

# Statutory Report by Liquidator

**GJ CONSULTING SERVICES PTY LTD (IN LIQUIDATION)**  
**ACN 605 112 883 (the Company)**

30 August 2019

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## Introduction

I refer to my initial correspondence to creditors dated 12 June 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.
- Advise you of the likelihood of a dividend being paid in the liquidation.

The Liquidator has relied on information provided from numerous sources to prepare the report, including:

- Discussions with the Directors of the Company, Gary and Jacqueline Stewart.
- A Report on Company Affairs and Property ("ROCAP") provided to me on 14 July 2019.
- Discussions with the Secured Creditor.
- Discussions with the vendor who sold the business to the Company.
- Discussions with the Company's accountant, P & L Accountants.
- A review of the Company's Xero accounting file.
- A review of the Company's SimPro job software.
- A review of the Company's bank statements.
- A review of the Company's books and records provided to date.
- Information available from public sources, such as, Australian Securities and Investments Commission (ASIC), the Department of Transport and Main Roads (TMR) and the Personal Property Securities Register (PPSR).

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

## Update on the progress of the liquidation

### Company Background

The Company was incorporated on 2 April 2015 but the books and records indicate the Company did not conduct any business until it purchased A & K Lievesley Electrical & Solar ("the business") on 17 September 2016. The business was purchased for \$447,000 and subject to a vendor financing agreement. The business operated from 1/42 Export Drive, Molendinar, Queensland.

The business provided domestic and commercial electrical and solar installation and repairs between Brisbane and the Gold Coast.

From my investigations to date I understand the directors, Gary and Jacqueline Stewart were responsible for the day to day operations and management of the business.

I am aware of a dispute between the Company and the vendor regarding the value and condition of the assets included in the sale agreement. This dispute was subject to legal proceedings at the date of my appointment.

The director advised the business ceased trading on 9 September 2018.

## Cause of the Company's Failure

The Directors have stated the reason for the Company's financial difficulties and the ultimate need to have the Company wound up was due to the misrepresentation of business assets by the seller of the business. The vendor was the landlord of the leasehold premises at Molendinar and the subsequent dispute led to the termination of this tenancy.

I have not obtained sufficient information to verify the accuracy of these assertions which remain the subject of legal proceedings.

My initial investigations into the affairs of the Company suggest the Company's failure is attributable to sustained from January 2017 and a fundamental absence of viability.

My initial investigations into the affairs of the Company is based on the following sources of financial information made available:

- A review of the financial information provided by the Company's accountant;
- A review of the Company's Xero accounting file; and
- A review of the Company's bank statements.

## Assets and liabilities

The below table 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 directors:

	Directors Note ROCAP Book Value (\$)	Xero Accounts @ 30/5/2019 (\$)	Liquidator ERV (\$)
<b>Assets</b>			
Cash at Bank / Cash at Hand	-	4,264	Unknown
Debtors	1 3,311	(13,332)	Unknown
Motor Vehicles (WDV)	-	93,776	Nil
Office Equipment (WDV)	-	143,014	Unknown
Other Equipment / Stock	-	10,769	Unknown
Goodwill and Intangibles	-	231,901	Nil
<b>Total Assets</b>	<b>3,311</b>	<b>470,392</b>	<b>Unknown</b>
<b>Liabilities</b>			
Employee Entitlements	9,645	56,135	Unknown
Secured Creditors	107,497	100,845	Unknown
Unsecured Creditors	601,148	501,750	Unknown
Director Loan Account	154,680	73,312	Unknown
<b>Total Liabilities</b>	<b>872,970</b>	<b>732,043</b>	<b>Unknown</b>
<b>Net Surplus / (Shortfall)</b>	<b>(869,659)</b>	<b>(261,651)</b>	<b>Unknown</b>

### Notes

1 - The Xero accounts indicate 15 debtors totaling \$8,067 after removing a negative debtor

### Cash at Bank

On appointment, I issued correspondence to all major Australian financial institutions requesting they immediately freeze any accounts held in the Company's name. I have identified that the Company held bank accounts with ANZ though no funds were held at the date of my appointment.

The books and records indicate that \$4,264 in petty cash is held. I have issued a demand to the Director's to pay this to me.

## Debtors

The Directors ROCAP advises of two debtors totaling \$3,310 remain outstanding. The Company's books and records indicate 15 debtors totaling \$8,067 (after removing a negative debtor). I have issued correspondence to all debtors identified in my investigations.

I understand that some debts are subject to legal action and my investigations in this respect are ongoing.

## Motor Vehicles

On appointment, I conducted a search of the Queensland motor vehicle registration database to identify motor vehicles owned by the Company. The Motor Vehicles owned by the Company are summarised in the below table:

Vehicle Registration	Vehicle Model	Security	Equity in Vehicle
969TRO	2014 Ford Ranger Utility	ANZ Chattel Mortgage	No
902TUX	2013 Fiat Scudo	ANZ Chattel Mortgage	No
901TUX	2013 Fiat Scudo	Macquarie Chattel Mortgage	No

I liaised with the financiers to obtain copies of all the vehicle finance agreements and then reviewed the each security interest on the PPSR to ensure it was a valid registration. I conducted a desktop valuation of the vehicles which indicated there was no equity in the contracts. I subsequently disclaimed the Company's interest in the vehicles.

I understand the Company had an additional Fiat Scudo financed with Macquarie though this was handed back to Macquarie prior to my appointment.

## Office Furniture

The Company's books and records indicate that \$180,000 in office furniture was attributable to the purchase of the business. At the date of my appointment, the written down value in the Company's books and records was \$143,043.

The director advised the office furniture was misrepresented in the sale contract, of poor condition and had little value. The director advised that when the Company ceased trading it was disposed of.

My investigations into office furniture are ongoing.

## Employee Liabilities

The Company had ceased trading at the time of my appointment.

I am aware of a dispute made by a former employee who was terminated on 10 May 2018. The former employee made an application for an unfair dismissal to the Fair Work Commission and on 1 November 2018 was awarded a settlement in the amount of \$2,888 plus superannuation. I understand this amount was not paid by the Company prior to my appointment.

The former employee also advised he is owed \$5,783 in outstanding leave entitlements.

The proof of debt lodged by the Australian Taxation Office has identified \$61,910 owing in relation to superannuation guarantee charge and corresponding penalties. My investigations as to outstanding employee entitlements are ongoing.

## Unsecured Creditors

The Directors have provided details of outstanding creditors in their ROCAP.

I note the books and records of the Company do not contain trade creditors. To assist in my investigations I should be grateful if any creditors would advise my office on their claim.

My investigations have identified that two trade creditors had commenced legal action against the Company.

My investigations to ascertain the creditor position is ongoing.

### **Related Party Creditors**

The Directors have advised in their ROCAP they are owed \$154,680. I have not assessed the validity of this claim.

The Company's books and records indicate \$73.3k is owed to the Directors at the date of my appointment. This balance reduced from \$94.6k at 30 June 2018. I am investigating whether payments effecting this loan reduction may be considered uncommercial and voidable.

### **Receipts and Payments to date**

There have been no receipts nor 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 Liquidator to pursue.

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.

Please note that claims against the Directors are predicated by the financial position and ability of the Director to meet such a claim. In this regard, I have conducted a property search of the directors which has identified two properties jointly owned by the Directors. These properties are both encumbered and have caveats over them by the vendor of the business. Further investigations would be required to assess the Directors ability to respond to any such claim.

#### **Insolvent trading**

I have reviewed both the cash flow and balance sheet tests of insolvency and have determined that the Company likely became insolvent around January 2017 based on the following factors:

- Consistent trading losses from this date; and
- An increasing net asset deficiency from this date.

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

#### **Voidable transactions**

The relation-back period in this matter commenced on 18 October 2018, being 6 months prior to the date of the winding up application being filed.

My preliminary investigations have not identified any recoverable unfair preference claims that are commercial to pursue.

#### **Uncommercial Transactions**

At the date of my appointment, office equipment had a written down value of \$143,043 in the Company's records.

The Director has advised that the office equipment and other equipment were thrown away and disposed of after the business ceased trading.

Further, the Director has advised that a former staff member created a new Company, Dot Energy, with two other staff members of the business following the closure of A & K Lievesley Electrical & Solar. Dot Energy is also based in Molendinar. I am conducting further investigations to ascertain if all items of office furniture and equipment were properly disposed and all value was realized by the business.

My preliminary investigations identified:

- A significant number of payments occurred between the Company and Dot Energy as identified in the Company's bank statements. These transactions are recorded in the Director loan account in the Company's books and records.
- The Director, Gary Stewart, emailed my office with an email signature with his title being 'Manager' of Dot Energy; and
- On appointment, the business' website redirected to Dot Energy.

I am conducting further investigations to identify if there were any uncommercial transactions involving Dot Energy.

#### **Further inquiries to be undertaken**

I plan to undertake the following further investigations:

- Ascertain if there were any uncommercial transactions;
- Ascertain the date of insolvency and the validity of pursuing a claim;
- 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 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 extent of the investigations I have to conduct.

At the current time, there is not expected to be sufficient 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.

#### **Cost of the liquidation**

I have estimated that my total remuneration for the liquidation to be \$25,000. This is greater than the sum specified in my initial information to creditors as a result of:

- Difficulty in obtaining Company's records from various parties;

- Investigations into the business ceasing to trade and dissipation of assets;
- Investigations required into the outstanding employee entitlements;
- Investigations into a an insolvent trading claim; and
- Ascertaining the trade creditor position of the Company.

I am not seeking approval of this remuneration at this time. I will do so via a proposal in the future when I provide and additional update 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.
- 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 6 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](http://www.arita.com.au/creditors)
- 2 ASIC at [www.asic.gov.au](http://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](mailto:zac.dullard@au.gt.com). There is also information about this liquidation on my firm's website: [www.grantthornton.com.au](http://www.grantthornton.com.au).

Dated: 30 August 2019



Cameron Crichton  
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 Liquidator of **GJ Consulting Services Pty Ltd (In Liquidation) ACN 605 112 883**  
(the "Company")

1. This is to state that the company was on 30 May 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:

<b>Date</b>	<b>Consideration</b> <i>(state how the debt arose)</i>	<b>Amount</b>	<b>Remarks</b> <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).*

<b>Date</b>	<b>Drawer</b>	<b>Acceptor</b>	<b>Amount</b>	<b>Due Date</b>
\$				

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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Yes    No

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Email:.....



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