



**SHERIDANS**  
CHARTERED ACCOUNTANTS

# **SAFESTONE PTY LTD**

(In Liquidation)  
ACN 604 039 787

## **Report to Creditors**

Section 70-40  
Insolvency Practice Rules (Corporations) 2016

**2 October 2017**

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### **Enclosures**

- (i) Proof of Debt or Claim form

## 1. Introduction

- 1.1 I refer to my appointment as Liquidator of the company on 12 July 2017 and to my Circular to Creditors dated 21 July 2017.
- 1.2 The purpose of this report is to provide creditors with an update on the progress of the liquidation in accordance with Section 70-40 of the Insolvency Practice Rules (Corporations) 2016, and to advise creditors of the likelihood of a dividend being paid in the liquidation.

## 2. Receipts and payments

- 2.1 The following is a summary of receipts and payments in the liquidation to date:

	Amount \$
<b>Receipts</b>	
Cash at bank on appointment	37,242
Sale of plant and equipment	1,850
	39,092
<b>Payments</b>	
Bank charges	12
Liquidator's fees	15,000
<b>Disbursements:</b>	
Advertisements	76
Facsimiles	32
Postage	58
Printing and photocopying	28
Searches	37
Stationery	6
Telephone	3
GST (Net)	1,339
	16,591
<b>Cash at bank as at 2 October 2017</b>	<b>22,501</b>

## 3. Assets

- 3.1 The company's directors gave an estimate in their Report as to Affairs ("RATA") of potential realisations. Set out below is a comparison of this estimate with the Liquidator's estimate and actual realisations to date.

	Ref	RATA estimate \$	Liquidator's estimate \$	Liquidator's realisations to date \$
Cash at bank	3.2	22,308	37,242	37,242
Pre-appointment debts	3.3	25,000	TBD	-
Plant and equipment	3.4	3,000	1,850	1,850
		<b>50,308</b>	<b>39,092</b>	<b>39,092</b>

### 3.2 Cash at bank

- 3.2.1 The sum of \$37,241.54 was realised following the closure of the company's bank account with Bankwest.

### 3. Assets (cont.)

#### 3.3 *Pre-appointment debts*

3.3.1 The company's records indicated that the company had an accounts receivable balance as at the date liquidation of \$157,289.

3.3.2 On review of the accounts receivable balance and following discussions with the company's debtors, I have determined that the majority of outstanding debts have either been paid or partly paid by debtors prior to my appointment.

3.3.3 The value of realisable pre-appointment debts has yet to be quantified as I am still waiting for supporting documentation from the debtors regarding which debts have been paid and which remain outstanding.

#### 3.4 *Plant and equipment*

3.4.1 The company's plant and equipment comprise two motor vehicles (a 2001 Ford Falcon and a 2002 Ford Falcon) and a small amount of miscellaneous tools.

3.4.2 The plant and equipment was sold for \$1,850 (excluding GST) to one of the directors and the directors' brother. I note that the amount received for the plant and equipment was in line with my agent's valuation.

### 4. Secured creditors

4.1 On the basis of information provided by the directors and a search of the Personal Property Securities Register, I have concluded that the company had no secured creditors at the date of liquidation.

### 5. Priority creditors

5.1 Set out below is the directors' estimate of the company's priority creditors compared to my estimate:

	RATA estimate \$	Liquidator's current estimate \$
Wages	6,000	6,000
Superannuation	5,000	18,272
	11,000	24,272

5.2 I consider that expected realisations may enable me to pay a dividend to priority creditors of the company. However, further work is required to verify the actual outstanding employee entitlements.

5.3 If you were an employee of the company at the date that I was appointed, or you have previously been employed by the company, you may be a creditor of the company for any or all of the following debts: outstanding wages, annual leave, long service leave, pay in lieu of notice, redundancy and/or superannuation.

## 5. Priority creditors (cont.)

- 5.4 If you are owed accrued entitlements, you may be eligible for assistance under the Federal Government's Fair Entitlements Guarantee Act 2012 ("FEG"). For further information regarding FEG, please call the FEG hotline: 1300 135 040 or go to the website: [www.employment.gov.au/fair-entitlements-guarantee-feg](http://www.employment.gov.au/fair-entitlements-guarantee-feg). **Former employees have only 12 months to lodge a FEG claim and FEG has no discretion to extend this time.**
- 5.5 Please find enclosed a Proof of Debt or Claim form to enable priority creditors to lodge their claim against the company. Note that any FEG claim must be lodged separately with FEG.

## 6. Unsecured creditors

- 6.1 According to the directors' RATA, the company had two unsecured creditors, whose claims totalled \$269,857.
- 6.2 To date, I have received one Proof of Debt from the Australian Taxation Office ("ATO") in the sum of \$309,499. On the basis of current information, I estimate that the total amount owed to unsecured creditors is \$310,603.
- 6.3 Please find enclosed a Proof of Debt or Claim form to enable unsecured creditors to lodge their claim against the company.

## 7. Dividend

- 7.1 The likelihood of a dividend being paid to creditors will be affected by a number of factors including:
- (i) The size and complexity of the administration.
  - (ii) The amount of assets realisable and the costs of realising those assets.
  - (iii) The statutory priority of certain claims and costs.
  - (iv) The value of various classes of claims including secured, priority and unsecured creditor claims.
  - (v) The volume of enquiries by creditors and other stakeholders.
- 7.2 At this stage, I consider it likely that a dividend will be paid to priority creditors of the company, but I consider it unlikely that a dividend will be paid to unsecured creditors. I note that the likelihood of a dividend is heavily dependant on the quantum of outstanding pre-appointment debts realised.
- 7.3 If a dividend is payable, creditors will be contacted prior to the dividend being paid and will be asked to lodge a Proof of Debt. This will formalise creditors' claims against the company.

## 8. Reasons for the company's failure

- 8.1 I note that the company's business ceased to trade on or around 30 June 2017.

## **8. Reasons for the company's failure (cont.)**

8.2 From my preliminary inquiries to date (see section 9, below), I consider that the reasons for the company's failure are likely to be as follows:

- (i) Inability to meet taxation liabilities;
- (ii) Insufficient cash flow and budget due to inadequate revenue to meet expenses.
- (iii) Poor strategic management of the business.

## **9. Inquiries undertaken to date**

9.1 The following inquiries have been made to date:

- (i) Undertaking searches including a company search, PPSR search, vehicle search, director search and property search.
- (ii) Contacting the Sheriff's Office to determine whether any recovery action has been undertaken on behalf of creditors.
- (iii) Contacting the Child Support Agency and Workcover WA to determine the company's outstanding liabilities.
- (iv) Contacting the Office of State Revenue and the ATO to determine the company's outstanding tax-related liabilities.
- (v) Requesting that the ATO provide me with access to the company's taxation records via the Business Portal.
- (vi) Reviewing the company's financial statements and draft accounts to determine whether there are any unaccounted for assets and/or liabilities.
- (vii) Reviewing the directors' Report as to Affairs.
- (viii) General inquiries of the company's directors regarding assets and liabilities.
- (ix) Inquiries regarding the sale of the company's plant and equipment.
- (x) Sending an initial notice to creditors, encouraging creditors to submit their claim against the company.
- (xi) Convening and holding an initial creditors' meeting.
- (xii) Inquiries regarding the company's accounts receivable balances.

## **10. Further inquiries that may need to be undertaken**

10.1 I note the following further inquiries may need to be undertaken:

- (i) Reviewing the company's books and records.
- (ii) Conducting an investigation into the company's affairs and the conduct of its officers.
- (iii) Determining whether there are any possible recovery actions (see Section 11, below).
- (iv) Lodging a report with ASIC detailing my investigation findings.
- (v) Further inquiries regarding the company's accounts receivable balance.
- (vi) General inquiries of the company's directors regarding assets and liabilities.

10.2 If creditors are aware of a particular matter that requires further investigation, please contact this office immediately.

## 11. Possible recovery actions

11.1 I am yet to uncover any possible recovery actions but note that the most common recovery actions available to a liquidator are as follows:

- (i) Insolvent trading.
- (ii) Unfair preferences.
- (iii) Uncommercial transactions.
- (iv) Unfair loans.
- (v) Unreasonable director-related transactions.

## 12. What happens next?

12.1 I will proceed with the liquidation, including:

- (i) Realising the remaining assets (i.e. pre-appointment debts).
- (ii) Recovering any further available property.
- (iii) Completing my investigations into the company's affairs.
- (iv) Completing my reporting to the corporate insolvency regulator, the Australian Securities and Investments Commission.

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

## 13. More information

13.1 Creditors can access information which may be of assistance on the following websites:

- (i) Sheridans at [www.sheridansac.com.au/downloads/](http://www.sheridansac.com.au/downloads/)
- (ii) ARITA at [www.arita.com.au/creditors](http://www.arita.com.au/creditors)
- (iii) ASIC at [www.asic.gov.au](http://www.asic.gov.au) (search for "insolvency information sheets")

If you wish to discuss the above matters, please contact Shannon O'Connor or Phillip Nguyen of this office.

Yours faithfully



JENNIFER E. LOW  
Liquidator of  
Safestone Pty Ltd

**SAFESTONE PTY LTD**  
**ACN 604 039 787**  
**(In Liquidation) ("the company")**

**FORMAL PROOF OF DEBT OR CLAIM**

This is to state that the company was on 12 July 2017 and still is, justly and truly indebted to \_\_\_\_\_ for:

\$ \_\_\_\_\_ and \_\_\_\_\_ cents

Date	Consideration (how the debt arose)	Amount \$	Remarks (include details of voucher substantiating payment)

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

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. ①

I am the creditor's agent authorised in writing to make this statement in writing. 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. ①

① *Delete both if this proof is made by the creditor personally. Otherwise, strike out or leave, as appropriate.*

**Please ensure this proof is signed for completion, before lodgement.**

**Date:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Occupation:** \_\_\_\_\_

**Creditor's address:** \_\_\_\_\_

I nominate to receive electronic notification of notices or documents in accordance with Section 600G of the Corporations Act 2001 at the following email address:

\_\_\_\_\_