

Statutory Report by Liquidator

LITTLE PINK HOUSES PTY LTD (IN LIQUIDATION)
ACN 600 434 188 (the Company)

20 December 2019

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Introduction

I refer to my initial correspondence to creditors dated 9 October 2019 in which I advised you of my appointment as liquidator on 27 September 2019 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 the investigations undertaken and further inquiries that need to be undertaken; 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, Haley Heilbronn ('the Director'), her solicitor, Paul Evans and the Report on Company Affairs and Property provided to me on 28 November 2019.
- Discussions with the Company's accountants, Hall Chadwick.
- Information available from public sources, such as the Australian Securities and Investments Commission (ASIC), Department of Transport and Main Roads (TMR) and the Personal Property Securities Register (PPSR).
- A review of the Company's books and records provided to date.

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 this report.

Company Background

Company Affairs

The Company was incorporated on 30 June 2014 and listed its principal place of business as 2449 Round Hill Road, Round Hill 4677. Its current registered address is that of its accountant, Hall Chadwick.

My knowledge of the Company's operations are limited, due to the limited disclosure by the director & officers of the Company, but the Director advised in her ROCAP that it operated as an 'Investment Company.' This is reinforced by the fact the income within the Company's books and records was categorised as either 'interest income' or 'rental income'.

The Company was the recipient of rental income from a property in Agnes Water, which was sold by the Company in 2017. The Director advised that the Company has not traded since this time.

The Director's solicitor advised that the Company never employed or held any lease agreements.

On 19 September 2019, the ATO issued a winding up application against the Company, following which I was appointed liquidator.

On 27 September 2019, a written request was sent both electronically and physically to the Director's registered address to complete the ROCAP for the Company. On the 9th of October 2019, the Director's solicitor advised that due to the absence of the Company's accountant until later in the month, the records could not be provided until 31 October 2019. On 31 October 2019, I was advised that a further extension was required until 8 November 2019, which was granted. When the ROCAP was not provided at the granted extension due date, I reported the director to ASIC and requested assistance. The complete ROCAP was provided on 28 November 2019.

I have requested that the Director attend my office.

Causes of the Company's Failures

The director stated in their ROCAP that the reason for the Company's failure was the ATO's pursuit of their debt, which the director disputes.

My investigations into the Company are ongoing but I have identified that undercapitalisation may have attributed to the Company's failure. The property owned by the Company was sold in March 2017, and we have been unable to determine the allocation of the sale proceeds or the ability of the Company to satisfy its debts to the ATO.

Update on the progress of the liquidation

Assets and liabilities

Attached at **Appendix A** 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 on 28 November 2019.

The Company did not own any assets at the date of my appointment and I have not identified any realisable assets of the Company.

I have summarised below my investigations and findings into the assets and liabilities of the Company.

93 Mary Munro Crescent, Agnes Water

The Company received rental income from a property owned at 93 Mary Munro Crescent, Agnes Water. This property was sold on 18 March 2017 for c. \$878k and is no longer a realisable asset of the Company.

Debtors

The Company's FY18 balance sheet indicates a 'sundry debtors' balance of c. \$148k. The director has disputed the validity of these debts.

I have not yet received a detailed breakdown of this balance, nor the names of the debtors, despite repeated requests to the director and Company's accountants.

Director Loans

The Company's FY18 balance sheet indicates a 'Loans to directors' balance of c. \$93k. The director has disputed the validity of these debts.

My investigations are continuing into the nature and recoverability of these loans.

Related Party loans

The Company's FY18 balance sheet indicated a loan to the Trustee of Heilbronn Investment Trust, Heilbronn Investments Pty Ltd, of c. \$239k and a loan from BHD Oilfield Services Pty Ltd of c. \$372k. The director has disputed the validity of these debts.

BHD Oilfield Services Pty Ltd entered liquidation, with Shahin Hussain of H & H Advisory appointed as liquidator, on 9 September 2019.

My investigations are continuing into the nature and recoverability of these loans.

Unsecured Creditors

I have only received one proof of debt to date in the liquidation, from the Australian Taxation Office (ATO) for \$747,525.

Receipts and Payments to date

I have not yet received any funds, nor processed any payments in the Liquidation to date.

Investigations and 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 Joint and Several Liquidators to pursue. Given the limited time that has passed in the Liquidation, and the limited information I have been provided to complete my investigation, further investigations will be undertaken.

Please find below a summary of my current view on the following matters:

- Director's obligations to maintain adequate books and records;
- Insolvent Trading;
- Voidable Transactions; and
- Director assistance and cooperation.

My investigations are ongoing and I reserve the right to undertake further additional enquiries should information become available. Pursuant to s533 of the Corporations Act (Cth) (the "Act"). I will report any breach of the Director to ASIC.

Should it be subsequently be determined that there are potential claims against the Director, recovery of such claims

Our investigations to date have identified that the Director has held roles in various other organisations:

Company Name	Company Status	ACN	Role	Appointment Date	Cease Date	Shareholder?
BHD Group Pty Ltd	Registered	634 974 677	Director	04/09/2019	-	N
BHD Transport & Logistics Pty Ltd	Registered	609 096 442	Director & Secretary	26/08/2019	-	N
Discovery Environment & Hire Pty Ltd	Registered	608 463 770	Director & Secretary	26/08/2019	-	N
Heilbronn Estates Pty Ltd	Registered	607 925 646	Director & Secretary	28/08/2015	-	N
Heilbronn Investments Pty Ltd	Registered	140 807 129	Director & Secretary	01/12/2009	09/08/2019	Y

*Director of BHD Oilfield Services Pty Ltd (In Liquidation), a related party creditor, is Daniel Heilbronn, husband of the Director.

A real property search indicates that Heilbronn Estates Pty Ltd is the owner of property of Round Hill (QLD) (the registered address of the Company). Heilbronn Estates Pty Ltd, but is currently encumbered. Westpac Banking Corporation and Cashflow Finance Australia both hold registered mortgages on this property. The extent of any equity interest held in the property is unknown.

Director's obligations to maintain adequate books and records

I have been provided with the Director's Report on Company Affairs and Property, attached to which were the Company's recently prepared financial statements and income tax returns (FY2018 back to FY2015).

I have requested further information in regards to several elements of the financial information provided, such as preparation workpapers and specific information regarding the debtor balance, director loans and related party balances.

The Company did not have a bank account under its name, and I have been advised there is no online accounting file, so I have not obtained a general ledger of the Company.

To date, this information has not been provided to me, and responses from the director's solicitor conflict with the information provided in the financial statements and provided ROCAP. I requested ASIC's assistance in obtaining the ROCAP, and may request assistance again if records continue to be insufficient.

Insolvent Trading

I reviewed the financial statements and records available to me in determining in insolvency and have determined that the Company likely became insolvent around 30 June 2018 because:

- The Company's sole property asset was sold on 18 March 2017;
- This was the final financial year in which the Company reported income;
- The various intercompany receivables (from Heilbronn Investment Trust) would have likely become impaired around this time; and
- The Company's ATO debt was increasing around this time, beyond the non-impaired assets.

Further investigations are required to confirm the specific date of insolvency and determine the feasibility of an insolvent trading claim against the directors.

Voidable transactions

Given I have not been able to view a bank statement or general ledger of the Company, I have been unable to identify any possible voidable transactions.

I am currently pursuing further information from both the Company, the Company's accountant and the ATO to allow me to carry out this investigation.

Director assistance and cooperation

Section 530A & 530B imposes a positive obligation on directors and offices of the Company to assist the liquidators as reasonably required. While the director and the Company's accountant, Hall Chadwick, have supplied a ROCAP and supporting financial information. The information provided has often conflicted with each other (E.g. financial statements prepared vs. statements from the director and their solicitor). Further assistance will be required from the Director to resolve these discrepancies and properly understand the Company's financial statement.

Subject to the degree of future assistance provided by the Director, I may consider reporting the director & relevant officers to the ASIC for non-compliance under section 533 of the Act.

Further inquiries to be undertaken

I plan to undertake the following further investigations:

- Investigating the true nature and commerciality of pursuing the debtors and director loans in the Company's books and records;
- Further consider any breaches in director and officer duties; and
- Report on my investigations and findings to the ASIC, pursuant to s533 of the Act.

Meetings held

To date, no meeting of the Company's creditors have been required to be held and therefore, no meeting of creditors has been convened. Should a meeting of creditors be required in the future, notification of same will be provided to all creditors.

Likelihood of a dividend

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

- The size and complexity of the administration.
- 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 secured, priority and unsecured creditor claims.
- The volume of enquiries by creditors and other stakeholders.

Currently, the only potential realisation I have identified is in relation to director-related loans or debtors in the Company's balance sheet, about which there has been conflicting information. A dividend to creditors, if any, is limited on a recovery from this.

Cost of the liquidation

As previously advised in my initial information to creditors, I have estimated that my total remuneration for the liquidation will be \$20,000 to \$30,000. Current time incurred on this matter is c. \$7,000 and I therefore consider that my initial estimate is still applicable. However, as I have not identified any realisable assets of the Company, I do not expect there to be available funds to discharge any of my remuneration incurred.

What happens next in the liquidation?

I will proceed with the liquidation, including:

- Complete my reporting to the corporate insolvency regulator, the Australian Securities and Investments Commission (ASIC) as required;
- Continuing my investigations into information in the financial statements and any possible recoveries in the liquidation;
- Address any other matters arising in the liquidation; and
- Move to finalise the liquidation.

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.

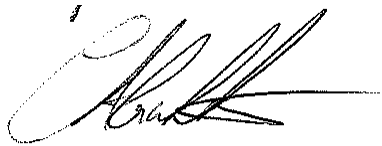
Where can you get more information?

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

- 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 Nathan Bleakley of my office on +61 7 3222 0449 or via email on nathan.bleakley@au.gt.com. There is also information about this liquidation on my firm’s website, www.granthornton.com.au under Creditors Information. Creditors are advised to search “Little Pink Houses Pty Ltd” at the top of the webpage to easily navigate to the page.

Dated: 20 December 2019

A handwritten signature in black ink, appearing to read 'C. Crichton', with a long horizontal flourish extending to the right.

Cameron Crichton
Joint and Several Liquidator

List of attachments

- Appendix A - Assets and Liabilities comparison to ROCAP
- Appendix B - Proof of Debt

Appendix A

Assets and Liabilities comparison to ROCAP

*Per the ROCAP provided on 28 November 2019, FY18 Balance Sheet provided with the ROCAP (most recently completed financial statement) and further commentary from directors & officers

As at 27 September 2019	Director's Book Value \$	Director's ERV \$	Liquidator's ERV \$
Assets			
Cash on hand	121	Nil	Nil
Sundry debtors	147,691	Nil	Unknown
Loans to directors	93,381	Nil	Unknown
Heilbronn Investment Trust (Intercompany Loan)	238,545	Nil	Unknown
Beneficiary Entitlement – Heilbronn Investment Trust	1,481,313	Nil	Unknown
Total Income	1,961,051	Nil	Unknown
Liabilities			
BHD Oilfield Services Pty Ltd (Intercompany Loan)	(372,150)	Nil	Unknown
Australia Taxation Office	(663,552)	Nil	(747,525)
Total Creditors	(1,035,702)	Nil	Unknown
Total Surplus (Deficiency)	925,349	Nil	Unknown

Appendix B

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 **Little Pink Houses Pty Ltd (In Liquidation)**
ACN 600 434 188 (the "Company")

1. This is to state that the company was on 27 September 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	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: _____



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