

Senate Community Affairs Committee
ANSWERS TO ESTIMATES QUESTIONS ON NOTICE
FAMILIES, HOUSING, COMMUNITY SERVICES AND
INDIGENOUS AFFAIRS PORTFOLIO
2012-13 Supplementary Estimates Hearings

Outcome Number:

Question No: 448

Topic: Larrakia Development Corporation

Hansard Page: Written

Senator Scullion asked:

I understand two audits were conducted on the Larrakia Development Corporation. Did either of the reports show that the LDC was trading while insolvent?

Was the LDC trading while insolvent at the time of the NLC's attempt to dismiss the board on 14 September 2012?

Was the LCD trading while insolvent when the NLC provided the \$2m cash injection?

Answer:

The first preliminary report was prepared by Mozic Pty Ltd and dated 13 January 2012. It made no finding that the LDC was trading while insolvent.

The second report was a forensic examination prepared by Mervyn Sullivan and dated 28 February 2012. In relation to solvency, that report stated:

Although the LDC group has been technically insolvent by failing to pay its debts as and when due, this situation was caused by a liquidity problem (which could have been avoided had certain assets been realized in mid 2011) rather than a genuine inability by LDC to pay its debts.

The report continued:

LDC may be in a position to recover from its current difficulties, if it can obtain short to medium term assistance to allow a plan of action of the directors to be implemented.

The report also stated:

The directors of LDC have developed a practical plan of action that they believe can ensure the future viability of LDC, but which may require some support by NLC in the short to medium term. It is quite possible that this option has a good chance of succeeding, and deserves serious consideration by NLC.

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The report noted that if such support and assistance could not be provided, and subject to receiving and considering the views of the LDC directors, consideration would be required as to whether the LDC should be placed into administration or liquidation.