

Statutory Report by Liquidator

KLEEN HOLDINGS PTY LTD (IN LIQUIDATION)
ACN 619 560 244 (the Company)

20 December 2019

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Introduction

I refer to our initial correspondence to creditors dated 9 October 2019 in which we advised you of our appointment as Joint and Several Liquidators 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;
- 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.

The Joint and Several Liquidators have relied on information provided from numerous sources to prepare the report, including:

- Discussions with the Director of the Company;
- Discussions with Office of Industrial Relations, Labour Hire Licensing Compliance Unit;
- Discussions with the Company's accountant, A & C Smart Consulting;
- Discussion with the Company's legal advisor, PM Lee & Co;
- Information available from public sources, such as, 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 we have no reason to doubt the accuracy of any information, we have not performed an audit and reserve the right to alter our conclusions, should the underlying data prove to be inaccurate or change materially from the date of appointment

Background of the Company and Causes of Failure

Background of Company

The Company was incorporated on 6 June 2017 and traded from the director's residential property in Bellmere, Queensland. The Company registered for GST on 15 August 2017 and cancelled the registration on 30 June 2019.

From our preliminary investigations, we understand the Company was engaged by Raonjena Employment Pty Ltd to provide labour services on two strawberry farms located on the Sunshine Coast.

The Strawberry farms appear to be operated by GG Group Pty Ltd who had a historical relationship with Raonjena Employment Pty Ltd.

The Company entered into a contract with Raonjena Employment on 1 May 2018 to provide labour at the two strawberry farms.

The Company initially employed workers in its own right, then sometime around October 2018 it entered into an informal arrangement with J&Jub Harvest Pty Ltd, who supplies workers as subcontractors.

The contractual relationships for the provision of labour is summarised below:



The Company ceased trading around December 2018.

Causes of the Company's Failure

The Director has advised in his ROCAP that the causes of the failure of the Company are due primarily to the following reasons:

- The main accounts receivable became a bad debt; and
- The main customer closed down.

Our investigations into the affairs of the Company, confirm that the Company's difficulties were brought about by reasons identified by the Director. In addition, we also note the following reasons:

- Poor cash flow management and sustained losses June 2018; and
- Poor operating agreements and lack of required labour licenses.

Update on the progress of the liquidation

Assets of the Company

Provided below is an analysis of the assets and liabilities of the company, and comparison to the Report on company activities and property (ROCAP) as provided by the director:

	ROCAP (\$)	Management Accounts (\$)	Liquidators' ERV (\$)
Assets			
Cash	-	3,190	5,452
Provisions	-	18,217	-
Debtors	1,450,000	-	Unknown
Loan - Director	-	249,471	Unknown
Total Assets	1,450,000	270,878	Unknown
Liabilities			
Priority creditor claims			
Superannuation	-	84,249	Unknown
Unsecured creditor claims			
Trade Creditors	520,000	-	-
ATO	-	291,724	315,992
Office of State Revenue	-	-	69,604
Work Cover	-	-	43,559
Total Liabilities	520,000	375,973	Unknown
Surplus / (Deficiency)	930,000	(105,095)	Unknown

Cash at Bank

On appointment, we issued notices to all major Australian financial institutions requesting they immediately freeze all accounts held in the Company name.

We received a reply from the Commonwealth Bank of Australia confirming they held an account in the Company's name which held \$5,451.82. This amount is being transferred into the post-appointment liquidation account.

The books and records indicate that \$3,110 in petty cash is held. We have issued a demand to the Director's to pay this to us.

Debtors

The director stated in the ROCAP that the Company was owed the following monies from trade debtors:

<u>Company Name</u>	<u>ROCAP Amount (\$)</u>
Roanjena Pty Ltd	1,300,000
Sunshine Strawberry Pty Ltd	150,000
	<u>1,450,000</u>

We have issued demands to the above debtors requesting payment of the outstanding monies. We are yet to receive a response.

On 7 May 2019 the Company received a court judgement ordering Sunshine Strawberry Pty Ltd pay the Company the amount of \$150,239.35. The director of Sunshine Strawberry Pty Ltd became bankrupt on 29 May 2019 and listed the Company's debt in his statement of affairs. Land title searches for Sunshine Strawberry Pty Ltd and Raonjena Pty Ltd did not reveal any interests in real property.

The Company's MYOB file did not maintain a debtors ledger. We are attempting to reconstruct the debtors ledger from the Bank records.

Our investigations into the collectability of the above debt is continuing.

Director Loan Account

The Director stated in the ROCAP that he did not owe any monies to the Company.

The Company's books and records indicate the amount owing to the Company from the director totals \$249,471. We have issued a demand to the Director's to repay these monies.

Other Assets

On appointment, we conducted the following searches:

- Land titles searches
- Personal Property Security Registration ("PPSR")
- QLD Transport registration search

The above searches did not identify any other assets in the Company's name.

Liabilities of the Company

Priority Creditor Claims

To date, the information we have been provided with is insufficient to accurately determine the extent of any priority creditor claims for unpaid employee entitlements (including superannuation).

The Company's books and records indicate that \$84,249 in superannuation entitlements are outstanding to employees, but do not provide a breakdown of this detail by individual.

The Australian Taxation Office have advised that \$13,465 is outstanding in superannuation guarantee charge.

Further investigations are required to assess the actual position of outstanding employee entitlements (including superannuation).

The vast majority of employees appear to be foreign nationals and I have limited contact details. I have requested further details and plan to write to all known employees requesting their understanding of outstanding employee entitlements in due course.

Unsecured Creditor Claims

The Company's books and records did not record any trade creditors.

The below table summarises the Company's unsecured creditor claims:

Creditor Name	ROCAP (\$)	Management Accounts (\$)	Proof of Debts (\$)
Office of State Revenue	-	-	69,604
WorkCover Queensland	-	-	43,559
Australian Taxation Office	-	291,724	315,992
J&Jub Harvest Pty Ltd	520,000	-	-
Total	520,000	291,724	429,156

Trading outcomes

The Company had ceased trading prior to the appointment of Liquidators.

Receipts and Payments to date

There have been no receipts nor payments in the Liquidation to date.

Investigations and recovery actions

Investigations undertaken

We have commenced our initial investigations into the affairs of the Company prior to our appointment and any potential recovery actions that may be available to the Joint and Several Liquidators to pursue.

To date, we have undertaken the following investigations:

- What happened to the business of the Company
- Director's obligations to maintain adequate books and records
- Insolvent trading
- Unfair preference payments
- Uncommercial transactions

Our 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.

Please note that the merits of pursuing a claim against the Director is predicated by the financial position and ability of the Director to meet such a claim. In this regard, I have conducted a property search against the Director which did not identify any interest in real property.

I conducted a personal name search of the Director. This revealed he was the former Director of SNS Brotherhood Pty Ltd which was voluntarily deregistered in January 2016.

Director's obligations to maintain adequate books and records.

The Company's MYOB records appear to only include financial information up until 30 June 2019. We have been provided with the Company's bank statements which show transactions up until the date of appointment.

We note the Company's MYOB file did not maintain trade creditor or trade debtor ledgers. Both trade creditors and trade debtors have never been entered into MYOB and are materially different to the amounts provided by the director in his ROCAP.

In our opinion, the director may have breached his obligations to maintain adequate books and records pursuant to s286 of the Corporations Act 2001 (Cth).

Insolvent trading

We have reviewed both the cash flow and balance sheet tests of insolvency and have determined that the Company likely became insolvent from at least August 2018 based on the following factors:

- Consistent monthly trading losses from June 2018;
- The Company's balance sheet from August 2018 onwards indicates the Company did not have sufficient assets to meet its liabilities (both net assets and working capital);
- The Company did not generate any material revenue from December 2018;
- A statutory demand was issued by the Australian Taxation Office on 9 May 2019 in the amount of \$300,380.20

Further investigations will be undertaken to assess the merits of pursuing any potential insolvent trading claim.

Voidable transactions

Uncommercial Transactions

Our preliminary investigations have identified 19 round transactions totaling \$419,000 which may be uncommercial.

The Company's books and records do not provide sufficient information to interrogate these payments.

Further investigations will be undertaken including forensic traces by the Commonwealth Bank to determine the recipient of these payments, and to determine if they were uncommercial.

Preference payments

The relation-back period in this matter commenced on 26 February 2018, being 6 months prior to the date of the winding up application being filed.

Our investigations have identified one payment in the amount of \$10,000 that may be considered preferential. My investigations are continuing into the circumstances of the payment. Further work will be conducted in this regard before any claim against the creditor is made.

Further inquiries to be undertaken

We plan to undertake the following further investigations:

- Further review of trading history to determine the date the Company became insolvent and consider any potential insolvent trading claim;
- Further investigations to ascertain the validity and quantum of any uncommercial transaction claim;
- Pursue the recovery of outstanding debtors and the director loan account;
- Report on my investigations and findings to ASIC, pursuant to s533 of the Act;
- Forensically reconstruct the outstanding superannuation balance and liaise with past employees regarding same;
- Any other matters determined to be of interest to the Liquidator.

Meetings held

To date, I have not been required to hold and therefore have not held any meetings of the Company's creditors.

Likelihood of a dividend

The likelihood of a dividend being paid to creditors will be affected by a number of factors including:

- The amount of assets realisable and the costs of realising those assets.
- The statutory priority of certain claims and costs.
- The value of various classes of claims including priority and unsecured creditor claims.
- The extent of the investigations I have to conduct.
- The volume of enquiries by creditors and other stakeholders.

We are unable to provide a dividend estimate of any certainty at this stage of the liquidation. If we do declare a dividend, any creditor whose claim has not yet been admitted will be contacted and asked to submit a proof of debt.

Cost of the liquidation

I have estimated that my total remuneration for the liquidation to be \$35,000. This is greater than the sum specified in my initial information to creditors as a result of:

- The requirement to liaise with the Office of Industrial Relations, Labour Hire Licensing Compliance Unit to understand the business structure and operations;
- Investigations into the business ceasing the trade and payments made from the Company's accounts;
- Investigations required into the outstanding employee entitlements; and
- Investigations required in respect of claims made for uncommercial transactions, preference payments and insolvent trading.

What happens next in the liquidation?

I will proceed with the liquidation, including:

- Pursue recovery of outstanding debts owed to the Company;
- Pursue the director for recovery of the loan receivable;
- Complete my investigations into the Company's affairs.
- Complete my reporting to the corporate insolvency regulator, the Australian Securities and Investments Commission (ASIC)

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

I expect to have completed this liquidation within 9 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.

Where can you get more information?

You can access information which may assist you on the following websites:

- 1 ARITA at www.arita.com.au/creditors
- 2 ASIC at www.asic.gov.au (search for “insolvency information sheets”).

Should you have any queries with respect to the above, you may also contact Zac Dullard of my office on +61 7 3222 0341 or via email on zac.dullard@au.gt.com. There is also information about this liquidation on my firm’s website: www.grantthornton.com.au.

Dated: 20 December 2019



Cameron Crichton

Joint and Several Liquidator

List of attachments

Appendix A - Proof of Debt

Appendix A

Proof of Debt

FORM 535

subregulation 5.6.49(2)
Corporations Act 2001

FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)

To the Liquidators of **Kleen Holdings Pty Ltd (In Liquidation) ACN 619 560 244 (the "Company")**

1. This is to state that the company was on 4 October 2019, 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 <i>(state how the debt arose)</i>	Amount	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
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\$

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: _____

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