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**McPhie & Co Pty Ltd (In Liquidation)
ACN 167 062 544 (the Company)**

Liquidator's Statutory Report to Creditors

6 December 2018

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Introduction

I refer to my initial correspondence to creditors dated 28 September 2018 in which I advised you of my appointment as Liquidator and your rights as a creditor in the Liquidation.

The purpose of this report is to:

- Provide you with an update on the progress of the liquidation;
- Provide you with an estimate of the assets and liabilities of the Company;
- Brief you on further enquiries that need to be undertaken;
- Explain the causes of failure of the Company;
- Advise you of likely recovery actions; and
- Advise you of the likelihood of a dividend being paid in the liquidation.

I have relied on information provided from numerous sources to prepare the report, including:

- Discussions with the Director of the Company;
- Correspondence with the Secured Creditor;
- Information available from public sources such as the Australian Securities and Investments Commission (ASIC) and the Personal Property Securities Register (PPSR);
and
- A review of the Company's books and records provided to date.

Whilst I have no reason to doubt the accuracy of any information, I have not performed an audit and reserve the right to alter my conclusions, should the underlying data prove to be inaccurate or change materially from the date of appointment.

Company Background

Company Affairs

The Company was incorporated on 3 December 2013 under the name Fishermans Wharf Wynnum Pty Ltd. The Company's name was changed to McPhie & Co Pty Ltd on 1 April 2015. The Company's registered office and the principal place of business is 55 Sandon Street, Graceville QLD 4075. The sole director of the Company is Cameron Robertson McPhie (the Director).

The Company appears to have operated as a business and property brokerage firm, focusing on transactions in the hotel industry in Queensland. As at the date of my appointment, there were no employees and the Company had ceased trading. It is understood that the Director was the only employee when the business was trading.

The Director appears to have held directorship positions for 35 different companies, one of which (McPhie and Associates Pty Ltd) entered external administration in 2009. Since 2013, the Director of the Company has previously been or is currently the director of the following entities:

Company	Commencement date	Cessation Date
McPhie & Co Pty Ltd	3/12/2013	
Australian Hotel St George Pty Ltd	2/07/2018	
Australian Hotel St George Pty Ltd	13/10/2017	12/04/2018
Australian St George Property Pty Ltd	26/03/2018	
Longroach Commercial Hotel Pty Ltd	13/10/2017	25/11/2018
Emar Investments Pty Ltd	27/05/2002	18/01/2015
Cool Room #2 Pty Ltd	18/08/2009	24/03/2014



Causes of the Company's Failure

On 15 September 2018, I received a completed Director's Questionnaire from the Director. In the Questionnaire, the Director stated that the reasons for the Company's financial difficulties and the ultimate need to have the Company wound up was that:

- There was no regular income stream due to the nature of the business which involved irregular deals; and
- The global financial crisis was a contributor.

From my initial investigations it appears that the Company's failure was as a result of accumulating statutory liabilities which were not able to be paid due to the Director withdrawing funds from the business. While the Company traded profitably, its solvency was dependent on whether the high level of loans to the Director totalling c. \$423k could and would be repaid to the Company.

An application for the winding up of the Company was commenced on 8 June 2018 by the Australian Taxation Office (ATO), leading to my appointment as Liquidator on 7 September 2018.

Update on the progress of the liquidation

Assets and liabilities

The Director of the Company is required to complete and provide to the Liquidator a statement about the Company's business, property, affairs and financial circumstances, also known as the Report as to Affairs (RATA). The RATA is a snapshot in time as at the date of my appointment of the assets and liabilities of the Company, disclosing book values and the Director's opinion on the estimated realisable value (ERV) for assets.

On 7 September 2018 a written request was issued to the Director to complete the RATA and a questionnaire for the Company. On 15 September 2018 we received a completed RATA and the Director's questionnaire from the Director.

Assets and Liabilities

	Director's RATA		Management	Liquidators
	Book Value	ERV	Accounts	ERV
	(\$)	(\$)	(\$)	(\$)
Assets				
Interest in Land	-	-	-	-
Debtors	*	-	423,266	Unknown
Cash on Hand / at Bank	-	-	(1,232)	-
Stock	-	-	-	-
Work in Progress	*	44,000	-	Unknown
Plant & Equipment	-	-	3,189	-
Other Assets	-	-	240	-
Total Assets	-	44,000	425,463	Unknown
Liabilities				
Secured Creditors	-	-	-	-
Priority Creditors	-	-	-	-
Partly Secured Creditors	-	-	-	-
Unsecured Creditors	-	-	220,709	220,709
Total Liabilities	-	-	220,709	Unknown
Net Surplus/(shortfall)	-	44,000	204,754	Unknown

* The RATA refers to an annexure, however, no annexure was included.



An analysis of the assets and liabilities of the Company, and comparison to the RATA as provided by the Director is set out below

Assets

Cash at Bank

I wrote to all banks on my appointment and have identified that the Company previously held two bank accounts with the Bank of Queensland. These were closed prior to my appointment.

The Company's MYOB accounts suggests that bank accounts were also potentially held with the Commonwealth Bank of Australia and Westpac which were processing transactions up until my appointment. MYOB suggests one account had a balance of c. \$100 and the other was overdrawn at the time of my appointment by approximately \$1.3k. I have circularised all major Banks and I am not aware of any other bank accounts in the Company name.

Plant & Equipment – (Motor Vehicles)

I conducted a vehicle registration search for the Company which did not identify any vehicles in the name of the Company.

However, the Company's management accounts identify a 2008 Mazda with a value of c. \$3k. The vehicle registration search reveals that this vehicle is registered under the personal name of the Director. Further investigation is required to determine whether the vehicle was ever held in the Company's name and transferred commercially to the Director.

The Company held a 2013 BMW X5 Station Wagon advised by the Director to be valued at c. \$35k which was transferred to the Director's wife in September 2018. A historical PPSR search confirmed the vehicle was held by the Company and BN65 Pty Ltd held a registered security interest over the vehicle. The PPSR registration was discharged on 12 September 2018. It appears that the vehicle was transferred to the Director's wife on 3 September 2018 and a new loan agreement has been entered BN65 Pty Ltd.

It does not appear as though consideration was paid for the vehicle, however, the Director and his wife took on the finance liability for the vehicle advised to be c. \$45k. Redbook estimates the private sale value of a vehicle of the same make and model to be between \$32k and \$36k.

I am currently reviewing the validity of the PPSR security granted to BN65 Pty Ltd, which appears to be a related party (the Director's brother in-law is a director of BN65 Pty Ltd).

Debtors

The MYOB accounts record that the Director holds three loan accounts totalling c. \$423k as at the time of my appointment. The loan account amounts have not changed since FY17. Further details on the loans are discussed in the voidable transactions section of the report.

I have written to the Director in an attempt to recover the loans.

Work in progress

The RATA shows that there is potential recovery in the work in progress, being commission due on a pre-appointment property deal in the amount of \$44k. Prior to my appointment the Director engaged a lawyer to pursue the recovery of this amount which I will continue to pursue as Liquidator.



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Liabilities

Unsecured Creditors – Statutory and trade creditors

The RATA provided has stated that the Company has no creditors.

The MYOB accounts record an outstanding liability to the ATO of c. \$131k for GST, BAS and Income Tax liabilities (the ATO is the petitioning creditor).

There are also liability accounts for Ged Kelly and Conor Shanahan with balances of \$88k and c. \$9k respectively. My preliminary review of these accounts has been unable to determine what the liabilities relate to and further investigation is required.

Throughout the course of the Liquidation, the Director has provided correspondence from additional trade creditors with liabilities to these creditors being c. \$10k.

Receipts and Payments to date

As at the date of this report, there have been no receipts or payments during the Liquidation.

Investigations and possible recovery actions

Investigations undertaken

I have commenced my initial investigations into the affairs of the Company prior to my appointment and any potential recovery actions that may be available to the Liquidator to pursue.

To date, I have undertaken the following investigations:

- Director's obligation to assist the Liquidator;
- Director's obligation to maintain adequate books and records;
- Possible breaches of Director's duties;
- Insolvent trading; and
- Voidable transactions.

My findings of these investigations are detailed below. Given the limited time that has passed in the Liquidation, and that further investigations will be undertaken, the below findings are preliminary and may be subject to change. Pursuant to s533 of the Corporations Act 2001 (Cth) (the "Act") I will report any breach of the Directors to ASIC.

Recovery of any potential claims against the Director are dependent on whether the Director is in a financial position or has the ability to meet such claims. As such, I have conducted a property search of the Director which has not identified any real property interests.

The director is a shareholder of the Company and Australian Hotels St George Pty Ltd (the Related Company). The Related Company is not audited and has not filed financial reports with ASIC. Accordingly, I am currently unable to assess their financial position. Searches of land title registers did not identify any real property held in its name.

Director's obligation to assist the Liquidator

Section 530A of the Act states that a director has the positive obligation to assist the liquidator or provisional liquidator of a company. As at the date of this report, the Director has returned a RATA and the Director's questionnaire. The Director has generally been responsive to my request for information.



Director's obligation to maintain adequate books and records

The Company used the MYOB Essentials accounting software to maintain its management accounts. These accounts appear to be adequately maintained.

Insolvent trading

I have reviewed both the cash flow and balance sheet tests of insolvency and have determined that the Company may have been solvent until shortly before the date of my appointment, based on the following factors:

- A review of the Company's profit and loss statements for the past 3 years has found that the Company recorded profits of c. \$5.6k, c. \$60k and c. \$19k for FY18, FY17 and FY16, respectively; and
- An analysis of the Company's balance sheet suggests that the Company had enough short term assets to pay its short term liabilities when they fell due. However, this was dependent on the Director being able to repay his loan to the Company.

In the event it is ultimately determined that there is an insolvent trading claim against the Director, it will only be pursued if:

- The Director appears to hold significant assets to meet and satisfy a successful claim; and
- The principal beneficiary of any recoveries (the ATO is the primary creditor) does not have more direct and less costly recovery options available to it.

Voidable transactions

As at the date of my appointment, I have identified three loan accounts of the Company's Director classified by the year the loan was taken out, totalling c. \$423k. My preliminary review of the Director's loan accounts has found the following:

- The balances of the 2015 and 2016 loan accounts have been reduced by c. \$35k and c. \$8k respectively, as a result of the Director repaying the loans via journal entries on 30 June 2017; and
- All three loan accounts have remained static since FY17.

Whilst the abovementioned loan accounts may be voidable transactions, the most efficient course of recovery of these loans will be pursuing them as debtors as recorded in the MYOB accounts. I have written to the Director in an attempt to recover these debts for the benefit of creditors.

Attempts to recover these loans as uncommercial transactions / director related transactions will only be considered once the debtor recovery path is exhausted.

The Company's MYOB records do not indicate any material payments were made to suppliers since 7 March 2018 (the relation back period). Accordingly, my preliminary view is that there does not appear to be any recoverable unfair preference claims.

Further inquiries to be undertaken

I plan to undertake further investigations into insolvent trading, the loan accounts of the Director and the transfer of the BMW.



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Likelihood of a dividend

At the current time, there are insufficient funds to pay a dividend to priority or unsecured creditors. However, if this changes and I do declare a dividend, any creditor whose claim has not yet been admitted will be contacted and asked to submit a proof of debt.

Meetings held

As of the date of this report, there have not been any meetings of creditors.

Cost of the liquidation

As previously advised in my initial information to creditors, I have estimated that my total remuneration for the liquidation is \$10,000 - \$20,000 excluding GST and disbursements.

I am not seeking approval of remuneration at this stage. I will do so via a proposal in the future when I provide an updated on the progress of the Liquidation.

What happens next in the liquidation?

I will proceed with the liquidation, including:

- Complete my investigations into the Company's affairs;
- Recovery of the Director's loan;
- Recovery of outstanding sales commission entitlement;
- Inquiry into payments made to the related secured creditor BN65 Pty Ltd;
- Complete my reporting to the corporate insolvency regulator, ASIC; and
- Subject to the outcome of the above, adjudicate creditor claims and declare a distribution to creditors.

I may write to you again with further information on the progress of the liquidation. I expect to have completed this liquidation within 12 months.

Compliance with best practice

I confirm that this report complies with the requirements in the Insolvency Practice Rules (IPR), specifically IPR 70-40, as well as the statements of best practice issued by the Australian Restructuring Insolvency and Turnaround Association (ARITA) with regard to content of the Statutory Report by Liquidator.

Where can you get more information?

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").



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Should you have any queries with respect to the above, you may also contact Kevin Yue of my office on +61 2 8297 2507 or via email on kevin.yue@au.gt.com. There is also information about this liquidation on my firm's website: www.grantthornton.com.au.

Dated: 6 December 2018

A handwritten signature in black ink, appearing to read 'C. Crichton', written over a horizontal line.

Cameron Crichton
Liquidator

List of attachments

Appendix A - Summary of ASIC information sheets - Insolvency information

Appendix B - Summary of ARITA Insolvency information sheets

Appendix C - Form 535 (Proof of Debt Form)

Appendix A

Summary of ASIC information sheets -
Insolvency information



ASIC

Australian Securities & Investments Commission

Insolvency information for directors, employees, creditors and shareholders

This information sheet (INFO 39) lists ASIC's information sheets for directors, employees, creditors and shareholders affected by a company's insolvency.

We have produced these with endorsement from the Australian Restructuring Insolvency & Turnaround Association (ARITA).

The information sheets give a basic understanding of the three most common company insolvency procedures – liquidation, voluntary administration and receivership – as well as the independence requirements for external administrators and approving external administrator remuneration. There is also a glossary of commonly used insolvency terms.

List of information sheets

- [INFO 41](#) Insolvency: A glossary of terms
- [INFO 42](#) Insolvency: A guide for directors
- [INFO 43](#) Insolvency: A guide for shareholders
- [INFO 45](#) Liquidation: A guide for creditors
- [INFO 46](#) Liquidation: A guide for employees
- [INFO 54](#) Receivership: A guide for creditors
- [INFO 55](#) Receivership: A guide for employees
- [INFO 74](#) Voluntary administration: A guide for creditors
- [INFO 75](#) Voluntary administration: A guide for employees
- [INFO 84](#) Independence of external administrators: A guide for creditors
- [INFO 85](#) Approving fees: A guide for creditors

Where can I get more information?

Further information is available from the [ARITA website](#). The ARITA website also contains the [ARITA Code of Professional Practice for Insolvency Practitioners](#).

This is **Information Sheet 39 (INFO 39)** updated on 1 September 2017. Information sheets provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Last updated: 01/09/2017 10:57



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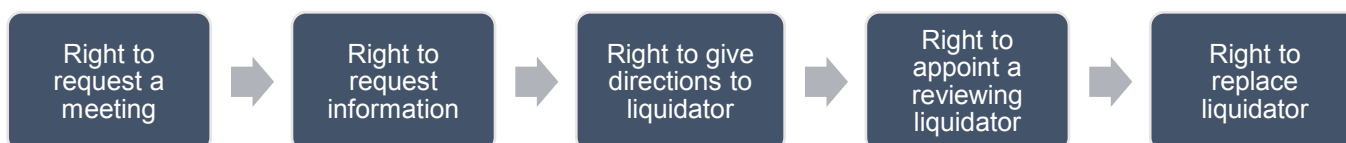
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Appendix B

Summary of ARITA Insolvency information sheets

Creditor Rights in Liquidations

As a creditor, you have rights to request meetings and information or take certain actions:



Right to request a meeting

In liquidations, no meetings of creditors are held automatically. However, creditors with claims of a certain value can request in writing that the liquidator hold a meeting of creditors.

A meeting may be requested in the first 20 business days in a creditors' voluntary liquidation by $\geq 5\%$ of the value of the debts held by known creditors who are not a related entity of the company.

Otherwise, meetings can be requested at any other time or in a court liquidation by:

- $> 10\%$ but $< 25\%$ of the known value of creditors on the condition that those creditors provide security for the cost of holding the meeting
- $\geq 25\%$ of the known value of creditors
- creditors by resolution, or
- a Committee of Inspection (this is a smaller group of creditors elected by, and to represent, all the creditors).

If a request complies with these requirements and is 'reasonable', the liquidator must hold a meeting of creditors as soon as reasonably practicable.

Right to request information

Liquidators will communicate important information with creditors as required in a liquidation. In addition to the initial notice, you should receive, at a minimum, a report within the first three months on the likelihood of a dividend being paid.

Additionally, creditors have the right to request information at any time. A liquidator must provide a creditor with the requested information if their request is 'reasonable', the information is relevant to the liquidation, and the provision of the information would not cause the liquidator to breach their duties.

A liquidator must provide this information to a creditor within 5 business days of receiving the request, unless a longer period is agreed. If, due to the nature of the information requested, the liquidator requires more time to comply with the request, they can extend the period by notifying the creditor in writing.

Requests must be reasonable.

They are not reasonable if:

Both meetings and information:

- (a) complying with the request would prejudice the interests of one or more creditors or a third party
- (b) there is not sufficient available property to comply with the request
- (c) the request is vexatious

Meeting requests only:

- (d) a meeting of creditors dealing with the same matters has been held, or will be held within 15 business days

Information requests only:

- (e) the information requested would be privileged from production in legal proceedings
- (f) disclosure would found an action for breach of confidence
- (g) the information has already been provided
- (h) the information is required to be provided under law within 20 business days of the request

If a request is not reasonable due to (b), (d), (g) or (h) above, the liquidator must comply with the request if the creditor meets the cost of complying with the request.

Otherwise, a liquidator must inform a creditor if their meeting or information request is not reasonable and the reason why.

Right to give directions to liquidator

Creditors, by resolution, may give a liquidator directions in relation to a liquidation. A liquidator must have regard to these directions, but is not required to comply with the directions.

If a liquidator chooses not to comply with a direction given by a resolution of the creditors, they must document their reasons.

An individual creditor cannot provide a direction to a liquidator.

Right to appoint a reviewing liquidator

Creditors, by resolution, may appoint a reviewing liquidator to review a liquidator’s remuneration or a cost or expense incurred in a liquidation. The review is limited to:

- remuneration approved within the six months prior to the appointment of the reviewing liquidator, and
- expenses incurred in the 12 months prior to the appointment of the reviewing liquidator.

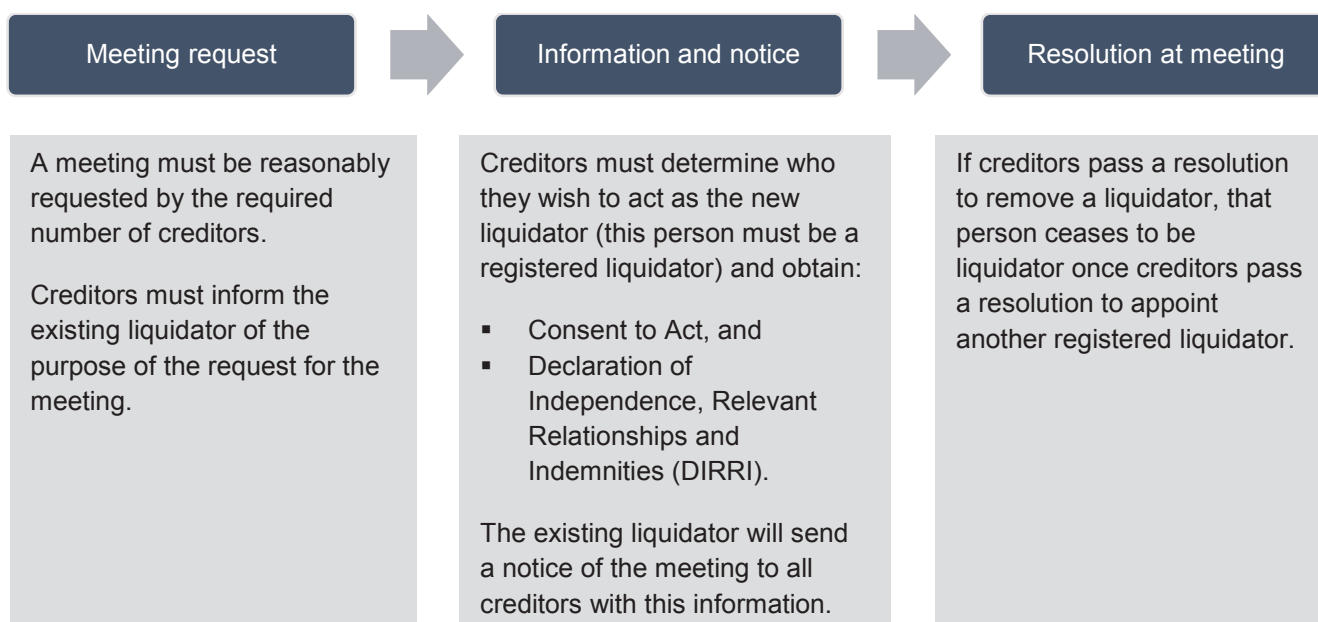
The cost of the reviewing liquidator is paid from the assets of the liquidation, in priority to creditor claims.

An individual creditor can appoint a reviewing liquidator with the liquidator’s consent, however the cost of this reviewing liquidator must be met personally by the creditor making the appointment.

Right to replace liquidator

Creditors, by resolution, have the right to remove a liquidator and appoint another registered liquidator.

For this to happen, there are certain requirements that must be complied with:



For more information, go to www.arita.com.au/creditors

Appendix C

Form 535 – Proof of Debt

FORM 535

subregulation 5.6.49(2)

Corporations Act 2001

FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)

To the Liquidator of McPhie & Co Pty Ltd (In Liquidation) ACN 167 062 544 (the "Company")

1 This is to state that the company was on 7 September 2018, and still is, justly and truly indebted to: _____

_____ full name, ABN and address of the creditor
and, if applicable, the creditor's partners. If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor) for _____ dollars and _____ cents

Particulars of the debt are:

Date	Consideration	Amount	Remarks
	<i>(state how the debt arose)</i>		<i>(include details of voucher substantiating payment)</i>

\$

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 Signed by (select option):

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

Signature: _____ Dated: _____

Name: _____ Occupation: _____

Address: _____