

Liquidators' Initial Report on the State of Affairs of

Optic Security Group Limited (In Receivership & in Liquidation)

Company number: 6495073

NZBN: 9429046412621

5 December 2022



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Introduction

David Ian Ruscoe (IP#50) and Malcolm Russell Moore (IP#42) of Grant Thornton New Zealand Limited (“Grant Thornton”) were appointed jointly and severally as liquidators (“the Liquidators”) of Optic Security Group Limited (“the Company”) on 28 November 2022 at 2:31pm by a resolution passed at the watershed meeting held under section 239AT of the Companies Act 1993 (“the Act”) the liquidation commenced on 28 November 2022 at 2:32.

A consent prepared by the Liquidators to act as liquidators of the Company, if appointed as such at the watershed meeting, and this was tabled during the adjourned watershed meeting held on 28 November 2022.

The Liquidators and Grant Thornton are independent of the Company. A Declaration of Independence, Relevant Relationships and Indemnities (“DIRRI”) is detailed at the end of this report in Appendix E.

We set out below our initial report on the state of the affairs of the Company as required by section 255(2)(c)(ii) of the Act and section 6 of the Companies (Reporting by Insolvency Practitioners) Regulations 2020 (“the Regulations”).

Restrictions

This report has been prepared by us in accordance with and for the purpose of section 255 of the Act and section 6 of the Regulations. This report is not intended for general circulation, nor is it to be reproduced or used for any purpose without the Liquidators’ written permission in each specific instance.

The Liquidators, their employees and agents do not assume any responsibility or liability for any losses occasioned to any party for any reason including as a result of the circulation, publication, reproduction or use of this report contrary to the provisions of this paragraph.

The Liquidators reserve the right (but will be under no obligation) to review this report and, if considered necessary, to revise the report in light on any information existing at the date of this report which becomes known to them after that date.

The Liquidators have not independently verified the accuracy of the information provided to them and have not conducted any form of audit in respect of the Company. The Liquidators express no opinion on the reliability, accuracy or completeness of the information provided to them and upon which they have relied. Whilst all care and attention has been taken in compiling this report, the Liquidators do not accept any liability whatsoever arising from this report.

The statements and opinions expressed in this report are based on information available and assumptions made as at the date of this report. It is possible that actual outcomes may be significantly different from those disclosed in this report.

In addition, the following should be noted:

- Certain values included in tables in this report have been rounded and therefore may not add exactly; and
- All amounts are stated in New Zealand dollars.

Details of the Company

Date of incorporation	16 October 2017
Current registered address	Level 4, 152 Fanshaw Street, Auckland
Previous registered address	14 Amelia Earhart Avenue, Mangere, Auckland 2022
Directors	Lawrence David Cutler, John Patrick Felletter and Todd Stewart Strathdee
Shareholders	TPC Fortlock LP; AIH No 2 Limited Partnership; Arena Optic Security Equity Investor SPV, LP; Ireland Family Holdings Pty Ltd; Rakkas Holdings Pty Ltd; GALBRAITHS TRUSTEE SERVICES LIMITED; Gayle SHIELDS; Patrick Thomas Michael SHIELDS; CSYS2018 LIMITED; Bruce Ronald MCKAY; Diana Margaret HAWKE; GP & KL Hoskins Technology Pty Ltd; ·SR Thomson Nominees Pty Ltd; ·BPM Investments (NT) Pty Ltd; ·ORCHARD HOUSE TRUSTEES LIMITED; Amanda Eileen SIMKIN; ·Andrew Philip SIMKIN; TEAL TRUSTEE LIMITED; Andrew Graham MOSS; Anna Kate MOSS; WINDSOR MOSS TRUSTEE COMPANY LIMITED; RAINMAKER BLUE LIMITED; 4 Our Troubles Pty Ltd; Hibox Pty Ltd; Markhurl Pty. Ltd; Alec HOFFMAN; M Chan & S Sun Pty Ltd; John QUINN; Mark VAN GRAMBERG; Peter PSALTIS; Matthew Zane EVETTS; NEW ZEALAND TRUSTEE SERVICES LIMITED; Vanessa Ivy EVETT
Date and time of liquidation	Monday, 28 November 2022 at 2:31pm

The Company is the 100% shareholder of Optic Security Finance Group Limited which, in turn, is the 100% shareholder of four New Zealand incorporated subsidiaries and two Australian incorporated subsidiaries (with further operational entities below them).

Background

Following an extended unsuccessful business sales campaign, on 17 October 2022, the Directors resolved that the Company is insolvent and that without a solution to its balance sheet and liquidity issues, it would not be possible for the Company's business to continue.

It was therefore determined that the appointment of Voluntary Administrators would result in a better return for the Company's creditors and shareholders than would result from an immediate liquidation of the Company.

On 17 October 2022 at 1:50pm, David Ian Ruscoe and Malcolm Russell Moore were appointed Voluntary Administrators of the Company pursuant to Section 239I of the Act.

Also on 17 October 2022, Neale Jackson and Brendon Gibson, both of Calibre Partners, were appointed receivers and managers of the Company ("the Receivers") by the Bank of New Zealand under the provisions of a General Security Deed dated 23 November 2018.

On Thursday, 27 October 2022, the first meeting of Creditors was held by the Voluntary Administrators at Grant Thornton premises, Level 4, 152 Fanshawe Street, Auckland.

Pursuant to section 239AT(2) of the Act the Administrators convened a watershed meeting on Monday, 21 November 2022. A quorum was not reached at this meeting and, as a result, the watershed meeting was adjourned to Monday, 28 November 2022.

The watershed meeting was reconvened on Monday, 28 November 2022. The creditors resolved to appoint David Ian Ruscoe and Malcolm Russell Moore as joint and several liquidators of the Company pursuant to section 241(2)(d) of the Act. The appointment of the Liquidators took effect from 2.31pm on 28 November 2022.

Creditors

A schedule of known creditors is enclosed at Appendix B.

If any creditor wishes to make a claim, a Creditor Claim Form is enclosed at Appendix C. All creditor claim forms received by the Voluntary Administrators will be lodged in the liquidation, with the creditors' confirmation.

Secured creditors

We have undertaken a review of the Personal Property Securities Register ("PPSR"), which indicates there is one security interest registered over the assets of the Company, as shown below.

Secured Creditor	Registration number	Collateral
Bank of New Zealand	FZ9CCV4X7R585344	All Present and After Acquired Personal Property

During the administration, the Voluntary Administrators received three secured creditor claims, as part of the structured lending registered against the Company under security FZ9CCV4X7R585344. The total of these three claims came to \$84,912,213.

During the administration, the Receivers successfully sold the shares of Optic Security Finance Group Limited. The result of the sale saw two secured parties withdraw their claim in the administration and the remaining claim reduced to \$28,767,740.

At this stage, it is unknown if there will be any funds available to make payment to creditors with security interests.

Preferential creditors

We are unaware of any other preferential claims against the Company. A nil claim form was received from the Inland Revenue Department by the Voluntary Administrators.

At this stage, if preferential claims are received in the liquidation, it is unknown if there will be any funds available to make payment to preferential creditors.

Unsecured creditors

Four unsecured creditor claims were received by the Voluntary Administrators, totalling \$421,130.

The Liquidators are aware of a claim made against the company by a shareholder, prior to Voluntary Administration, which may result in a claim against the Company of \$1m.

At this stage, it is unknown if there will be any funds available to make payment to unsecured creditors.

Subsidiaries and business sale

As detailed earlier in this report, the Company is the 100% shareholder of Optic Security Finance Group Limited which, in turn, is the 100% shareholder of four New Zealand incorporated subsidiaries and two Australian incorporated subsidiaries (with further operational entities below them).

During the administration, the Receivers sold the shares held by the Company in Optic Security Finance Group. The result of the sale saw the intercompany loans offset and, in some circumstances, forgiven, in addition to significant repayment of the senior secured debt.

Notice to creditors to prove debts or claims

Please refer to Appendix D for the formal notice setting down the date for all creditors to prove their debts or claims.

Subject to confirmation from any creditor that has filed a claim in the Voluntary Administration, the Liquidators intend to allow these claims to be lodged in the liquidation (noting, the claims have not been adjudicated).

Meeting of creditors

We do not consider a meeting of creditors is necessary, with the cost of holding a meeting outweighing any benefit.

Proposals for conducting the liquidation

The Liquidators will conduct a further review of any potential voidable transactions in order to assess whether there are any likely recoveries.

Statement of Affairs

A statement of affairs of the Company, as at the date of liquidation, prepared by the Liquidators in accordance with section 255 of the Act is enclosed to this report, at Appendix A.

In preparing the statement of affairs we have relied on information provided by the Receivers following the sale of the shares held in Optic Security Finance Group Limited.

We have not carried out an audit of the information that has been provided to us, nor have we subjected the information provided to detailed verification procedures. While we believe the statement, based on the information provided to us, reasonably reflects the position of the Company, we cannot be held responsible for inaccuracies in the report arising from deficiencies in the information or explanations given to us.

Estimated date of completion of the liquidation

It is not practicable to estimate the date of the completion of the liquidation at this stage.

Should creditors have any further queries on the contents of this report or any other matter relating to the Company's affairs, please contact Stephen Keen at stephen.keen@nz.gt.com.

Dated 5 December 2022



David Ian Ruscoe
Liquidator



Malcolm Russell Moore
Liquidator

Appendix A – Statement of Affairs

	Per Company Records	Estimated to realise
Assets		
Other assets	TBC	Nil
Total Assets	TBC	Nil
Liabilities		
Secured creditors		
Arena Optic Security Investor SPV	28,767,740	28,767,740
Unsecured creditors		
Other liabilities	421,130	421,130
Contingent liabilities	1,000,000	1,000,000
Total Liabilities	30,188,870	30,188,870
Estimated expenses of the liquidation		
Estimated net assets	(30,188,870)	(30,188,870)

Note: The Liquidators are yet to receive a final balance sheet following the sale of the Optic Security Finance Group Limited shares by the Receivers of the Company, however, the Liquidators have been advised that no assets remain.

Appendix B – Schedule of known creditors

Creditor Name	Address
Arena Optic Security Investor SPV	Private Bag 92208, Auckland 1142
NZ Air Line Pilots Association	PO Box 53183, Auckland Airport 2150
Simpson Grierson	PO Box 2402, Wellington 6140
Moss Investment Trust	Cameron Fleming & Associates Ltd, Level 10, 48 Emily Place, PO Box 338, Auckland 1140
Chris Giufre	C/- Russell McVeagh, PO Box 8, Auckland 1140
Jason Cherrington	C/- Mills Lane, PO Box 537, Auckland 1140

Appendix C – Creditor Claim Form

OPTIC SECURITY GROUP LIMITED (IN RECEIVERSHIP AND LIQUIDATION)

Name and postal address of creditor in full: Telephone Number: Email address: My Reference (if applicable) is:	<p>*Any personal information collected is for the purpose of administering the liquidation in accordance with the Companies Act 1993.</p> <p>The information will be used and retained by the liquidator and will be released to other parties only with your authorisation or in compliance with the Privacy Act 1993.</p> <p>Under Section 304(1) any claim by an unsecured creditor must be in the prescribed form and must –</p> <ul style="list-style-type: none"> • Contain full particulars of the claim; and • Identify any documents that evidence or substantiate the claim. <p>You may have access to and request correction of any personal information.</p> <p>* (Not applicable, if creditor is not an individual within the meaning of the Privacy Act 1993)</p>
I _____ [If claim is made on behalf of creditor, specify relationship to creditor and authority] claim that the company was at the date it was put into liquidation indebted to the above named creditor for the sum of: [Amount in words and figures]: _____ \$	
Either: I hold no security for the amount claimed; or I am surrendering my security and I am claiming as an unsecured creditor [Omit whichever does not apply]	
Full particulars of the claim are set out, and any supporting documents that substantiate the claim, are identified on the reverse of this form. N.B. Copies of the documentation supporting this claim should be attached to this form and forwarded to the Liquidator in terms of section 304(2) of the Companies Act 1993.	
Signed: _____	Date: / /

WARNING
 It is an offence under Section 304(6) of the Companies Act 1993 to –

- Make or authorise the making of, a claim that is false or misleading in a material particular knowing it to be false or misleading; or
- Omit, or authorise the omission from a claim of any matter knowing that the omission makes the claim false or misleading in a material particular.

Liquidator (Date Stamp)	Reserved for Office Use:		
	<u>Claim rejected for payment:</u>	Signed: _____	Date: / /
	<u>Claim admitted for payment:</u>		
	Preferential Claim for:	Ordinary Claim for:	Deferred Claim for:
	\$ _____	\$ _____	\$ _____
	Signed _____ Liquidator:		Dated: / /
	<p>Note: If the decision to admit or reject a claim is amended the Liquidation Regulations 1994 requires that it be recorded in writing</p>		

Particulars of the Claim

Date	Details of Claim and Identification of Documents that Evidence or Substantiate the Claim	Amount \$
	<p>If applicable, less Retention of Title for Goods supplied by creditor to the company <i>[Describe goods]</i></p> <p>If applicable, less debts owed by creditor to the company <i>[Describe debts]</i></p>	

If applicable, please record here your GST Registration number:

and total GST included in your claim: \$

Appendix D – Notice to creditors to prove debts or claims

Optic Security Group Limited (in Liquidation)

Company Number: 6495073

Notice is hereby given that we have set 12 December 2022 as the day on or before which any creditors of the Company are to prove their debts or claims and to establish any priority their claims may have under Section 312 of the Act.

Any creditor claims received during the Voluntary Administration will be accepted as claims in the liquidation, subject to confirmation from the claimant creditor.

Creditors not having made a claim by this date may be excluded from the benefit of any distribution made before their claims are made, or, from objecting to any distribution.

Dated: 5 December 2022



DAVID IAN RUSCOE
LIQUIDATOR



MALCOLM RUSSELL MOORE
LIQUIDATOR

Appendix E - DIRRI

Declaration of Independence, Relevant Relationships and indemnities

Optic Security Group Limited (in Receivership and in Liquidation) (“the Company”)

Practitioner/s 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 up-front payments made, to the Practitioner.

This declaration is made in respect of ourselves, our partners, Grant Thornton New Zealand Limited (the “Firm”) and any of the Firms associated entities.

A Independence

David Ian Ruscoe and Malcolm Russell Moore of Grant Thornton New Zealand Limited have undertaken a proper assessment of the risks to the Firm’s independence prior to accepting the appointment as Liquidators of the Company in accordance with the law and applicable professional standards.

This assessment identified no real or potential risks to the Firm’s independence. David Ian Ruscoe and Malcolm Russell Moore are not aware of any reasons that would prevent the Firm from accepting this appointment.

David Ian Ruscoe and Malcolm Russell Moore were appointed Voluntary Administrators of the Company on 17 October 2022, an engagement that has no impact on their independence to be appointed Liquidators.

B Declaration of Relationships

Circumstances of appointment

This appointment was referred to the Firm by Bell Gully, acting for the Directors. We believe that this referral does not result in a conflict of interest or duty because:

- The introduction to the Company was unconditional;
- We have not undertaken any prior engagement with the Company or its directors (with the exception of the Voluntary Administration preceding the liquidation, which is not prohibited); and
- Introductions or referrals from advisors to specialist advisors is common business practice.

Prior to the liquidation and voluntary administration appointments, a conference call was held with Bell Gully, the Company’s interim-CEO and the legal representatives from Simpson Grierson for Arena Optic Security Equity Investor SPV on 12 October 2022.

In our opinion, our independence is not affected by the circumstances leading to our appointment as Voluntary Administrators or Liquidators. We did not receive any fees for these pre-appointment meetings and we have provided no other information or advice to the Company, its directors or advisors prior to our appointment as Voluntary Administrators and Liquidators, beyond that outlined in this DIRRI.

Relevant Relationships (excluding Professional Services to the Insolvent)

Neither of the Liquidator's, nor the Firm, have, or have had within the preceding 24 months, any relationships with the Company, an associate of the Company or a former insolvency practitioner appointed to the Company.

The Liquidators' have, or have had within the preceding 24 months, a relationship with:

Name	Nature of Professional Services	Reasons
ASB Bank Limited	Partners of Grant Thornton New Zealand Limited have in the past provided services to ASB Bank Limited	<p>The provision of accounting to ASB Bank Limited brings about a commercial relationship that, in our opinion, does not present a conflict or an impediment as it does not impact upon the position of the Company.</p> <p>We are not paid any commissions, inducements of benefits to undertake any appointments and do not consider ourselves to be bound or in any way obligated to deliver a favourable outcome to any party.</p> <p>There is no relationship with ASB Bank Limited which in our view would restrict us from properly exercising our judgement and duties in relation to the Liquidation.</p> <p>There is no significance of the relationship with ASB Bank Limited to our independence.</p>

No other relevant relationships to disclose

Neither of the Liquidators, nor Grant Thornton New Zealand Limited, have provided any professional services to the Company in the previous 24 months (other than as acting as Voluntary Administrators preceding their appointment as Liquidators).

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 whole of the Company's property that should be disclosed.

C Indemnities and up-front payments

We have been provided \$10,000 (excluding GST) for time costs and legal expenses for the liquidation.

Dated: 5 December 2022



DAVID IAN RUSCOE
LIQUIDATOR



MALCOM RUSSELL MOORE
LIQUIDATOR

Note:

- 1 If circumstances change, or new information is identified, David Ian Ruscoe and Malcom Russell Moore are required under the Companies Act 1993 and the RITANZ Code of Professional Conduct to update this Declaration and provide a copy to creditors with our next communication as well as table a copy of any replacement declaration at the next meeting of the insolvent's creditors.

- 2 Any relationships, indemnities or up-front payments disclosed in the DIRRI must not be such that the Practitioner is no longer independent. The purpose of components B and C of the DIRRI is to disclose relationships that, while they do not result in the Practitioner having a conflict of interest or duty, ensure that creditors are aware of those relationships and understand why the Practitioner nevertheless remains independent.

