



**EDDIE
SENATORE**

EDDIE SENATORE
Advisory

PO Box 3481
MANUKA ACT 2603

+61 2 6100 3435
hello@eddiesenatore.com
eddiesenatore.com

14 April 2020

To the creditor as addressed

Dear Sir or Dear Madam

Diverse Security Group Pty Ltd (In Liquidation) ACN 169 333 466 (the "Company")

As you are aware, I was appointed Liquidator of the Company on 11 October 2019.

I now enclose:

1. Detailed report on the current position of the liquidation; and
2. Remuneration Report.

Please contact my office should you require further information.

Yours faithfully

Ezio Senatore
Liquidator

Date of Appointment: 11 October 2019
Contact name: Ezio (Eddie) Senatore
Contact number: (02) 6100 3435
Email: hello@eddiesenatore.com



**EDDIE
SENATORE**

EDDIE SENATORE
Advisory

PO Box 3481
MANUKA ACT 2603

+61 2 6100 3435
hello@eddiesenatore.com
eddiesenatore.com

**Diverse Security Group Pty Ltd
(In Liquidation)
ACN 169 333 466
(the “Company”)**

Report to Creditors

14 April 2020



Table of Contents

| | |
|--|-----------|
| 1. Executive Summary | 3 |
| 1.1 APPOINTMENT | 3 |
| 1.2 PURPOSE OF REPORT..... | 3 |
| 1.4 RECEIPTS AND PAYMENTS | 4 |
| 1.5 SUMMARY OF INITIAL INVESTIGATIONS..... | 4 |
| 1.6 REMUNERATION | 4 |
| 1.7 NEXT STEPS | 5 |
| 2. Meeting of Creditors..... | 5 |
| 3. Company Background | 5 |
| 3.1 HISTORY OF THE COMPANY | 5 |
| 3.2 DIRECTORS AND OFFICERS | 5 |
| 3.3 SECURITY INTERESTS | 6 |
| 3.4 THE BUSINESS OF THE COMPANY | 6 |
| 3.5 EVENTS LEADING UP TO LIQUIDATION | 6 |
| 3.6 BOOKS AND RECORDS | 6 |
| 3.7 REPORT ON COMPANY ACTIVITIES AND PROPERTY (ROCAP) | 6 |
| 3.8 HISTORICAL FINANCIAL PERFORMANCE..... | 13 |
| 4. Asset Realisations..... | 15 |
| 5. Investigations..... | 15 |
| 5.1 OVERVIEW | 15 |
| 5.2 APPROACH TO PRELIMINARY INVESTIGATIONS | 16 |
| 5.3 VOIDABLE TRANSACTIONS..... | 16 |
| 5.4 INSOLVENT TRADING..... | 17 |
| 5.5 OFFENCES | 19 |
| 5.6 LIMITATION OF INVESTIGATIONS | 19 |
| 5.7 OFFENCES IN RELATION TO THE COMPANIES – SECTION 533..... | 20 |
| 6. Likelihood of a Dividend | 20 |
| 7. Outstanding Matters..... | 20 |
| 8. Further Information Available to Creditors | 20 |



1. Executive Summary

1.1 Appointment

I, Ezio (Eddie) Senatore of Eddie Senatore Advisory, Registered Liquidator, Unit 2, 16 Bougainville Street, Griffith ACT 2603 was appointed Liquidator of the Company on 11 October 2019.

I hereby submit the following report to creditors.

You are welcome to contact me to discuss any aspect of this liquidation.

1.2 Purpose of Report

This report provides an update on the external administration to date. This report will provided creditors with information on:

- The progress of the liquidation;
- The estimated assets and liabilities of the Company;
- The inquiries I have made to date;
- Further inquiries needed to be made;
- What happened to the business of the Company;
- The likelihood of a dividend being paid to creditors; and
- Any possible recovery actions.

1.3 Progress of Liquidation

This report has been prepared based on my investigations including a review of the Company's financial information. Whilst I have endeavoured to determine the accuracy or otherwise of the information provided, I am unable to warrant the accuracy, completeness or reliability. I reserve the right to alter any conclusion or recommendation in this report on the basis of further information that may become available.

A brief overview of the steps I have taken in this liquidation is provided below:

- Opened a liquidation bank account;
- Contacted all banks in order to secure Company funds held in any bank account;
- Liaising with Company's bankers in regard to existing and opening new bank accounts;
- Review of general insurance requirements;
- Discussions with the Company's Director's;
- Notified service providers to advise of appointment of the liquidator and cease all services in the name of the Company;



- Received and reviewed proofs of debt;
- Corresponded with various State and Territory Government agencies;
- Searched personal property securities (PPS) registered on the PPS Register (PPSR)
- Corresponded with PPS holders registered on the PPSR;
- Lodgements and notifications of appointment with relevant statutory bodies;
- Preparation and dissemination of initial circular to creditors;
- Preparation of creditor updates and correspondence to creditors;
- Bank reconciliations;
- Company, individual and land title searches;
- Sought and obtained the books and records of the Company from various parties;
- Examined the Company's books and records that have been provided in detail;
- Liaising with the Company's accountant and director in order to seek information regarding the Company's affairs;
- Examined the Company's books and records to determine if there are any recoveries pursuant to Part 5.7B of the Corporations Act 2001 ("the Act"), which includes unfair preference action, insolvent trading action against the director and potential uncommercial transactions and/or unreasonable director related transactions;
- Undertook an insolvency analysis to determine if the Company traded whilst insolvent;
- Examined the Company's books and records to determine if there are undisclosed assets of the Company; and
- Examination of the Company's affairs to determine if the director's complied with their obligations.

1.4 Receipts and Payments

A copy of the Company's receipts and payments is included in the remuneration report attached to this circular.

1.5 Summary of Initial Investigations

My inquiries confirmed that the Company traded whilst insolvent from at least 20 February 2019, if not earlier. I am still conducting my inquiries in relation to the Company's directors capacity to satisfy insolvent trading claims, however my initial inquiries indicate that the claims are uncommercial to pursue. I have requested creditors consider funding me further to conclude my investigations in this regard. Should funding not be forthcoming I will proceed to finalise this administration, subject to clearance by ASIC.

I advise that I have been requested to submit a supplementary report to creditors by ASIC. I have submitted a request for ASIC's Assetless Administration funding, however in the event the request is rejected, I still intend to submit a supplementary report to ASIC.

1.6 Remuneration

Refer to my remuneration report attached to this circular, I will be seeking a further \$83,567.50 in remuneration.



1.7 Next Steps

To progress the liquidation, the following matters will be undertaken as next steps:

- Finalise insolvent trading claim against director's
- Complete supplementary report to ASIC; and
- Completing ongoing statutory obligations.

2. Meeting of Creditors

If I receive a request for a meeting complying with the guidelines set out in the initial information provided to you, I will hold a meeting of creditors. Otherwise, and pending further progress of my investigations into the affairs of the Company, I do not intend to call a meeting of creditors at this time.

3. Company Background

3.1 History of the Company

Detailed below is information regarding the Company obtained from the ASIC searches as at the date of my appointment.

Company Details

| Information | Details |
|-----------------------------|---|
| Commencement Date | 1 May 2014 |
| Registered Office | 27 Wedgwood Close, Chisholm Australian Capital Territory 2905 |
| Principal Place of Business | Unit 9 21 Colbee Court, Phillip Australian Capital Territory 2606 |

3.2 Directors and Officers

Detailed below is information regarding the directors and secretaries of the Company obtained from the ASIC searches as at the date of my appointment.

The following directors are disclosed:

| Director | Appointment Date | Cease Date (if applicable) |
|-------------------------|------------------|----------------------------|
| Matthew Phillip Mahoney | 1 May 2014 | Current |
| Shane Logan Tipa | 27 July 2017 | Current |

The following are disclosed as former directors:

| Former Director | Appointment Date | Cease Date |
|-------------------------|------------------|---------------|
| Lauren Anne Crowe | 1 May 2014 | 11 March 2015 |
| Phillip Anthony Mahoney | 1 May 2014 | 11 March 2015 |



The ASIC database indicates the following Secretaries:

| Director | Appointment Date | Cease Date (if applicable) |
|-------------------------|------------------|----------------------------|
| Matthew Phillip Mahoney | 1 May 2014 | Current |

3.3 Security Interests

A search of the Personal Property Security Register indicates 6 security interests registered against the Company. This will be further discussed in section 3.7 of this report.

3.4 The Business of the Company

The Company commenced operations on 1 May 2014, the Company's registered office was 27 Wedgwood Close, Chisholm ACT 2905 and the Company's principal place of business was Unit 9 21 Colbee Court, Phillip Australian Capital Territory 2606.

The business of the Company provided security services in the ACT and NSW.

3.5 Events leading up to Liquidation

The director's have not provided a reason for the failure of the Company.

A review of the Company's financial statements and Company's bank statements indicates that the Company was experiencing cash flow issues in the lead up to the Company ceasing to trade, due to the Company earning zero to minimal profit while experiencing high cash use.

3.6 Books and Records

Failure to maintain books and records may be relied upon by a liquidator in an application for compensation for insolvent trading and other actions for recoveries pursuant to Division 2 of Part 5.7B of the Act.

The Company's books and records have been received and in my opinion, given the size and nature of the business operated by the Company, it appears that the Company's books and records are not adequate to comply with section 286 of the Act.

The Company's Xero accounting software is only prepared up to 30 June 2019 and no externally prepared financial statements have been prepared for FYE 2019.

3.7 Report on Company Activities and Property (ROCAP)

A ROCAP provides information on the financial position of the Company as at the date of appointment of a liquidator. This is completed by a company's director. I confirm the directors of the Company have completed a ROCAP.

Should any creditor wish to inspect or obtain a copy of the ROCAP please contact me.



The directors advised in their ROCAP that the business of the Company was sold prior to my appointment.

A summary of the assets and liabilities of the Company is as follows:

Summary of Assets and Liabilities

| Details | Director's SoA | Estimated Realisable Value |
|---------------------------------------|--------------------|----------------------------|
| | \$ | \$ |
| Assets | | |
| Business Cheque Account Plus | 2,002 | 2,893 |
| Accounts Receivable | 7,600 | - |
| Cash on Hand | 100 | - |
| Other Assets | 23,000 | 23,000 |
| Total Assets | 32,702 | 25,893 |
| Liabilities | | |
| Accounts Payable | 507,082 | 383,475 |
| ATO Running Balance Account | - | 281,517 |
| Total Liabilities | \$507,082 | \$664,992 |
| Estimated surplus / deficiency | (\$474,380) | (\$639,099) |

Assets

Cash at Bank

As at the date of my appointment correspondence was sent to all banks requesting details of any bank accounts.

Inquiries indicated the Company previously operated a bank account with the Australian and New Zealand Banking Corporation ("ANZ") and had a bank account with the St George Bank ("St George").

A total of \$2,893.61 was realised from the Company's St George pre-appointment bank account.

No other bank accounts in the name of the Company have been identified to date.

Cash on hand

The directors Summary of Affairs ("SoA"), detailed no cash on hand held by the Company as at the date of my appointment.



A review of the Company's balance sheet as at the date of my appointment indicated that the Company had cash on hand in the amount of \$100.

As this amount is minimal, no further investigation was conducted in relation to this amount.

Accounts Receivable

The directors SoA, stated that there was \$7,600 collectable in debtors as at the date of my appointment.

A discussion with the directors prior to my appointment indicated that the debtors were factored.

A review of all the outstanding invoices in the Company's accounting system indicated that all the outstanding debtors were factored and payable to the secured creditor and not collectable by the Company. This is discussed later in this report.

Director Loans

The directors SoA detailed no related party loans that were receivable in the name of the Company as at the date of my appointment.

Inquiries to date indicates that there was loans receivable from the director, Shane Tipa in the amount of \$522.

This amount has been deemed uncommercial to pursue.

Related Party Loans

The directors SoA detailed no related party loans that were receivable by the Company as at the date of my appointment.

Inquiries to date indicated that a total of \$54,000 was loaned from the Company to a related entity, Complete Events Group Pty Ltd ("Complete Events Group"), in the six (6) month period prior to my appointment.

Complete Events Group is now subject to external administration.

I have written to the external administrator of Complete Events Group requesting the likelihood of dividend in the external administration of Complete Events Group.

The external administrator of Complete Events Group has advised that a dividend to unsecured creditors of Complete Events Group is unlikely, however will update creditors in the event of a dividend.

I intend to pursue the director personally for these funds as an unreasonable director related transaction pursuant to section 588FDA of the Act and I am currently seeking further advice in relation to this claim. This is further discussed in section 5.3 of this report.



Motor Vehicle

The directors SoA detailed no motor vehicles registered in the name of the Company as at the date of my appointment.

My inquiries to date indicated that the Company was the owner of three (3) motor vehicles. Correspondence was sent to the financiers requesting details in relation to the motor vehicles. To date, only Volkswagen Financial Services Australia Pty Limited ("Volkswagen") provided a response advising that their security interest related to a 2018 Land Rover Range Rover Evoque ("the Motor Vehicle").

Details are discussed later in this report.

Sale of Business

The director's SoA indicated that the business of Company had sold for \$23,000 including GST prior to my appointment.

A copy of the sale of business indicated that the business of the Company had been sold as a going concern, being all the current contracts of the Company in the amount of \$20,700.

A total of \$23,000 including GST has been received for the sale of business.

My initial review of the sale of business agreement, indicated that this may have been an uncommercial transaction.

However further inquiries indicated that this was a commercial transaction due to the business of the Company making minimal profits during FYE 2018 and FYE 2019.

Interest in Land

The director's SoA indicated that the Company had no Interest in land as at the date of appointment.

Land title searches in the all the States and Territories of Australia were conducted and confirm that the Company has no Interest in land as at the date of my appointment.

No further investigation will be conducted in relation to the Company's Interest in land.

Liabilities

Priority Creditors

As at the date of appointment the director advised there were no outstanding employee entitlements owed to any former employees of the Company.

Inquiries to date have not identified any entitlements owed to any employees of the Company.



No further investigations will be conducted in relation to employee entitlements owed by the Company.

Secured Creditors/PPSR

There were 6 PPSR registrations in the name of Company as at the date of my appointment, details of which are below:

| Registration Number | Secured Party | Date | Collateral |
|---------------------|---|------------------|---------------|
| 201611040058740 | Nissan Financial Services Australia Pty Ltd | 4 November 2016 | Motor Vehicle |
| 201802070005855 | Ricoh Australia Pty Ltd | 7 February 2018 | Other Goods |
| 201802130015049 | Scottish Pacific (BFS) Pty Ltd | 13 February 2018 | All PAP |
| 201802130015054 | Scottish Pacific (BFS) Pty Ltd | 13 February 2018 | Account |
| 201807190047992 | Nissan Financial Services Australia Pty Ltd | 19 July 2018 | Motor Vehicle |
| 201902270009800 | Volkswagen Financial Services Australia Pty Limited | 27 February 2019 | Motor Vehicle |

Nissan Financial Services Australia Pty Ltd

Correspondence was sent to Nissan Financial Services Australia Pty Ltd ("Nissan Financial") as at the date of my appointment advising of the appointment of the liquidator.

To date no response has been received.

Ricoh Australia Pty Ltd

Correspondence was sent to Ricoh Australia Pty Ltd ("Ricoh Australia") as at the date of my appointment advising of the appointment of the liquidator.

To date no response has been received.

Scottish Pacific (BFS) Pty Ltd

Correspondence was sent to Scottish Pacific (BFS) Pty Ltd ("Scottish Pacific") as at the date of my appointment advising of the appointment of the liquidator. Several follow up letters have also been sent to Scottish Pacific.

To date no response has been received.

Volkswagen Financial Services Australia Pty Limited

As previously stated, correspondence was sent to Volkswagen as at the date of my appointment advising of the appointment of the liquidator.



Volkswagen responded providing a copy of the discharge verification statement, advising that the security interest had been satisfied in full.

As stated earlier, correspondence with the directors indicated that the motor vehicle had been traded in prior to my appointment.

Inquiries made show there was no equity in the motor vehicle which could be realised for the benefit of creditors.

Unsecured Creditors

The directors advised as at the date of my appointment that unsecured creditors of the Company were owed a total of \$507,082.

My inquiries to date indicates a total of 16 unsecured creditors totalling \$664,992 are owed by the Company, details of which are below:

| Unsecured Creditor | Amount \$ |
|-----------------------------|---------------------|
| High Beam Holdings Pty Ltd | 288,950.47 |
| Australian Taxation Office* | 281,516.92 |
| Employsure Pty Ltd | 35,593.44 |
| Aulich Civil Law Pty Ltd | 16,679.30 |
| Marland Accounting | 11,165.00 |
| Matt Mahoney** | 10,665.00 |
| QBE Insurance | 9,321.19 |
| Jarib Pty Ltd | 6,810.60 |
| SNP Security | 2,239.88 |
| Unsecured Creditors (7) | 2,050.50 |
| Total | \$664,992.30 |

*Increase of \$90,000 due to unfair preference recovery to be received.

** Former director, in the event of a dividend, this amount will be further investigated.



Deficiency Analysis

A deficiency analysis has been undertaken.

Based on the information provided by the Directors and from my inquiries to date, I estimate the net deficiency (loss) to creditors to be approximately \$639,099, before the costs of the liquidation.

This deficiency is calculated as follows:

Summary of Assets and Liabilities

| Details | Director's SoA | Estimated Realisable Value |
|---------------------------------------|--------------------|----------------------------|
| | \$ | \$ |
| Assets | | |
| Business Cheque Account Plus | 2,002 | 2,893 |
| Accounts Receivable | 7,600 | - |
| Cash on Hand | 100 | - |
| Other Assets | 23,000 | 23,000 |
| Total Assets | 32,702 | 25,893 |
| Liabilities | | |
| Accounts Payable | 507,082 | 383,475 |
| ATO Running Balance Account | - | 281,517 |
| Total Liabilities | \$507,082 | \$664,992 |
| Estimated surplus / deficiency | (\$474,380) | (\$639,099) |

Due to the Company's books and records failing to be properly maintained post 30 June 2019 I am unable conclude with any accuracy the reason for deficiency other than to speculate that it related to trading losses and overstatement of assets.

The internally prepared financial statements for the period ending 11 October 2019 indicates that the profit increased to 11.19%. The financial statements prepared after the 30 June 2019 are incorrect, therefore the profit for the period ended 11 October 2019 cannot be relied on. I note there are minimal transactions entered into the Company's financial management information system after 30 June 2019, and the assets of the Company were overstated, with cash at bank showing \$177,948, with 100 unreconciled items in the Company's financials as at the date of my appointment.



3.8 Historical Financial Performance

The following is a summary of the Company's financial position from FYE 2018 to the date of my appointment:

| Comparative Balance Sheets | | | | |
|---|------------------------|------------------------------------|------------------------------------|------------------------------------|
| | As of 11 October 19 | Internally Prepared FYE 2019 | Externally Prepared FYE 2018 | Internally Prepared FYE 2018 |
| | \$ | \$ | \$ | \$ |
| Assets | | | | |
| Bank | | | | |
| Business Access Saver | 200 | 200 | 200 | 200 |
| Business Cheque Account Plus | 177,948 | 92,700 | - | (10,969) |
| Diverse Security Group – ANZ | - | - | - | (68) |
| Total Bank | \$178,149 | \$92,900 | \$200 | (\$10,836) |
| Current Assets | | | | |
| Accounts Receivable | 156,731 | 119,885 | 99,040 | 98,776 |
| Cash on Hand | 100 | 100 | 100 | 100 |
| CIT - Cash In Transit | (5,251) | (8,543) | - | (5,581) |
| Loan MFC | 6,194 | 6,194 | - | - |
| Current Tax Liability | - | - | 64 | - |
| Other Assets | - | - | - | - |
| Total Current Assets | \$157,774 | \$117,636 | \$99,204 | \$93,294 |
| Non-Current Assets | | | | |
| Formation Costs | 1,300 | 1,300 | 1,300 | 1,300 |
| Lease Hold Improvements | 1,039 | 1,039 | 1,039 | 1,039 |
| Less: Accumulated Depreciation | (35) | (35) | (84) | (35) |
| Less: Accumulated Depreciation | (13,936) | (13,936) | (65,811) | (13,936) |
| Less: Amounts Written Off | (520) | (520) | - | (520) |
| Motor Vehicles | 302,469 | 302,469 | 145,430 | 145,430 |
| Motor Vehicles - Cost Exceeding Depreciation Limit | 102,448 | 102,448 | - | - |
| Associated Loans | - | - | 19,235 | - |
| Less: Accumulated Amortisation | - | - | (1,040) | - |
| Total Non-Current Assets | \$392,766 | \$392,766 | \$100,069 | \$133,278 |
| Total Assets | \$728,688 | \$603,303 | \$199,473 | \$215,736 |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Bank Overdraft | - | - | 10,968 | - |
| Bank Overdraft | - | - | 68 | - |
| Bank Overdraft | - | - | 5,581 | - |
| Loans from Directors | - | - | 40,796 | - |
| Loan - Scottish Pacific | - | - | 62,953 | - |
| Accounts Payable | 226,339 | 77,046 | 58,637 | 3,725 |
| American Express | 198 | 198 | - | 198 |
| ATO Running Balance Account | (1,473,827) | (1,453,827) | - | (921,818) |
| FBT | 6,219 | 4,087 | - | - |
| GST | 711,457 | 664,621 | 58,967 | 456,780 |
| Hire Purchase | 64,953 | 70,293 | 140,645 | 126,340 |
| Less: Unexpired Interest | (25,298) | (25,298) | (14,229) | (25,298) |
| PAYG Withholding Payable | 1,056,924 | 983,256 | - | 641,838 |
| Rounding | - | - | - | - |



| | | | | |
|--|------------------|-------------------|--------------------|-------------------|
| Superannuation Payable | (73) | 2,715 | - | 26,533 |
| Wages Payable – Payroll | 59,690 | (6,901) | - | (7,630) |
| Total Current Liabilities | \$626,583 | \$316,192 | \$364,386 | \$300,669 |
| Non-Current Liabilities | | | | |
| Chattel Mortgage Liability - Evoque | 97,935 | 100,362 | - | - |
| Chattel Mortgage Liability - Navara | 93,010 | 93,010 | - | - |
| Chattel Mortgage Liability - Range Rover | 153,234 | 166,232 | - | - |
| Invoices Paid to Scottish Pacific | (182,315) | 75,193 | - | 39,080 |
| Less: Unexpired Interest (Evoque) | (33,498) | (33,498) | - | - |
| Less: Unexpired Interest (Navara) | (10,348) | (10,348) | - | - |
| Less: Unexpired Interest (Range Rover) | (32,702) | (32,702) | - | - |
| Loan – CEG | (2) | (2) | - | (2) |
| Loan - Director (Matt Mahoney) | 10,665 | 10,665 | - | (49,004) |
| Loan - Director (Shane Tipa) | (522) | (522) | - | - |
| Total Non-Current Liabilities | \$95,456 | \$368,389 | - | (\$9,926) |
| Total Liabilities | \$722,039 | \$684,581 | \$364,386 | \$290,743 |
| Net Assets/(Deficiency) | \$6,649 | (\$81,278) | (\$164,913) | (\$75,007) |

The Company's financial performance from FYE 2018 to 11 October 2019 is summarised as follows:

| Detail | Internally Prepared 11/10/2019 | Internally Prepared FYE 2019 | Externally Prepared FYE 2018 | Internally Prepared FYE 2018 |
|---------------------------|-----------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Revenues | 785,438 | 3,892,185 | 4,703,207 | 4,694,157 |
| Less: Costs | - | - | 4,763 | - |
| Gross Profit | 785,438 | 3,892,185 | 4,698,444 | 4,694,157 |
| Less Expenses | 697,511 | 3,898,456 | 4,580,903 | 4,524,354 |
| Other Expenses | - | - | - | - |
| Net Profit | 87,927 | (6,271) | 117,541 | 169,803 |
| Gross Profit Ratio | 100.00% | 100.00% | 99.90% | 100.00% |
| Net Profit Ratio | 11.19% | (0.16%) | 2.50% | 3.62% |

I provide the following explanation in relation to the ratios detailed in the table above;

The gross profit ratio is a profitability ratio that shows the relationship between gross profit and total net sales revenue. It is a popular tool to evaluate the operational performance of a business.

As seen from the above table, the Company's gross profit ratio from the internally prepared financial statements from FYE 2018 to the date of appointment remains constant at 100%. It is noted there is a slight drop when comparing the externally prepared financial statement for FYE 2018, which has a gross profit ratio of 99.90%. Overall, the gross profit ratios appear consistent with a service business, as there is little to no costs of goods sold in providing services.



The net profit percentage is the ratio of profits to net sales. It reveals the remaining profit after all costs of production, administration, and financing have been deducted from sales.

The net profit ratio as detailed above indicates a profit below 10% as per the externally prepared financial statements for FYE 2018 and internally prepared financial statement for FYE 2018 to FYE 2019.

As noted earlier in this section, the Company's financial management information system was not maintained post 30 June 2019 as such, it cannot be relied on.

4. Asset Realisations

To date the only assets that have been realised in this liquidation has been \$550.19 being a pre-appointment refund, \$2,893.61 being cash at bank as at the date of my appointment and \$23,000 from the sale of the Company's business prior to my appointment. 5.

Investigations

5.1 Overview

As liquidator, I am required to investigate the affairs of the Company. The purpose of these investigations is to identify matters which require a more detailed review, as well as determining any causes of action (legal claims) and other potential sources of recovery, such as loan accounts, that might be available for the benefit of creditors of the Company.

I am also required to lodge a report pursuant to section 533 of Act where it appears that any past or present officer of the Company may have committed an offence or where a dividend to unsecured creditors of less than 50 cents in the dollar is paid.

I have considered whether there are transactions where money, property or other benefits may be recoverable as liquidator under Part 5.7B of the Act. These are discussed further below.

I have undertaken an investigation of the affairs of the Company in relation to suspected contraventions of sections 180 - 184 of the Act regarding the general duties of directors and officers. My initial lodgement to ASIC indicated no breaches of section 180 - 184 of the Act, however further inquiries indicated that there may have breaches of the director duties pursuant to section 180 - 184 in addition to breaches of section 590, 596 and 1307 of the Act, which I have now reported to ASIC.

ASIC have subsequently responded and requested I now submit a supplementary report to creditors.

I have requested ASIC's Assetless Administration funding in order to complete the supplementary report to creditors. However in the event funding is not received, I will still complete a supplementary report to ASIC.



5.2 Approach to Preliminary Investigations

From my preliminary investigation, I have:

- Identified, reviewed and analysed financial and other information; and
- Undertaken searches of various publicly available databases, including ASIC and PPSR.

5.3 Voidable Transactions

As the Company has been placed into liquidation, certain transactions may be investigated and recovered by me. Recovery of any voidable transaction may be expensive and likely to require Court applications and litigation. As such, should there be inadequate funds available, or I consider it uncommercial or not in the creditors' best interests, such recovery actions may not be commenced.

Funding options are considered later in this report. I provide the following information in relation to voidable transactions:

Unfair Preferences Payments (Section 588FA)

My investigations into the affairs of the Company have included the review of payments from the Company's bank account in the six months leading up to my appointment as liquidator which could be considered preferential in nature and recoverable.

I examined the books and records of the Company, in which I have identified 19 transactions to 4 different creditors totalling \$446,063 which could be considered to be preferential in nature pursuant to the provisions of the Act.

The recovery of preferential payments may be subject to defences available to the recipient(s) of the above payments as per the provisions of the Act.

My inquiries indicated that 7 payments totalling \$141,863 were collectable in full whereas payments totalling \$304,200 were *prima facie* based on a debtor-creditor relationship and were subject to defences available to the recipient(s) of these payments as per the provisions of the Act.

I advise that a full and final settlement offer of \$90,000 was received in relation to the 7 payments totalling \$141,863, that were deemed preferential.

Due to the Company having limited funds in order to pursue the claim any further, I accepted the full and final settlement of \$90,000.

There are no other unfair preference claims to be recovered in this external administration.

Uncommercial Transactions (Section 588FB)

As you are aware the Company's business was sold prior to my appointment.



My review of the sale of business agreement indicated that this may have been an uncommercial transaction.

As advised earlier, my inquiries in relation to the sale of business has indicated that this was a commercial transaction, after my inquiries indicated that the Company was making minimal profits in FYE 2018 and FYE 2019, indicating that the business was of minimal value.

Arrangements to Avoid Employee Entitlements (Section 596AB)

I have not identified any transactions of this nature.

Circulating Security Interests Created Within Six Months (Section 588FJ and FL)

A search of the PPSR reveals no circulating security interests created in the six (6) months prior to the relation back day.

Unreasonable Director-Related Transactions (Section 588FDA)

As stated earlier, the director of the Company loaned funds to a related entity of the Company, Complete Events Group Pty Limited, that is now subject to external administration, for an amount of \$54,000 during the six (6) month period prior to my appointment.

I am currently seeking advice in relation to pursuing this claim further and will update creditors in the event funds are recovered.

Unfair Loans (Section 588FD)

My investigations have not identified any unfair loans.

5.4 Insolvent Trading

Directors can be held personally liable for the debts of a company in certain circumstances.

The Act provides that directors owe a duty of care not to incur debts at a time when a company is insolvent or would become insolvent by incurring the debt (section 588G of the Act). If there are reasonable grounds for suspecting that a company would become insolvent, then a director can be held personally liable for any debts incurred after that time.

The Act provides that a liquidator may seek to recover compensation for such debts incurred from the directors of a company.

I advise pursuing claims for insolvent trading are often drawn out and involve significant cost.

Creditors should also be aware any successful claim may be set-off by a director against amounts due to that individual by way of unsecured advances or loan accounts. In this regard, I note the Director, Matthew Mahoney, is a creditor of the Company in the amount of \$10,665.



I am still conducting my inquiries in relation to insolvent trading against the directors of the Company, however my initial inquiries indicate that the claims are uncommercial to pursue.

Should any creditor want to fund an action for insolvent trading against the directors of the Company, creditors are requested to contact my office prior to Friday, 1 May 2020 in order to discuss.

Should no funding be provided by any creditor of the Company for an insolvent trading action against the directors, I will proceed to lodge my report with ASIC and finalise the liquidation upon receiving clearance from ASIC.

Defences

The Act provides a number of possible defences to Directors to a claim for insolvent trading. These defences are:

- At the time a debt was incurred, a director had reasonable grounds to expect and did expect the company was solvent and would remain solvent if it incurred that debt and any other debts that it had incurred at that time.
- At the time the debt was incurred, a director had reasonable grounds to believe and did believe that a competent and reliable person was responsible for providing information about the company's solvency and that person was fulfilling that responsibility.
- A director through illness or some other good reason were not taking part in the management of a company at the time the debt was incurred.
- The directors took all reasonable steps to prevent a company from incurring the debt.
- The directors took a 'safe harbour' course of action that resulted in a better return to creditors than immediately entering into external administration.

Timing of Insolvency

The Act states a company is considered to be solvent if, and only if, the company is able to pay its debts as and when they become due and payable. A company that is not solvent is insolvent. Accordingly, the test for insolvency is not a balance sheet test but rather a cash flow test.

Results of Investigations

My investigations indicate that the Company has been trading whilst insolvent from at least 20 February 2019, as this is the time debts started to accumulate and the Company began to incur cash flow issues.

My initial inquiries indicate a potential insolvent trading claim is uncommercial to pursue, however should any creditor want to fund an insolvent trading claim against the directors of the Company, they are requested to contact my office, prior to Friday, 1 May 2020 to discuss.



Funding of Further Investigations

In relation to pursuing voidable transactions, including insolvent trading, money for the recovery of such actions would come from the assets of the Company. If there were insufficient funds from the assets of the Company, alternative options are:

- Funding by creditors - if funding was received from creditors, section 564 of the Act provides the Court with the power to make orders in favour of creditors who have provided an indemnity for costs of litigation or costs of the liquidator, where those creditors may be given an advantage over other creditors in consideration of the risk assumed by creditors. An advantage may include the distribution of some or all of the net proceeds from that action that was funded to the creditor that provided the funding or indemnity in priority to creditors with whom that creditor would normally be ranked. **Creditors are requested to contact me should they wish to consider funding any action noted in this report.**
- Funding from a litigation funder - a litigation funder is an organisation that provides funds for the pursuit of legal actions. The funding typically covers the costs of lawyers, barristers and the external administrator and provides an indemnity for any adverse cost order if the legal action is unsuccessful. The agreement with the litigation funder usually provides for a substantial amount of any return to be paid to them. **A litigation funder only takes on actions that it considers have a high probability of success and are likely to result in a substantial return. This is not the case in this matter.**
- ASIC's Assetless Administration Fund – this fund finances preliminary investigations and reports by liquidators into the failure of companies with few or no assets, where it appears that enforcement action may result from the investigation and report. A particular focus of the fund is to curb fraudulent phoenix activity. This fund is subject to certain limitations and **I am currently awaiting the outcome of the decision by ASIC in relation to ASIC's Assetless Administration Fund.**
- Fair Entitlements Guarantee (FEG) Recovery Program – this program provides funding for pursuing recovery proceedings, including litigation, to increase assets available to creditors in the winding up where there have been amounts advanced under FEG. **FEG are not a creditor in this matter. As a result, no funding is likely from this source.**

Any creditor willing to fund any recovery action is requested to contact me.

5.5 Offences

As previously, advised, my initial examination of the Company's affairs indicated that no offenses had been committed by the officers of the Company.

However upon further review of the Company's affairs, my inquiries indicated that several offences had been committed by the officers of the Company.

I have subsequently submitted a further report to ASIC detailing these offenses.



5.6 Limitation of Investigations

The opinion outlined above is based on investigations undertaken by my office into the Company's affairs, business and financial position. My investigations have been based on the following information:

- Representations of the Directors;
- The details of the Company's assets and liabilities;
- The books and records of the Company; and
- Publicly available searches.

5.7 Offences in Relation to the Companies – Section 533

Any offences committed by the Directors have been included in both my confidential reports to ASIC under section 533 of the Act.

6. Likelihood of a Dividend

At this stage of the liquidation I do not anticipate a dividend to be paid any class of creditor in this liquidation.

7. Outstanding Matters

The following matters still need to be completed and further inquiries made, prior to the finalisation of the liquidation:

- Finalise insolvent trading claims against the director; and
- Complete ASIC's supplementary report.

It is expected that the liquidation will be completed within 6 months. However, completion may be delayed if any of the following occur:

- Recovery actions are pursued; or
- ASIC commences action against an officer of the Company.

8. Further Information Available to Creditors

The Australian Restructuring Insolvency and Turnaround Association (ARITA) provides information to assist creditors with understanding liquidations and insolvency. This information is available from ARITA's website at www.arita.com.au.



ASIC provides information sheets on a range of insolvency topics. These information sheets can be accessed on ASIC's website at www.asic.gov.au/insolvencyinfosheets.

If further information becomes available on the progress of the liquidation, I may distribute a further report to creditors.

Creditors requiring further information regarding the liquidation can contact me.

Yours faithfully

Ezio Senatore
Liquidator

Date of Appointment: 11 October 2019
Contact name: Ezio (Eddie) Senatore
Contact number: (02) 6100 3435
Email: hello@eddiesenatore.com

Remuneration Approval Report

Diverse Security Group Pty Ltd (In Liquidation) (“the Company”)
ACN 169 333 466

This remuneration approval report provides you with the information you need to be able to make an informed decision regarding the approval of my remuneration for undertaking liquidation of the Company

This report has the following information included:

| | |
|---|----|
| Part 1: Declaration..... | 2 |
| Part 2: Executive Summary..... | 2 |
| Part 3. Remuneration..... | 4 |
| 3.1 Remuneration claim resolutions | 4 |
| 3.2 Details of remuneration | 4 |
| 3.3 Total remuneration reconciliation | 5 |
| 3.4 Likely impact on dividends..... | 5 |
| 3.5 Remuneration recovered from external sources | 6 |
| Part 4: Disbursements..... | 6 |
| Part 5: Report on Progress of the Administration..... | 6 |
| Part 6: Summary of Receipts and Payments | 6 |
| Part 7: Queries | 6 |
| Schedule A – Resolution 1 Table of major tasks for remuneration..... | 7 |
| Schedule B – Resolution 2 Table of major tasks for remuneration..... | 8 |
| Schedule C – Summary of Receipts and Payments | 9 |
| Appendix 1 - Notice Of Proposal To Creditors Without Meeting - Proposal 1 | 10 |
| Appendix 2 - Notice Of Proposal To Creditors Without Meeting - Proposal 2 | 11 |
| Appendix 3 - Formal Proof Of Debt | 12 |
| Appendix 4 - Information Sheet - Proposal Without Meeting..... | 13 |

What do you need to do next?

You should read this report and the other documentation that I have sent you.

To minimise the costs in this liquidation, I have elected to seek the approval of creditors for my remuneration and internal disbursements without a meeting. Information about the proposals without a meeting process is included at Appendix 4 of this report.

You can cast your vote by using the included voting forms. These forms then need to be returned to my office by post or scanned and emailed. I need to receive your forms by **Friday, 8 May 2020** for your vote to count. If you chose to use post, please allow enough time for your letter to be delivered.

If you have any questions, or need any assistance with understanding the materials I have sent to you, please contact Eddie Senatore on (02) 6100 3435 or via email on hello@eddiesenatore.com.

Part 1: Declaration

I, Eddie Senatore of Eddie Senatore Advisory have undertaken a proper assessment of this remuneration claim for my appointment as liquidator of the Company in accordance with the law and applicable professional standards. I am satisfied that the remuneration claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of the liquidation.

Part 2: Executive Summary

In a circular dated 17 October 2019, creditors approved my remuneration by proposals for the period 11 October 2019 to the conclusion of the winding up.

The following table highlights the past remuneration approved by creditors and the current remuneration approval being sought.

| Period 11 October 2019 to the conclusion of the winding up | Period | Actual/ Forecast \$ | Report Reference | Amount (ex GST) \$ |
|--|--|---------------------------|---------------------|--------------------------|
| Past remuneration approved: <i>Total past remuneration approved</i> | For period 11 October 2019 to 16 October 2019 | Actual | N/A | 9,557.50 |
| | 17 October 2019 to the conclusion of the winding up | Forecast | N/A | 20,442.50* |
| Current remuneration approval sought: | | | | |
| Liquidation Resolution No.1 for the period 17 October 2019 to 13 April 2020 | From 17 October 2019 to 13 April 2020 | Actual | 3.2 | 89,010.00 |
| Liquidation Resolution No. 2 for the period 14 April 2020 to the conclusion of the winding up. | From 14 April 2020 to the conclusion of the wind up. | Forecast | 3.2 | 15,000.00** |

*This remuneration approval has been superseded by the actual remuneration incurred during the period 17 October 2019 to 13 April 2020.

** Approval for the future remuneration sought is based on an estimate of the work necessary to the completion of the administration. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.

As highlighted in the table above, creditors have previously approved the remuneration of the Liquidator for the period 11 October 2011 to the conclusion of the winding up to an amount of \$30,000.00 (not Incl. GST).

I am requesting that creditors consider a resolution to approve the remuneration of the Liquidator in the amount of \$104,010.00 plus GST. This amount represents additional remuneration of \$83,567.50 for the period 17 October 2019 to the conclusion of the liquidation, which for the purposes of clarity creditors will be requested to consider a resolution for the remuneration of the Liquidator from 17 October 2019 to 13 April 2020 in the amount of \$68,567.50 plus GST. The balance of the additional remuneration sought in the amount of \$15,000.00 represents estimated costs attributed to outstanding work in order to finalise the liquidation.

Summary of Liquidator's Remuneration & Resolutions

My initial remuneration report to creditors dated 17 October 2019 creditors were advised that the costs attributed to the liquidation phase would amount to \$30,000.00. As noted in the table above, the amount incurred in Liquidators remuneration has exceeded the initial estimate amount by \$68,567.50 in actual costs, with a further \$15,000.00 being sought to carry out remaining necessary work until the conclusion of the winding up.

The extra costs of the period of the liquidation have been attributed in dealing with the following issues:

- Unforeseen additional time (approximately 9.40 hours) spent by members of staff and sub-contractors in dealing with "Assets" matters including liaising with debtors and the director in relation to outstanding invoices, to determine collectability and file noting responses. The cost of this additional time is approximately \$2,350.00.
- Unforeseen additional time (approximately 22.50 hours) spent by members of staff and sub-contractors in dealing with "Creditors" matters including liaising with certain creditors on a regular basis via email and telephone on the progress of the administration and the preparation of creditors reports. The cost of this additional time is approximately \$5,625.00.
- Unforeseen additional time (approximately 117.40 hours) spent by members of staff and sub-contractors in dealing with "Investigations" matters including liaising with directors and directors accountant in relation to transactions, lodgements of investigation reports with ASIC, two after further inquiries indicated serious breaches by the directors, liaising with ASIC in relation to director breaches, liaising with directors in relation to director breaches, follow up stakeholders in order to obtain further information in order to further investigate director breaches, investigating unfair preference recoveries and uncommercial transactions. The cost of this additional time is approximately \$52,830.00.
- Unforeseen additional time (approximately 31.00 hours) spent by members of staff and sub-contractors in dealing with "administration" matters including incoming and outgoing correspondence between the case manager and various stakeholders, bank administration, review and planning discussions general reporting to and lodgements of documentation with the Australian Taxation Office (ATO) and ASIC, dealing with the ATO directly in respect of BAS issues generally and dealing with insurance matters. The cost of this additional time is approximately \$7,750.00.

The additional remuneration being sought to administer the liquidation to finalisation is attributed to the unforeseen additional time as discussed above and outstanding work needed to be undertaken, which is as follows:

- Discharge statutory obligations with ASIC, the ATO and other regulatory authorities; and
- Attend to all tasks associated with finalising the administration.

I draw the attention of creditors that the approval for the actual or forecast remuneration sought is based on work already undertaken and that which has been deemed necessary to complete the administration. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.

Please refer to report section references detailed above for full details of the calculation and composition of the remuneration approval sought.

Part 3. Remuneration

3.1 Remuneration claim resolutions

I will be seeking approval of the following resolutions to approve my remuneration. Details to support these resolutions are included in section 3.2 and in the attached Schedules.

Resolution 1 from 17 October 2019 to 13 April 2020

"That the remuneration of the liquidator, his staff and sub-contractors, as set out in the Remuneration Approval Report dated 14 April 2020, be fixed and approved for the period 17 October 2019 to the 13 April 2020 to a limit of \$89,010.00 plus GST, and that the Liquidator be authorised to draw remuneration as required."

Resolution 2 from 14 April 2020 to the conclusion of the winding up.

"That the remuneration of the Liquidator, his staff and sub-contractors, as set out in the Remuneration Approval Report dated 14 April 2020, for the period from 14 April 2020 to the conclusion of the winding up, be capped up to a maximum amount of \$15,000.00, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Liquidator be authorised to make periodic payments on account of such accruing remuneration as incurred."

3.2 Details of remuneration

The basis of calculating the remuneration claims are summarised below and the details of the major tasks performed and the costs associated with each of those major tasks are contained in Schedules 1 and 2.

Resolution 1 from 17 October 2019 to 13 April 2020

The below table sets out time charged to each major task area by staff members and sub-contractors working on the liquidation for the period 17 October 2019 to 13 April 2020 which is the basis of the Resolution 1 claim. More detailed descriptions of the tasks performed within each task area, matching the amounts below, are contained in Schedule 1.

Fee Summary for the Period 17 October 2019 to 13 April 2020 (Actual)

| Employee | Position | \$/Hour (Exc GST) | Total Actual Hours | TOTAL \$ | T A S K A R E A | | | | | | |
|----------------------|-------------------|----------------------|--------------------------|------------------|-----------------|------------------|-----------------|----------------|----------------------|----------------|----------------------|
| | | | | | Assets \$ | Creditors \$ | Employees \$ | Trade-On \$ | Investigations \$ | Dividend \$ | Administration \$ |
| Ezio Senatore | Partner | 450.00 | 1.50 | 675.00 | - | - | - | - | 675.00 | - | - |
| Matthew Moldrich | Manager | 450.00 | 71.60 | 32,220.00 | - | - | - | - | 32,220.00 | - | - |
| Aegrene Manangan | Manager | 450.00 | 65.70 | 29,565.00 | - | - | - | - | 29,565.00 | - | - |
| Matthew Moldrich | Senior Accountant | 250.00 | 45.60 | 11,400.00 | 2,800.00 | 7,525.00 | - | - | - | - | 1,075.00 |
| Aegrene Manangan | Senior Accountant | 250.00 | 37.50 | 9,375.00 | 1,050.00 | 2,700.00 | - | - | - | - | 5,625.00 |
| Gina Neou | Clerk | 250.00 | 16.00 | 4,000.00 | - | - | - | - | - | - | 4,000.00 |
| Clare Johnson | Secretary | 250.00 | 7.10 | 1,775.00 | - | - | - | - | - | - | 1,775.00 |
| TOTAL | | | 245.00 | 89,010.00 | 3,850.00 | 10,225.00 | - | - | 62,460.00 | - | 12,475.00 |
| add GST | | | | 8,901.00 | | | | | | | |
| TOTAL INC GST | | | | 97,911.00 | | | | | | | |

| | | | | | | | |
|---|-----------|-----------|------|------|-----------|------|-----------|
| Number of hours (Actual) | 15.40 | 40.90 | - | - | 138.80 | - | 49.90 |
| Average hourly rate (Actual - \$) | \$ 250.00 | \$ 250.00 | \$ - | \$ - | \$ 450.00 | \$ - | \$ 250.00 |
| Total average hourly rate (Actual - \$) | \$ 363.31 | | | | | | |

Resolution 2 from 14 April 2020 to the conclusion of the winding up.

The below table sets out the expected costs for the major tasks likely to be performed by the liquidator, staff and sub-contractors for the period 14 April 2020 to the conclusion of the winding up which is the basis of the Resolution 2 claim. More detailed descriptions of the tasks likely to be performed within each task area, matching the amounts below, are contained in Schedule 2.

Remuneration Resolution 2

Forecast Fee Summary from 14 April 2020 to the conclusion of the winding up.

| Task Area | Estimated Hours | Estimated Cost (\$) |
|-------------------|-----------------|---------------------|
| Creditors | 18.00 | 4,500.00 |
| Investigations | 14.44 | 6,500.00 |
| Administration | 16.00 | 4,000.00 |
| TOTAL | 48.44 | 15,000.00 |
| Average rate (\$) | | 309.63 |

3.3 Total remuneration reconciliation

At this point in time, I estimate that the total remuneration for this liquidation will be \$113,567.50 (plus GST). This includes the current remuneration approvals being sought. This is different with the estimate provided in the Initial Remuneration Notice dated 17 October 2019, which estimated remuneration of \$30,000 (plus GST) due to the extra tasks associated with recovery of antecedent transactions, reporting on director breaches and pursuing claims against directors.

In preparing this remuneration approval report, I have made my best estimate at what I believe the liquidation will cost to complete and I do not anticipate that I will have to ask creditors to approve any further remuneration. However, should the liquidation not proceed as expected, I will advise creditors and I may seek approval of further remuneration and provide details on why the remuneration has changed.

3.4 Likely impact on dividends

The Corporations Act sets the order for payment of claims against the company and it provides for remuneration of the liquidation to be paid in priority to other claims. This ensures that when there are sufficient funds, the liquidator receives payment for the work done to recover assets, investigate the company's affairs, report to creditors and ASIC and distribute any available funds. Even if creditors approve my remuneration, this does not guarantee that I will be paid, as I am only paid if sufficient assets are recovered.

Any dividend to creditors will also be impacted by the amount of assets that I am able to recover and the amount of creditor claims that are admitted to participate in any dividend, including any claims by priority creditors such as employees.

There are not expected to be sufficient funds to pay a dividend to unsecured creditors. If 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.

3.5 Remuneration recovered from external sources

I am currently in the process of seeking funding from the ASIC Assetless Administration fund in order to conduct investigations into the affairs of the Company and seek director banning.

In event funds are received from ASIC, these services are additional to the liquidation and are not subject to approval from creditors.

Part 4: Disbursements

Disbursements are divided into three types:

- **Externally provided professional services** - these are recovered at cost. An example of an externally provided professional service disbursement is legal fees.
- **Externally provided non-professional costs** - these are recovered at cost. Examples of externally provided non-professional costs are travel, accommodation and search fees.
- **Internal disbursements** such as photocopying, printing and postage. These disbursements, if charged to the Administration, would generally be charged at cost; though some expenses such as telephone calls, photocopying and printing may be charged at a rate which recoups both variable and fixed costs.

I have elected not to recover internal disbursement charges of this liquidation.

Part 5: Report on Progress of the Administration

Please refer to my report to creditors dated 14 April 2020, attached to this circular.

Part 6: Summary of Receipts and Payments

A summary of the receipts and payments for the liquidation as at 11 October 2019 to the period 14 April 2020 is at Schedule C to this report.

Part 7: Queries

If you have any queries in relation to the information in this report, please contact me on (02) 6100 3435 or hello@eddiesenatore.com.

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

- ARITA at www.arita.com.au/creditors
- ASIC at www.asic.gov.au (search for "insolvency information sheets").

Schedule A – Resolution 1 Table of major tasks for remuneration

The below table provides a description of the work undertaken in each major task area for the period 17 October 2019 to 13 April 2020.

| Task Area | General Description | Includes |
|--|--|--|
| Assets 15.40 hours \$3,850.00 | Debtors | Correspondence with debtors Reviewing and assessing debtors ledgers |
| Creditors 22.50 hours \$10,225.00 | Creditor Enquiries, Requests & Directions | Review and prepare initial correspondence to creditors and their representatives Correspondence with creditors |
| | Secured creditor reporting | Notifying PPSR registered creditors of appointment Correspondence to secured creditors |
| | Creditor reports | Preparing Statutory Report by Liquidator Preparing general reports to creditors |
| | Dealing with proofs of debt | Receipting and filing POD when not related to a dividend Corresponding with OSR and ATO regarding POD when not related to a dividend |
| Investigation 138.80 hours \$62,460.00 | Conducting investigation | Collection of company books and records Reviewing company's books and records Review and preparation of company nature and history Conducting and summarising statutory searches Preparation of comparative financial statements Preparation of deficiency statement Review of specific transactions and liaising with directors regarding certain transactions Liaising with directors regarding certain transactions Preparation of investigation file Lodgement of investigation with the ASIC Recovery of unfair preferences |
| Administration 49.90 hours \$12,475.00 | Correspondence | General correspondence |
| | Document maintenance/file review/checklist | Filing of documents File reviews Updating checklists |
| | Insurance | Identification of potential issues requiring attention of insurance specialists Correspondence with insurer regarding initial and ongoing insurance requirements Reviewing insurance policies Correspondence with previous brokers |
| | Bank account administration | Preparing correspondence opening accounts Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers |
| | ASIC forms | Preparing and lodging ASIC forms Correspondence with ASIC regarding statutory forms |
| | ATO and other statutory reporting | Notification of appointment Preparing BAS |
| | Planning / Review | Discussions regarding status of administration |
| Total \$89,010.00 | | |

Schedule B – Resolution 2 Table of major tasks for remuneration

The below table provides a description of the work undertaken in each major task area for the period 14 April 2020 to the conclusion of the winding up.

| Task Area | General Description | Includes |
|------------------------------|--|--|
| Creditors \$4,500.00 | Creditor Enquiries, Requests & Directions | Receive and respond to creditor enquiries Maintaining creditor request log Review and prepare initial correspondence to creditors and their representatives Considering reasonableness of creditor requests Obtaining legal advice on requests Documenting reasons for complying or not complying with requests or directions Compiling information requested by creditors |
| | Creditor reports | Update reports/notice to creditors |
| | Dealing with proofs of debt | Receipting and filing POD when not related to a dividend Corresponding with OSR and ATO regarding POD when not related to a dividend |
| | Proposals to Creditors | Preparing proposal notices and voting forms Forward notice of proposal to all known creditors Reviewing votes and determining outcome of proposal Preparation and lodgement of proposal outcome with ASIC |
| Investigation \$6,500.00 | Conducting investigation | Review of specific transactions & liaising with director same Supplementary Report to ASIC |
| | ASIC Reporting | Preparing statutory investigation report Preparation affidavits to ASIC Liaising with ASIC |
| Administration \$4,000.00 | Correspondence | General correspondence. |
| | Document maintenance/file review/checklist | Filing of documents File reviews Updating checklists |
| | Bank account administration | Preparing correspondence closing accounts Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers |
| | ASIC forms | Preparing and lodging ASIC forms Correspondence with ASIC regarding statutory forms |
| | ATO and other statutory reporting | Preparing BAS |
| | Finalisation | Notifying ATO of finalisation Cancelling ABN / GST / PAYG registration Completing checklists Finalising WIP |
| | Planning / Review | Discussions regarding status of administration |
| | Books and records / storage | Dealing with records in storage Sending job files to storage |
| Total \$15,000.00 | | |

Schedule C – Summary of Receipts and Payments

Diverse Security Group Pty Ltd
(In Liquidation)
ACN 169 333 466

Summary of Liquidator's Receipts and Payments
To 11 October 2019 to 14 April 2020

| Receipts | Total (AUD) \$ |
|-------------------------|----------------------|
| Cash at Bank | 2,893.61 |
| Pre-Appointment Refunds | 550.19 |
| Sale of Business | 23,000.00 |
| Total Receipts | \$26,443.80 |

| Payments | Total (AUD) \$ |
|--------------|----------------------|
| Bank Charges | 5.80 |
| Search Fees | 844.89 |
| Postage | 25.00 |
| Bank Traces | 175.00 |
| GST Payable | 2,130.00 |
| Total | \$3,180.69 |

| | |
|---|--------------------|
| Cash At Bank As At 14 April 2020 | \$23,263.11 |
|---|--------------------|



Ezio Senatore
Liquidator

Appendix 1 - Notice Of Proposal To Creditors Without Meeting - Proposal 1

14 April 2020

**NOTICE OF PROPOSAL TO CREDITORS WITHOUT MEETING
Diverse Security Group Pty Ltd (In Liquidation)
ACN 169 333 466 ("the Company")**

Proposal 1 for creditor approval – Remuneration

"That the remuneration of the liquidator, his staff and sub-contractors, as set out in the Remuneration Approval Report dated 14 April 2020, be fixed and approved for the period 17 October 2019 to 13 April 2020 to a limit of \$89,010.00 plus GST, and that the Liquidator be authorised to draw remuneration as required."

Reasons for the proposal and the likely impact it will have on creditors if it is passed

The proposal is a request to creditors for approval of my prospective remuneration. If my remuneration is approved, I will draw these funds from current and future funds available. This will reduce the dividend payable (if any) to creditors of the Company. Failure to approve remuneration via circular resolution means that I shall be required to call a meeting of creditors to seek approval of my remuneration. This action will result in additional fees and costs for which I shall seek approval.

Vote on proposal

Creditors have the option of approving, not approving or objecting to the proposal being resolved without a meeting of creditors. Please select the appropriate Yes, No or Object box referred to below:

- Yes I approve the proposal
No I do not approve the proposal
Object I object to the proposal being resolved without a meeting of creditors

Your claim against the Company must be admitted for the purposes of voting by the liquidator for your vote to count. Please select the option that applies:

- I have previously submitted a proof of debt form and supporting documents
 I have enclosed a proof of debt form and supporting documents with this proposal form

Creditor details

Name of creditor: _____ ACN / ABN (if applicable): _____

- I am not a related creditor of the Company.
 I am a related creditor of the Company, relationship:

Address _____
Name _____
Signature _____

Reasons for the proposal and the likely impact it will have on creditors if it is passed

- *A Liquidator is entitled to be fairly remunerated for undertaking statutory and other duties, including reporting obligations in acting as a liquidator.*
- *I am unable to pay my remuneration without the approval of the committee of inspection (if one has been appointed), creditors, or the Court.*
- *Approval by creditors is efficient and timely, and is less costly than an application to the Court.*
- *Approval of my remuneration will allow me to maximise returns to the secured creditor and finalise the liquidation.*

Please complete this document and return with any supporting documents by no later than **Friday, 8 May 2020** for your vote to be counted, by email to Hello@eddiesenatore.com or PO Box 3481 Manuka ACT 2603 (please ensure sufficient time for your vote to count). If you have any questions, please call me.

NOTICE OF PROPOSAL TO CREDITORS WITHOUT MEETING
Diversity Security Group Pty Ltd (In Liquidation)
ACN 169 333 466 ("the Company")

Proposal 2 for creditor approval – Remuneration

"That the remuneration of the Liquidator, his staff and sub-contractors, as set out in the Remuneration Approval Report dated 14 April 2020, for the period from 14 April 2020 to the conclusion of the winding up, be capped up to a maximum amount of \$15,000.00, plus any applicable GST, but subject to upward revision by resolution of creditors, and that the Liquidator be authorised to make periodic payments on account of such accruing remuneration as incurred."

Reasons for the proposal and the likely impact it will have on creditors if it is passed

The proposal is a request to creditors for approval of my prospective remuneration. If my remuneration is approved, I will draw these funds from current and future funds available. This will reduce the dividend payable (if any) to creditors of the Company. Failure to approve remuneration via circular resolution means that I shall be required to call a meeting of creditors to seek approval of my remuneration. This action will result in additional fees and costs for which I shall seek approval.

Vote on proposal

Creditors have the option of approving, not approving or objecting to the proposal being resolved without a meeting of creditors. Please select the appropriate Yes, No or Object box referred to below:

- Yes I approve the proposal
No I do not approve the proposal
Object I object to the proposal being resolved without a meeting of creditors

Your claim against the Company must be admitted for the purposes of voting by the liquidator for your vote to count. Please select the option that applies:

- I have previously submitted a proof of debt form and supporting documents
 I have enclosed a proof of debt form and supporting documents with this proposal form

Creditor details

Name of creditor: _____ ACN / ABN (if applicable): _____

- I am not a related creditor of the Company.
 I am a related creditor of the Company, relationship:

Address _____
Name _____
Signature _____

Reasons for the proposal and the likely impact it will have on creditors if it is passed

- *A Liquidator is entitled to be fairly remunerated for undertaking statutory and other duties, including reporting obligations in acting as a liquidator.*
- *I am unable to pay my remuneration without the approval of the committee of inspection (if one has been appointed), creditors, or the Court.*
- *Approval by creditors is efficient and timely, and is less costly than an application to the Court.*
- *Approval of my remuneration will allow me to maximise returns to the secured creditor and finalise the liquidation.*

Please complete this document and return with any supporting documents by no later than **Friday, 8 May 2020** for your vote to be counted, by email to Hello@eddiesenatore.com or PO Box 3481 Manuka ACT 2603 (please ensure sufficient time for your vote to count). If you have any questions, please call me.

Appendix 3 - Formal 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 Diverse Security Group Pty Ltd – In Liquidation ACN 169 333 466 (the "Company")

1. This is to state that the Company was on 11 October 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:

Table with 4 columns: Date, Consideration (state how the debt arose), Amount, Remarks (include details of voucher substantiating payment). Includes a dollar sign at the bottom.

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).

Table with 5 columns: Date, Drawer, Acceptor, Amount, Due Date. Includes a dollar sign at the bottom.

- 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: _____ Position: _____
Address: _____

RECEIVE REPORTS BY EMAIL
Do you wish to receive all future reports and correspondence from our office via email? Yes No
Email:.....

Appendix 4 - Information Sheet - Proposal Without Meeting



Information sheet: Proposals without meetings

You may be a creditor in a liquidation, voluntary administration or deed of company arrangement (collectively referred to as an external administration).

You have been asked by the liquidator, voluntary administrator or deed administrator (collectively referred to as an external administrator) to consider passing a proposal without a meeting.

This information sheet is to assist you with understanding what a proposal without a meeting is and what your rights as a creditor are.

What is a proposal without a meeting?

Meetings of creditors were previously the only way that external administrators could obtain the views of the body of creditors. However, meetings can be very expensive to hold.

A proposal without a meeting is a cost effective way for the external administrator to obtain the consent of creditors to a particular course of action.

What types of proposals can be put to creditors?

The external administrator is able to put a range of proposals to creditors by giving notice in writing to the creditors. There is a restriction under the law that each notice can only contain a single proposal. However, the external administrator can send more than one notice at any single time.

What information must the notice contain?

The notice must:

- include a statement of the reasons for the proposal and the likely impact it will have on creditors if it is passed
- invite the creditor to either:
 - vote yes or no to the proposal, or
 - object to the proposal being resolved without a meeting, and
- specify a period of at least 15 business days for replies to be received by the external administrator.

If you wish to vote or object, you will also need to lodge a Proof of Debt (POD) to substantiate your claim in the external administration. The external administrator will provide you with a POD to complete. You should ensure that you also provide documentation to support your claim.

If you have already lodged a POD in this external administration, you do not need to lodge another one.

The external administrator must also provide you with enough information for you to be able to make an informed decision on how to cast your vote on the proposal. With some types of proposals, the law or ARITA's Code of Professional Practice sets requirements for the information that you must be provided.



For example, if the external administrator is asking you to approve remuneration, you will be provided with a Remuneration Approval Report, which will provide you with detailed information about how the external administrator's remuneration for undertaking the external administration has been calculated.

What are your options if you are asked to vote on a proposal without a meeting?

You can choose to vote yes, no or object to the proposal being resolved without a meeting.

How is a resolution passed?

A resolution will be passed if more than 50% in number and 50% in value (of those creditors who did vote) voted in favour of the proposal, but only so long as not more than 25% in value objected to the proposal being resolved without a meeting.

What happens if the proposal doesn't pass?

If the proposal doesn't pass and an objection is not received, the external administrator can choose to amend the proposal and ask creditors to consider it again or the external administrator can choose to hold a meeting of creditors to consider the proposal.

The external administrator may also be able to go to Court to seek approval.

What happens if I object to the proposal being resolved without a meeting?

If more than 25% in value of creditors responding to the proposal object to the proposal being resolved without a meeting, the proposal will not pass even if the required majority vote yes. The external administrator will also be unable to put the proposal to creditors again without a meeting.

You should be aware that if you choose to object, there will be additional costs associated with convening a meeting of creditors or the external administrator seeking the approval of the Court. This cost will normally be paid from the available assets in the external administration.

This is an important power and you should ensure that it is used appropriately.

Where can I get more information?

The Australian Restructuring Insolvency and Turnaround Association (ARITA) provides information to assist creditors with understanding external administrations and insolvency.

This information is available from ARITA's website at artia.com.au/creditors.

ASIC also provides information sheets on a range of insolvency topics. These information sheets can be accessed on ASIC's website at asic.gov.au (search for "insolvency information sheets").