



SHERIDANS
CHARTERED ACCOUNTANTS

ASPCON (WA) PTY LTD

(In Liquidation)
ACN 601 474 033

Report to Creditors

Section 70-40
Insolvency Practice Rules (Corporations) 2016

21 September 2017

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Annexures

- A Declaration of Independence, Relevant Relationships and Indemnities
- B Initial Remuneration Notice

Enclosures

- (i) Proof of Debt or Claim form

1. Introduction

- 1.1 I refer to my appointment as Liquidator of the company pursuant to an order made by the Federal Court of Australia on 11 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.
- 1.3 A copy of my Declaration of Independence, Relevant Relationships and Indemnities (“DIRRI”) is attached at Annexure A. The DIRRI assists you to understand any relevant relationships that I have, and any indemnities or upfront payments that have been provided to me. I have considered each relationship and it is my opinion that none of the relationships disclosed in the DIRRI results in a conflict of interest or duty, or affects my independence.

2. Receipts and payments

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

	\$
Receipts	
Cash at bank on appointment	6,004.32
Payments	
Bank fees	5.20
Cash at bank as at 21 September 2017	5,999.12

3. Assets

- 3.1 The company’s director gave an estimate in his 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	6,004.32	6,004.32	6,004.32
Related entity loans	3.3	Nil	Unknown	Unkown
		6,004.32	6,004.32	6,004.32

3.2 Cash at bank

- 3.2.1 The sum of \$6,004.32 was realised following the closure of the company’s bank account with Bankwest.

3.3 Related entity loans

- 3.3.1 On review of the company’s records, I noted amounts owed to the company by related entities, being Aspect Group (WA) Pty Ltd (In Liquidation) (“Group”) and Aspect Security Pty Ltd (In Liquidation) ATF The Aspect Trust (“Security”).

3. Assets (cont.)

3.3.2 On 7 April 2017, Messrs Neil Cribb and Travis Kukura of RSM Australia Partners were appointed Liquidators of Group and Security.

3.3.3 I have lodged Proofs of Debt in the sum of \$28,812 and \$432,073 with the Liquidators of Group and Security respectively. The Liquidators estimate that a distribution may be made to creditors of Group (estimate of nil c/\$ (low) to 22 c/\$ (high)) and that a distribution will likely be made to creditors of Security (subject to current uncertainty regarding the effect on the ranking of priority creditors and ordinary unsecured creditors when a company acts as a trustee).

4. Secured creditors

4.1 There was only one security interest registered against the company on the Personal Property Securities Register, being Brylutre Pty Ltd. Brylutre Pty Ltd has advised that there is no amount outstanding and has therefore discharged their registration.

5. Priority creditors

5.1 I am not aware of any priority creditors of the company.

5.2 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.

5.3 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. **Former employees have only 12 months to lodge a FEG claim and FEG has no discretion to extend this time.**

5.4 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 director's RATA, the company had one unsecured creditor, the Australian Taxation Office ("ATO").

6.2 The ATO has submitted a Proof of Debt in the sum of \$76,436.

6.3 I note that Group and Security may have claims against the company. However, I am not currently aware of any such claims.

6.4 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 do not consider it likely that a dividend will be paid to creditors of the company. However, I note that the likelihood of a dividend is heavily dependant on the quantum of the distributions, if any, received from the Liquidators of Group and Security.
- 7.3 If a dividend does become 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 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) Failure to keep adequate books and records.
 - (ii) Poor strategic management of the business.
 - (iii) Failure to provide for taxation liabilities.
 - (iv) Diversion of cash flow to related entities.

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) Liaising with the Liquidators of Group and Security.
 - (vii) Reviewing and analysing related entity loan accounts.
 - (viii) Reviewing and analysing payments made to the ATO under an apparently invalid garnishee notice.
 - (ix) Notifying financial institutions of my appointment and requesting they provide details of any bank accounts in the company's name.
 - (x) Collecting and preparing a listing of the company's books and records.

9. Inquiries undertaken to date (cont.)

- (xi) Reviewing the company's financial statements and draft accounts to determine whether there are any unaccounted for assets and/or liabilities.
- (xii) Reviewing the director's Report as to Affairs.
- (xiii) General inquiries of the company's director regarding assets and liabilities.
- (xiv) Lodging a preliminary report with ASIC pursuant to Section 476 of the Corporations Act 2001.

10. Further inquiries that may need to be undertaken

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

- (i) Extensive review of 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 additional recovery actions (see section 11, below).
- (iv) Lodging a report with ASIC detailing my investigation findings.
- (v) General inquiries of the company's director regarding assets and liabilities.
- (vi) Liaising with the Liquidators of Group and Security regarding assets, liabilities and investigations.

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 other than that noted below at point 11.2 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.

11.2 I have been liaising with the Liquidators of Group and Security in respect of payments made to the ATO by a debtor of the company in response to an apparently invalid garnishee notice. I have demanded repayment from the ATO of the amounts improperly paid by the debtor to the ATO, totalling \$8,383. I am currently awaiting the ATO's response.

12. What happens next?

12.1 I will proceed with the liquidation, including:

- (i) Realising the remaining assets.
- (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. What happens next? (cont.)

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

13. Liquidator's remuneration

- 13.1 Attached at Annexure B is my Initial Remuneration Notice. This document provides you with information about how I propose to be paid for undertaking the liquidation.

14. More information

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

- (i) Sheridans at www.sheridansac.com.au/downloads/
- (ii) ARITA at www.arita.com.au/creditors
- (iii) ASIC at 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
Aspcon (WA) Pty Ltd

ASPCON (WA) PTY LTD
ACN 601 474 033
(In Liquidation) (“the company”)

DECLARATION OF INDEPENDENCE, RELEVANT RELATIONSHIPS AND INDEMNITIES

Practitioners appointed to an insolvent entity are required to make declarations as to:

- A. their independence generally;
- B. relationships, including
 - (i) the circumstances of the appointment;
 - (ii) any relationships with the company and others within the previous 24 months;
 - (iii) any prior professional services for the company within the previous 24 months;
 - (iv) that there are no other relationships to declare; and
- C. any indemnities given, or upfront payments made, to the Practitioner.

This declaration is made on my own behalf and on behalf of my firm, Sheridans.

Independence

I, Jennifer E. Low, of Sheridans, have undertaken a proper assessment of the risks to my independence prior to accepting the appointment as Liquidator of the company in accordance with the law and applicable professional standards. This assessment identified no real or potential risks to my independence. I am not aware of any reasons that would prevent me from accepting this appointment.

Declaration of relationships

A. *Circumstances of appointment*

This appointment was referred to me by Mr Ilya Isakov of the Australian Taxation Office. The Australian Taxation Office is the petitioning creditor for the winding up of the company.

Prior to my appointment, I briefly corresponded with Mr Isakov via email and Ms Shannon O'Connor of this office had telephone conversations with Mr Isakov.

I have provided prior to my appointment no other information or advice beyond that outlined in this DIRRI to the company or to its director or to any of its advisors.

B. *Relevant relationships (excluding professional services to the company)*

I and my firm, have, or have had within the preceding 24 months, no relationships with the company, an associate of the company, a former insolvency practitioner appointed to the company or any person or entity that has security over the whole or substantially the whole of the company's property.

C. *Prior professional services to the company*

I and my firm have provided no professional services to the company in the previous 24 months.

D. *No other relevant relationships to disclose*

There are no other known relevant relationships, including personal, business and professional relationships, from the previous 24 months with the company, an associate of the company, a former insolvency practitioner appointed to the company or any person or entity that has security over the whole or substantially the whole of the company's property that should be disclosed.

Indemnities and upfront payments

I have not been indemnified in relation to this administration, other than any indemnities that I may be entitled to under statute, and I have not received any upfront payments in respect of my remuneration or disbursements.

Dated: 21 September 2017



JENNIFER E. LOW

Note:

1. If circumstances change, or new information is identified, I am required under the Corporations Act 2001 and the ARITA Code of Professional Practice to update this Declaration and provide a copy to creditors with my next communication as well as to table a copy of any replacement declaration at the next meeting of the company's creditors.
2. Any relationships, indemnities or upfront payments disclosed in the DIRRI must not be such that the Practitioner is no longer independent. The purpose of the DIRRI is to disclose relationships that, while they do not result in the Practitioner's having a conflict of interest or duty, ensure that creditors are aware of those relationships and understand why the Practitioner nevertheless remains independent.

ASPCON (WA) PTY LTD
ACN 601 474 033
(In Liquidation) (“the company”)

INITIAL REMUNERATION NOTICE

The purpose of this Initial Remuneration Notice is to provide you with information about how I propose my remuneration for undertaking the liquidation will be set.

1. Remuneration methods

There are four basic methods that can be used to calculate the remuneration charged by an insolvency practitioner. They are:

- A. **Time based / hourly rates:** This is the most common method. The total fee charged is based on the hourly rate charged for each person who carried out the work multiplied by the number of hours spent by each person on each of the tasks performed.
- B. **Fixed fee:** The total fee charged is normally quoted at the commencement of the administration and is the total cost for the administration. Sometimes a practitioner will finalise an administration for a fixed fee.
- C. **Percentage:** The total fee charged is based on a percentage of a particular variable, such as the gross proceeds of asset realisations.
- D. **Contingency:** The practitioner’s fee is structured to be contingent on the achievement of a particular outcome.

2. Method chosen

Given the nature of this administration I propose that my remuneration be calculated at an hourly rate for the time spent by each member of my staff. I believe this method to be appropriate because it accurately reflects the work required to administer this matter.

3. Explanation of hourly rates

The rates for my remuneration calculation are set out in the following table together with a general guide showing the qualifications and experience of staff engaged in the administration and the role they take in the administration. The hourly rates charged encompass the total cost of providing professional services and should not be compared to an hourly wage.

Staff Level	Hourly rate (excl. GST) \$	Experience rate classification
Registered Liquidator	538	Liquidator & Bankruptcy Trustee bringing her specialist skills to the administration or insolvency task.
Director	432	More than 10 years’ insolvency experience, more than 4 years as a manager. Answerable to the appointee but otherwise responsible for all aspects of administration.
Senior Manager	381	More than 7 years’ insolvency experience, more than 3 years as a manager, qualified accountant. Answerable to the appointee but otherwise responsible for most aspects of administration. Experienced and competent at all levels. Controls staff and their training.
Manager	301	6 - 7 years. Qualified accountant, with well-developed technical and commercial skills. Has significant conduct of most administrations. Answerable to the appointee but otherwise manages administrations on a day to day basis. Controls 2 - 4 staff.

3. Explanation of hourly rates (cont.)

Staff Level	Hourly rate (excl. GST) \$	Experience rate classification
Supervisor	265	4 - 6 years. CA Program complete. Has conduct of minor administrations and experience in controlling 1 - 3 staff. Assists planning and control of medium to larger jobs.
Senior 1	243	2 - 4 years. CA Program normally completed within this period. Assists planning and control of small to medium sized jobs as well as performing some of the more difficult work on larger jobs.
Senior 2	221	2 - 3 years. CA Program would normally be commenced. Required to control the fieldwork on small jobs and is responsible for helping to complete fieldwork on medium to large jobs.
Intermediate 1	185	1 - 2 years. Graduate required to assist in day-to-day field work under supervision of more senior staff.
Intermediate 2	175	0 - 1 year. Trainee / graduate required to assist in day-to-day field work under supervision of more senior staff.
Graduate	147	0 - 1 year. HSC, graduate or completing part-time degree. Required to assist in administration and day-to-day field work under supervision of more senior staff.
Secretary	137	Appropriate skills including word processing competency.

Sheridans' Scale of Fees is increased on 1 August each year (effective from 2014) in line with the CPI amount. Sheridans' current Scale of Fees is available from Sheridans' office on request.

4. Estimated remuneration

I estimate that this administration will cost approximately \$40,000 to complete, subject to the variable of the investigation into the affairs of the company and the conduct of its officers, which may have a significant effect on this estimate. I am unable to determine the effect of this variable until I have commenced work on this aspect of the administration.

5. 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** such as travel, accommodation and search fees - these are recovered at cost.
- **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 that recoups both variable and fixed costs. The recovery of these costs must be on a reasonable commercial basis.

I am not required to seek creditor approval for disbursements paid to third parties, but must account to creditors. However, I must be satisfied that these disbursements are appropriate, justified and reasonable.

I am required to obtain creditor's consent for the payment of disbursements only where there may be a profit or advantage. Creditors will be asked to approve my disbursements where there is a profit or advantage before these disbursements are paid from the administration.

5. Disbursements (cont.)

Details of the basis of recovering disbursements in this administration are provided below.

Disbursement	Rate (excl. GST)
Faxes	Local: \$2.50 Interstate: \$4.00 International: \$4.00
Meeting room hire	\$150.00
Postage	Local and interstate: \$1.50 International: cost Other: cost
Printing and photocopying	20 cents/page
Storage	Cost
Telephone	National calls (inc. mobile): \$1.00 International: cost
Staff vehicle use	66 cents/per km
Statutory advertising	Cost

Dated: 21 September 2017

ASPCON (WA) PTY LTD
ACN 601 474 033
(In Liquidation) ("the company")

PROOF OF DEBT OR CLAIM

This is to state that the company was on 11 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:
