- (e) No payments were made with respect to taxation liabilities from July 2015 onwards; and
- (f) Membership numbers were in decline from January 2017 onwards.

4.3. Insolvent Trading

Pursuant to Section 588G of the Act, a director or former director has a duty to prevent insolvent trading and may become liable for debts incurred by the company if at the time there was reasonable grounds to suspect the company was insolvent or became insolvent by incurring the debt.

A director or former director may commit an offence under Section 588G(3) if that incurring of the debt was dishonest.

An insolvent trading claim must be proven by a liquidator against each individual director. Creditors should be aware that a successful claim for insolvent trading requires extensive analysis and would generally require legal action. Further, I would point out to creditors that such proceedings may often be drawn out and involve significant cost.

My investigations to date indicate debts totalling approximately \$265,000 were incurred by the Company after 30 June 2016 and remain outstanding.

I note however the Director is bankrupt. An insolvent trading claim by the Liquidators would be an unsecured claim in the Director's bankrupt estate. The Trustees of his bankrupt estate have advised it is unlikely there will be any return to unsecured creditors.

The Former Director has provided an asset and liability statement which indicates she has limited financial assets. I understand she also guaranteed a number of the Company's debts. I have conducted searches which indicate the Former Director does not own property in Queensland or the Northern Territory.

It therefore does not appear commercial to pursue any insolvent trading claim against the Director and Former Director.

4.4. Unfair Preferences

Where a transaction between 9 September 2017 to 8 March 2018, whilst the Company is insolvent, results in a creditor receiving more than it would in the winding up of the Company, that transaction may be voidable by the Liquidator as an unfair preference.

A creditor may have a defence to an unfair preference claim by a liquidator if it proves that it entered into the transaction in good faith and, at the time the benefit was received, the creditor had no reasonable grounds for suspecting that the company was insolvent or would become insolvent through entering into the transaction and valuable consideration was given, nor would a reasonable person in the creditor's position have suspected that the company was insolvent or would become insolvent.

Based on my investigations to date and the available records, I have not identified payments to creditors pursuant to Section 588FA of the Act which may be unfair preferences and recoverable for the benefit of creditors.

4.5. Uncommercial Transactions and Unreasonable Director-Related Transactions

A transaction of a company may be an uncommercial transaction pursuant to Section 588FB of the Act or an unreasonable director-related transaction pursuant to Section 588FDA of the Act if the following elements are established by a liquidator:

- (i) The transaction was entered into or given effect to within two (2) years for an uncommercial transaction, or four (4) years for an unreasonable director-related transaction, of the date of appointment of the Administrator.
- (ii) At the time the uncommercial transaction was entered into, or when given effect to, the company was insolvent or became insolvent as a result of the transaction. Insolvency is not required for an unreasonable director-related transaction.
- (iii) A reasonable person in the company's circumstances would not have entered into the transaction having regard to the benefits and detriments to the company in entering into the transaction and the respective benefits to other parties.

The defences available to an unfair preference effectively also apply to uncommercial transactions, however they are not available for unreasonable director-related transactions

Based on my investigations to date with the books and records available to me, I have not identified any uncommercial transactions or unreasonable director-related transactions which may be voidable.

The following transactions warrant further investigation. I understand Kelly Legal as the Company's lawyers may have copies of the Company's records in their possession which may assist in explaining the following transactions. However, to date, I have not received any of the books and records requested from Kelly Legal.

I am unfunded and in the absence of creditors funding my investigations, I am unable to investigate the below matters further given there is no straightforward claims that could be pursued on a speculative basis.

A. Sale of Snap Fitness Buranda Gym

The Company's records indicate the Snap Fitness Buranda gym was sold for \$965,119.16 on 20 November 2015 to Buranda 24-7 Pty Ltd as trustee. A settlement statement indicates payments were to be made to the following financiers:

Sale of Snap Fitness Buranda Settlement Statement	
	(\$)
Contract price	965,119.16
Less agreed reduction of purchase price	(94,218.10)
Plus rent	10,711.46
Balance received at settlement	881,612.52
Settlement cheques:	
Macquarie Equipment Rentals Pty Ltd	163,692.25
De Lage Landen Pty Ltd	427,233.09
TL Rentals	139,918.55
Murdoch Lawyers Trust Account	20,000.00
Federation Custodian Pty Ltd	101,405.74
Thorn Equipment Funding	30,150.55
Classic Funding Group Pty Ltd	47,500.00
Total	929,900.18

TL Rentals Pty Ltd ("**TL Rentals**"), who hold security interests over some of the Company's plant and equipment, have advise they did not receive any funds from the sale of the Buranda gym. It is unclear how the proceeds from the sale of the gym were applied.

B. Sale of Snap Fitness Toowoomba Highfields gym

I understand the Toowoomba Highfields gym was sold on 30 June 2017, however the books and records in my possession do not indicate how the proceeds from the sale were applied.

C. Fire at Snap Fitness Toowoomba CBD Gym

I understand in early 2016 there were two (2) fires at the Toowoomba CBD gym. I understand TL Rentals and Gogetta Equipment Funding Pty Ltd ("**Gogetta**") financed the equipment in this gym.

I understand the Company may have held insurance, however the Company's records do not record having received any insurance payout.

TL Rentals have advised they did not receive proceeds from any insurance payout.

D. Closure of Snap Fitness Darwin Casuarina Gym

The Darwin Casuarina gym was closed on 14 February 2018.

A small portion of the equipment from this gym was relocated to storage behind the Snap Fitness Winnellie gym, however I obtained advice that it would not be commercial to collect and sell this equipment.

The Director has not advised what happened to the remainder of the equipment from the Casuarina gym.

4.1 Further Inquiries to be Undertaken

I plan to undertake the following further investigations:

- Section 533 of the Act requires the Liquidators to investigate any offences that may have been committed by the Director or Former Director or persons who took part in the formation, promotion, administration, management or winding up of the Company and to lodge a report on our findings with ASIC.

If creditors are aware of any other matters which require further investigation, please contact my office as soon as possible.

5. LIKELIHOOD OF A DIVIDEND

I do not anticipate there will be a return to unsecured creditors in this matter.

The likelihood of any dividend being paid to creditors will be affected by:

- Whether the Liquidators receive the Company's records from Kelly Legal;
- Whether these records enliven any potential recoveries;
- Whether any creditors are willing to fund further investigations;
- The size and complexity of the Liquidation; and
- The quantum of priority and unsecured creditor claims.

A proof of debt form is ***attached** at Appendix B for those creditors who are yet to lodge a claim in the Liquidation.

6. WAY FORWARD

The following actions are required to finalise the liquidation, including:

- Complete my investigations into the Company's affairs and lodge a report with ASIC pursuant to Section 533 of the Act;
- Complete any further reports as required by ASIC;
- Investigate any records received from Kelly Legal for any recoverable actions, with consideration given to the lack of funding available to cover the cost of investigations;
- Comply with statutory obligations including ASIC lodgements and taxation returns; and
- Finalise the liquidation.

Please note that if I receive a request for a meeting that complies with the guidelines set out in the initial information provided to you, I will hold a meeting of creditors.

I may write to you again with further information on the progress of the liquidation.

I expect to have completed this liquidation within three (3) months.

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").

Should you have any further queries please contact Thomas Lloyd of my office on either (07) 3225 4901 or Thomas.Lloyd@fticonsulting.com should you require further information.

Dated this 6th day of November 2018



Kelly-Anne Trenfield
Liquidator

Our Ref: 462133.0001-Statutory Report to Creditors



Thomas Lloyd
(07) 3225 4901
Thomas.Lloyd@fticonsulting.com

Liability limited by a scheme approved under Professional Standards Legislation

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**Crusaders Managers Pty Ltd (In Liquidation) ATF the Trustee for the 333 Travencore Trust
(Receivers and Managers Appointed)**

Liquidators' receipts and payments for the period 7 August 2018 to 26 October 2018

(\$)

Receipts

Transfer from Administrator	211,412.74
Membership Fees	59,312.27
Repairs and maintenance	11.20
Total Receipts	270,736.21

Payments

Appointee Disbursements	7,879.83
ATO SGC Administration Fees	2,620.00
Bank Charges	660.00
Fringe Benefits Tax Paid	10,389.31
Group Fitness	435.00
GST Paid	47,986.00
Insurance	57.07
Lease Repayments	4,768.56
Legal Fees	493.50
PAYG Paid	36,763.00
Payroll Tax Paid	729.32
Rent Outgoings	4,623.94
Stamp Duty	31.39
Superannuation Paid	33,403.61
Telephone and Fax	18.02
Utilities	43,938.13
Total Payments	194,796.68
Cash at Bank as at 26 October 2018	75,939.53

FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)

Subregulation 5.6.49(2)

Corporations Act 2001

CRUSADERS MANAGERS PTY LTD (IN LIQUIDATION) ACN 130 244 361 ("THE COMPANY")

To the Liquidators of Crusaders Managers Pty Ltd

1. This is to state that the Company was on 8 March 2018, and still is, justly and truly indebted to:

Name of Creditor: _____

Address of Creditor: _____

Debt Owed: \$ _____ and _____ cents

Particulars of the debt are:

Date	Consideration <i>(state how the debt arose)</i>	Amount <i>(incl. GST)</i> \$ c	GST \$ c	Remarks <i>(include details of voucher substantiating payment)</i>
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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	Due Date
------	--------	----------	--------	----------

- 3. * I am the creditor personally OR
 - 3. * I am employed by the creditor and authorised in writing by the creditor to make this statement OR
 - 3. * I am the creditor's agent authorised in writing to make this statement in writing.
- * *Omit if inapplicable*

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.

Dated _____

Name of authorised person

Signature of authorised person

Occupation

Address

Email

Telephone

I/we nominate to receive electronic notification of notices or documents by email at the following address:

Email address: _____