



Building Services Authority

MEDIA RELEASE

3 May 2007

Licence of J Co Homes Pty Ltd suspended

“Before BSA takes any action against a contractor’s BSA licence, the case is always thoroughly investigated. In the case of J Co Homes Pty Ltd, the company’s deteriorating asset position, increasing losses and its inability to pay its debts gave BSA no choice but to suspend their licence,” said BSA’s general manager, Ian Jennings.

J Co Homes Pty Ltd (J Co) first obtained a BSA builder licence on 9 October 2003. The company operated from premises in Cairns and Innisfail and was primarily engaged in residential construction work in the Cairns and Innisfail regions.

Following complaints from subcontractors claiming they had not been paid money owed by J Co, BSA started a financial audit of the company on 9 February 2007. The audit required the company to provide financial documentation, verified by an independent external accountant, which established the company had sufficient assets and liquidity to hold a building licence.

The company failed to comply with the audit and on 9 March 2007 notice was sent to the company proposing to suspend or cancel J Co’s licence for not complying with the audit.

On 3 April 2007 financial reports were provided by the Company’s external accountant. The reports showed that as at 31 December 2006 the company had a negative asset position of \$156,000, and had poor liquidity indicating to BSA the company was unable to pay its debts. The reports showed the company was trading at a loss and owed more than \$700,000 to trade creditors. The financial documents also purported to rely upon a \$200,000 guarantee from Ernest James Lawrence, on the basis he was a director of the company. This was not the case as Mr Lawrence had resigned as director on 3 January 2007.

“It was clear J Co did not meet the financial requirements for licensing, and was likely insolvent. Unless the company received a capital injection from its directors it would likely fail,” said Mr Jennings.

On 12 April 2007, BSA imposed a condition on J Co’s licence preventing it from undertaking new work, and also requiring it to provide updated financial information and clear evidence that the company was paying subcontractors. The company was given a week to meet these conditions.

On 13 April 2007, Lydia Wilde informed the BSA the company’s position had improved since December 2006, and that the company’s net asset position was now positive \$149,000, and its liquidity had improved. Ms Wilde was unable to explain how the company’s position had improved so dramatically in such a short period of time, but promised to give BSA updated financial records within a week.

“On 16 April 2007, the company tried to pay three BSA Insurance premiums by direct debit. These debits were dishonoured by the bank. BSA continued to receive complaints from subcontractors and suppliers owed money by J Co. These factors further highlighted to BSA the financial problems facing J Co.

“No documents were received by BSA as promised by Ms Wilde. However, some information was sent to BSA on 23 April 2007. The information established that the company’s financial position had deteriorated further. The new information indicated as at 31 March 2007 the company’s net asset position had decreased further to negative \$508,673, and its liquidity had deteriorated substantially. The company’s records also showed its losses were increasing,” said Mr Jennings.

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It was clear to BSA the company's position was not improving, and in fact was deteriorating fast. BSA was very concerned as to the company's solvency. During this period the BSA had also begun receiving complaints from J Co consumers in the Cairns and Innisfail area about defects and slow construction times. BSA believed that if J Co were allowed to continue to trade it would only allow the company to incur further debts it had no capability of ever paying. BSA was also concerned for the welfare of J Co consumers.

"In the interests of the industry BSA had to take action. Despite the claims by Ms Wilde it was clear, the company could not trade out of its position and on 23 April 2007, BSA suspended the licence of J Co."

On 26 April 2007, Tony Jonsson and Gerard Mier of KPMG were appointed Voluntary Administrators of J Co Homes Pty Ltd. As part of appointing a Voluntary Administrator Ms Wilde would have had to sign a resolution acknowledging that J Co was insolvent or likely to become insolvent.

"At the first meeting on creditors on 3 May 2007, the Administrators stated the company owed an estimated \$1.046M, confirming BSA's concerns and that BSA had made the correct decision when it suspended the company's licence."

BSA's records indicate that 20 consumers, in the Cairns and Innisfail areas, have entered into contracts with J Co in the past twelve months. Letters have been sent to those consumers to inform them of their rights and entitlements under the BSA's Home Warranty Insurance Scheme, and invite them to meet with BSA staff to discuss their issues, lodge their complaint and book a time for a building inspection.

The BSA will provide appropriate assistance to consumers affected by the suspension of J Co's BSA licence. Consumers affected by the collapse of J Co Homes Pty Ltd should contact BSA on 1300 272 272. Subcontractors and suppliers affected by the collapse should contact the Administrators, Tony Jonsson or Gerard Meir, on 4046 8888.

"Due to the collapse of J Co, Ms Wilde and Mr Lawrence each face a five year exclusion from holding a BSA licence or being an influential person in a BSA-licensed company."

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