

Sargon - McGrath Nicol receivers [DLM=For-Official-Use-Only]

Monday, 3 February 2020 3:02 PM

Meeting Date: 3/02/2020 3:00 PM

Location: Sydney L12 Boardroom; Melbourne L24 MR 3 Training - Projector + VC + LCD (Seats 12 or joins)

Link to Outlook Item: [click here](#)

Invitation Message

Participants

Notes

Meeting starting

How long has there been an issue with the repayments.

Receiver and manager - role

Taiping trustees lent money to Sargon, total amount around 200 million fum. Interest of 3.5 due last year. Sought to engage with Sargon to determine why not paid. CEO, just didn't seem willing or interested in talking. A week or so before, offer put, to enter a stand still, draft deed put to Sargon, no response to that for a week. In those circumstances, their concern lead to them enforcing their rights.

Approach we had taken, purpose was to find out information. No immediate intention to do more than that. Just trying to understand the business.

Become aware since then, Westpac is also in the process of appointing someone, investigating accountant on a payment default.

This morning, administrators appointed to holding companies. Communication is clearly an issue. Appointment was reluctant, we understand from discussions, doesn't seem to be an isolated example. Shared by a number of other stakeholders.

Receivers appointed, frozen 800k in bank account. Mr Kingston not taking calls. Asked for a lot of information under corps act. Asked for all of that. Received back pretty limited information. Receivers largely in the dark.

This is surprising. They expected more engagement. Little bit concerning. Some sort of effort by the directors to control the situation and control the receivers. So the entities in administration are the ones the receivers had control over.

Was it clear to Sargon. Was very explicit. Sent demands, saying reserved rights. Does seem to be, clearly seemed to be Philip Kingston communicating with rest of board. Wonder if demands were escalated as they should have been.

Three minority shareholders in Sargon, feedback was they were very surprised a at the level of indebtedness, and b that there was a default.

Philip Kingston was actually one of the borrowers personally. 60% is company liability. 40% to Philip.

Growth ops.

120 million to Sargon. 600 million HK.

80 million to Philip

2 Trimantium companies are just guarantors.

Westpac is a lender to some of the operating entities. Westpac had concerns. They had trouble getting information coming from the entity. \$38 million dollars.

OneVue is also owed some money. Lets say 40, some cash, OneVue had provided vendor financing of about 30, its probably now in default.

Whats next steps. How might that impact on the trustees. Need to get instructions. Come as a surprise to the client. Was meant to be about preserving value, but that may no longer be possible.

Draft stat accounts for 30 June 2019. For consolidated Sargon capital accounts.

Deal was entered into 18 months ago. Loan wasn't due for another 18 months. 3 defaults. September quarter missed, delay,

September paid late and not in full.

Produced interest, failed to pay at all. December payment made no attempt to pay.

the total drawn down, was 200 million, total outstanding is that amount. No reductions in principle.

last 6 months clearly some distress.

Control of shareholder companies and not much else

The question is are these companies insolvent, cant tell now with no info.

APRA, trustee boards.

Why would board not engage.

The acquisition value doesn't match the money that has been loaned.

Should be 50 - 60 million lying around

If trustees are well performing solvent companies, then it has value.

Are members interests being protected. BPY, a company completely disregarded its obligations.

Obviously concern about a group who has been in distress.

Mcgrathnicol

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Sargon said not aware of any defaults, amounts owing nowhere near 200 mil. Westpac hasn't moved yet.

APRA is through banking supervisor group.

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OneVue meeting tomorrow. At 1:30-2:30. trying to reassure people. OneVue has security over Madison financial group

E&Y. Enforcement

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Outlined VA role and administration and some timeframes. At pains to stress trustees aren't in VA. Threshold is insolvent or likely to be. Directors making that call. Key goal is protecting value. They want to shore things up, 5 weeks second creditors meeting and be in a position to enter into a sale deed to acquire value for super trustees.

Insolvent, wind them down, for trustees prefer to sell them. Eqt have approached to say might buy at right price. Happy to field any enquiries. Won't pay anything like 40 million for it.

Insights on secured creditors, Westpac and OneVue. Unsecured creditors like tax office and employees. Ultimately they are in process of collating books and records.

Funds under Diversa, looked at promoter arrangements, some trigger clauses around administration/insolvency of trustee company. Haven't got a legal view, a promoter that was really wanted to exit could argue it.

Had benchmarking session, Betty, used some of those.

HUB 24 going. All but confirmed. Some other ones approach us. Rest not so interested in. ING and Praemium, not at the top of the list.

Briefed Brad on FMA

Hub 24 tomorrow

EY back in, VA only

Working on a meeting with OneVue

Ask ADI supervision to find out about exposures. Confirmation of drawn/undrawn facilities, current terms and status

EY

Kingston

Westpac

EY this is what they deal with. Where we have the concern is do they understand the model.