



**Horizon Consulting Pty Ltd
(Administrators Appointed)
A.C.N 100 724 338**

**Administrators’
Report to creditors**

Pursuant to Section 439A of the Corporations Act 2001 and 75-225 of the Insolvency Practice Rules

28 November 2018

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ABBREVIATIONS

Act	Corporations Act 2001
Administrators	Christian Sprowles and Michael Hogan
Aizoon	Aizoon Australia Pty Limited, the sole shareholder and first ranking secured creditor of the Company
ALLPAP	All present and after acquired property
ARITA	Australian Restructuring Insolvency and Turnaround Association
ASIC	the Australian Securities & Investments Commission
ATO	Australian Taxation Office
Company	Horizon Consulting Pty Ltd
CY	Calendar Year
DoCA	Deed of Company Arrangement
EBIT	Earnings Before Interest and taxes
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
ERV	Estimated Realisable Value
FME	Future Maintainable Earnings
GSA	General Security Agreement
NPBT	Net Profit Before Tax
Payroll Partner	Payroll Partner Pty. Ltd., a secured creditor of the Company
PPSA	Personal Property Securities Act 2009
PPSR	Personal Properties and Securities Register
ROCAP	Report on Company Activities and Property
TCS	Tata Consultancy Services Limited
YTD	Year To Date

1. EXECUTIVE SUMMARY

1.1. Introduction

Michael Hogan and I were appointed Joint and Several Voluntary Administrators of the Company on 9 November 2018 pursuant to a resolution passed by the Company's sole Director.

At the time of our appointment the ASIC register recorded Mr Franco Cornagliotto and Mr Federico Cornagliotto as the Company's directors. We were provided with a signed copy of the resignation of Mr Franco Cornagliotto which had been lodged with ASIC prior to our appointment but which hadn't been updated on the ASIC register.

The Company provides professional labour hire services to large institutions and government agencies and was incorporated on 29 May 2002. The Company is continuing to trade under a license agreement executed on 12 November 2018 with Aizoon Australia Pty Limited ("Aizoon").

A proposal for a Deed of Company ("DoCA") has been received from the sole Director of the Company, Mr Federico Cornagliotto, which will enable the Company to continue trading and provide for a better return to creditors compared with a liquidation.

This is the Administrators report to creditors pursuant to Section 439A of the Act.

If creditors have any queries, please contact Luke Mann on (02) 8020 5862 or by email at lmann@hogansproawles.com.au

1.2. Purpose of this report and second meeting of creditors

The purpose of this report is to provide creditors with details about the Company's business, property, affairs and financial circumstances in preparation for the upcoming second creditors meeting.

This report informs creditors of our investigative findings and sets out the Administrators' opinion about each of the options available to creditors at the second meeting, together with our opinion as to the best course of action. Creditors will be entitled to vote on the future of the Company at the second meeting (often referred to as the decision meeting).

We have recommended creditors accept the DoCA at the second meeting. The reasons for our opinion have been provided at section 11 of this report and in the attached Statement of Administrators' Opinion. In summary the DoCA provides for a greater return to creditors compared with the alternatives. Details of the estimated returns are summarised at section 1.5 of this report.

The meeting of creditors will be held on **Thursday, 6 December 2018** at the offices of **HoganSprowles at Level 9, 60 Pitt Street, Sydney NSW at 11:00am.**

1.3. Administrators' opinion

Having regard to the matters set out in this report, creditors will be able to vote on one of the following outcomes at the next meeting:

- The administration comes to an end (and control of the Company reverts to its director); or
- The Company execute a Deed of Company Arrangement ("DoCA"); or
- The Company be wound up.

We recommend that it is in creditors' interests to resolve for the Company to execute a DoCA at the Second Meeting of Creditors. A statement of our opinion is provided at annexure A of this report.

Creditors may also resolve to adjourn the Second Meeting of Creditors for a period of up to 45 days.

1.4. Deed of Company Arrangement proposal

A DoCA proposal was received from the Company's sole Director, Mr Federico Cornagliotto, on 26 November 2018. The intent of the DoCA is to assist with the recapitalisation of the business, the company to continue as a going concern and employees to retain their positions.

Under the proposed DoCA the secured creditor, Aizoon, will defer its claim in the DoCA for the benefit of all creditors. This will enable a return to the unsecured creditors, who would otherwise not receive a return in a liquidation scenario. We have reviewed all documentation and security relating to Aizoon's loan and sought legal advice on the validity of the security. We confirm that Aizoon's security is defect free and perfected pursuant to the PPSA.

In our opinion the deferment of Aizoon's claim as a secured creditor in the DoCA represents a genuine value to creditors and unlocks circa \$141K that wouldn't have been available to unsecured creditors in a liquidation scenario.

1.5. Estimated return to creditors

We estimate the following returns in a DoCA and Liquidation scenario:

Creditor	DoCA	Liquidation
Secured creditor (Payroll Partner)	100 cents in the \$	100 cents in the \$
Secured creditor (Aizoon)	Nil - deferred claim	15 cents in the \$
Priority employee entitlements	100 cents in the \$ and continue with the business,	100 cents in the \$, termination and crystallisation of entitlements
Unsecured Contractors	100 cents in the \$	Nil
Unsecured Creditors	17.2 cents in the \$	Nil

A return to unsecured creditors has been enabled through the DoCA as the secured creditor, Aizoon, will not participate in the Deed fund and will defer its claim pursuant to a Deed of Deferral. We expect the secured creditor Payroll Partner Pty Ltd ("Payroll") will be paid out through the collection of financed debtors.

1.6. Investigation summary

Based on our preliminary investigations the Company was likely cash flow insolvent on 8 November 2018, coinciding with Aizoon's withdrawal of its funding support for the business. From a balance sheet perspective, the Company may have been insolvent from at least 31 January 2017, coinciding with negative working capital investment and negative equity position.

In our opinion the cash flow test for insolvency is the primary determinant and would indicate a date of insolvency of 8 November 2018. If insolvency is proven to be on or around 8 November 2018, coinciding with the date of the administrator appointment, many of the voidable transaction recoveries may not be available for a liquidator to pursue given the transactions may not be deemed insolvent transactions for the purposes of Section 588FC of the Act.

Assuming an earlier date of insolvency, the quantum of any insolvent trading action, and the commercial likelihood of a return, would need to be considered having regard to the movement of creditor liabilities from that date. Based on our investigations the Company's net liabilities, excluding related party Aizoon, has decreased since CY17.

We have identified thirteen payments to the ATO totalling \$1.1 million during the relation back day period, which could potentially be deemed unfair preference payments and available for a liquidator to pursue under section 588FA of the Act, however based on our initial investigation's recovery may be unlikely given the likely date of insolvency.

Potential unreasonable director related transactions of \$6K, pursuant to section 588FDA of the Act relating to partial repayment of Aizoon loan account may be available for recovery by a liquidator. Further details of the claim are provided at section 5.3 of the report.

Further details of our investigations are provided at section 10 of this report.

1.7. Review of security interests

We have reviewed the loan documentation and security agreements of Aizoon and Payroll Partner Pty Ltd. In addition, we also sought legal advice on the validity of the security interests.

Based on our investigations and legal advice, Aizoon has perfected its security under a Loan and security Agreement dated 14 December 2013. Aizoon's debt at the time of our appointment was \$944K.

Payroll Partner has perfected its security under a General Security Deed dated 25 January 2017. Payroll Partner's debt at the time of our appointment was \$78K.

1.8. Reasons for the Companies failure

In our opinion the reasons for the Company's failure are as follows:

- Trading losses since CY15 which has depleted net working capital;
- Inability to manage and fund rapid growth in CY17 which result in an urgent need to recapitalise;
- Inappropriate pricing model, which eroded gross margins and profitability;
- Working capital management and extension of payment terms of major customer, which substantially impacted cash flow and working capital in the last six months; and
- Withdrawal of funding support from Aizoon on 8 November 2018

2. INTRODUCTION

2.1. Role of the Administrator

Administrators are empowered by the Act to assume control of an insolvent company, to manage the Company's affairs and deal with its assets in the interests of its creditors and members.

The intention of a Voluntary Administration is to maximise the prospects of a company, or as much as possible of its business, continuing in existence or, if that is not possible, to achieve a better return to creditors and members than would be achieved by its immediate liquidation. During an administration, there is a moratorium over most pre-administration creditor claims.

Administrators are required to investigate a company's affairs and report to creditors on the Administrators' opinion as to which outcome of the administration process is in the best interest of creditors.

2.2. First Meeting of Creditors

The First Meetings of the Company's creditors, convened under Section 436E of the Act, was held on 21 November 2018. A committee of inspection was not formed by creditors and an alternate Administrator was not proposed, accordingly we remain the Administrators of the Company.

2.3. Second Meeting of Creditors

The Second Meeting of Creditors will be held at **HoganSprowles at Level 9, 60 Pitt Street, Sydney NSW on Thursday, 6 December 2018 at 11:00am.**

Creditors are encouraged to attend at least 15 minutes prior to this time to enable orderly registration for the meeting, please submit proxy and proof of debt forms by 5.00pm on Wednesday, 5 December 2018.

Attendance at the meeting, whilst encouraged, is not mandatory and non-attendance will not impact the rights of creditors.

Appendix B includes the Notice of Meeting, proxy form and informal proof of debt.

3. DISCLAIMER AND INDEPENDENCE

3.1. Disclaimer

In reviewing this report, creditors should note the following:

- The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. Except where otherwise stated, we reserve the right to alter any conclusions reached on the basis of any changes or additional information which may be provided to us between the date of this report and the date of the Second Meeting of Creditors.
- Neither we, nor HoganSprowles nor any member or employee thereof is responsible in any way whatsoever to any person in respect of any errors in this report arising from incorrect information provided to us.
- In considering the options available to creditors and formulating their recommendation, the Administrators have necessarily made forecasts of asset realisations and total creditors. These forecasts and estimates may change as asset realisations and any claims progress.

3.2. Independence

In accordance with Section 436DA of the Act and the ARITA Code of Professional Practice, our Declaration of Independence, Relevant Relationships and Indemnities which was tabled at the first meeting of creditors and dated 13 November 2018.

This declaration disclosed information regarding the independence, any prior personal or professional relationships the Administrators or HoganSprowles had with the Company or related parties and any indemnities received in relation to this appointment.

There is no change to the information provided in the Declaration of Independence, Relevant Relationships and Indemnities dated 13 November 2018.

4. STATUTORY INFORMATION

4.1. ASIC Database

Below is a summary of the ASIC database for the Company.

Company Details		
Date of Registration	29 May 2002	
Registered Office	Suite 503, Level 5, 55 Lime Street, Sydney NSW 2000	
Principal Place of Business	Suite 503, Level 5, 55 Lime Street, Sydney NSW 2000	
Current Director	Appointed	Ceased
Federico Cornagliotto	14/12/2013	-
Former Directors	Appointed	Ceased
Franco Cornagliotto	14 December 2013	8 November 2018
Jeremy Davidson	29 May 2002	23 June 2017
Dominic Beer	29 May 2002	27 February 2017
Andrea Busetti	14 December 2013	23 March 2015
Former Secretary	Appointed	Date Ceased
Andrea Busetti	14 December 2013	23 March 2015
Share Structure	Amount Paid	Amount Unpaid
10 Ordinary Shares	\$2.00	\$0.00
Current Shareholder	Shares Held/Type	Fully Paid
Aizoon Australia Pty	10 Ordinary Shares	Yes
Former Shareholders	Shares Held/Type	Paid Up Capital
Dominic Beer Global Pty Ltd	2 Ordinary Shares	Yes
Jeremy Davidson Global Pty Ltd	2 Ordinary Shares	Yes
Jeremy Davidson	2 Ordinary Shares	Yes
Dominic Beer	2 Ordinary Shares	Yes

4.2. Personal Properties and Securities Register

PPSR legislation became operational on 30 January 2012 and among other things replaced the previous system of security registration and retention of title. A search of the PPSR has revealed the following security interests:

Secured Party	Registration Number	Collateral Class	Start Date
Aizoon	201312180073193	ALLPAP – No exceptions	18/12/2013
Payroll Partner	201702100060205	ALLPAP – No exceptions	10/02/2017
Payroll Partner	201702100060214	Account – Intangible Property	10/02/2017

To claim a security interest in the Companies (i.e. as a secured or retention of title creditor), creditors are required to have registered their interest on the PPSR.

Creditors that haven't registered their interest on the PPSR, prior to the date of the Administrators' appointment, are not entitled to claim a security interest in goods held by the Companies. The fact that a creditor has or cannot register their interest on the PPSR, does not

prevent that creditor from asserting its claim as an unsecured creditor of the Company, and subject to the availability of funds, receipt of a dividend through a liquidation or DoCA.

4.3. Books and Records

The Administrators are required to provide an opinion as to whether the Company's books and records are maintained in accordance with Section 286 of the Act for a period of seven years. The Act requires that a company maintain financial records that correctly record and explain its transactions, financial position and performance, and enable true and fair financial statements to be prepared and audited.

Failure to maintain books and records may give rise to a presumption of insolvency pursuant to Section 588E of the Act. This presumption may be relied upon by the Liquidator in an application for compensation for insolvent trading and other actions for recoveries pursuant to Part 5.7B of the Act from the directors and related parties.

We have been provided with access to the management accounts and books and records of the Company and these appear to have been well maintained and up to date. In our opinion, the books and records of the Company have been kept in a manner that complies with Section 286 of the Act.

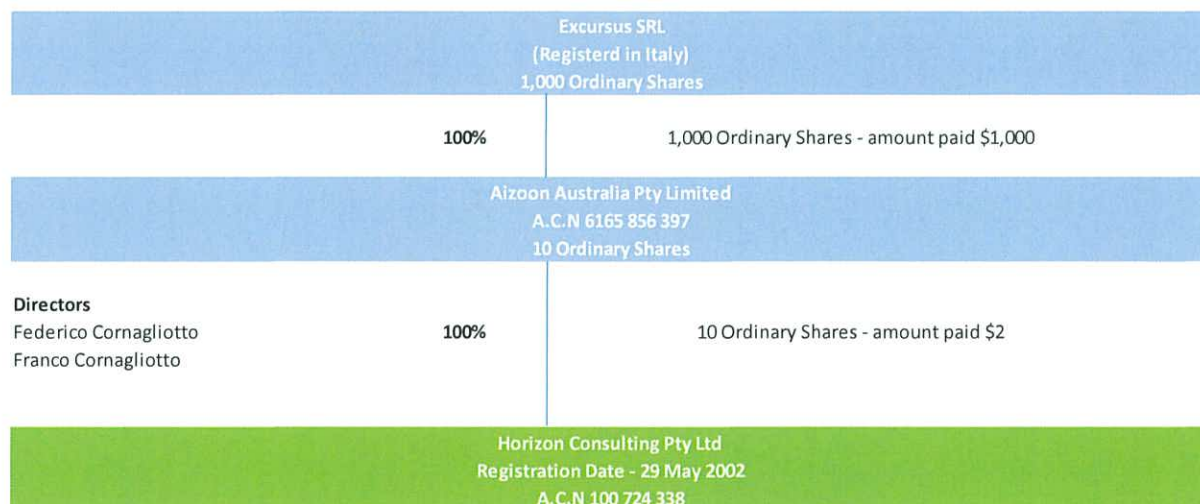
4.4. Information for Creditors

To assist creditors, employees and shareholders understand the Voluntary Administration process ASIC has released a package of insolvency information sheets. These have the endorsement of the ARITA and are attached as **Appendix E**. You can download these as PDF files from the ASIC and ARITA. The respective websites are:

- www.arita.com.au
- www.asic.gov.au

5. OVERVIEW OF THE COMPANY

5.1. Organisational chart



Director	Appointed	Ceased
Federico Cornagliotto	14-December-2013	-
Former Directors		
Franco Cornagliotto	14-December-2013	08-November-2018
Jeremy Davidson	29-May-2002	23-June-2017
Dominic Beer	29-May-2002	27-February-2017
Andrea Busetti	14-December-2013	23-March-2015
Former Secretary		
Andrea Busetti	14-December-2013	23-March-2015

PPSR Summary	
Security Interests	3
TOTAL	3

Collateral Summary	
ALLPAP	2
Account	1
TOTAL	3

PPSR

GSA	Type	Other	Type
Aizoon Australia Pty Limited	ALLPAP	Payroll Partner Pty. Ltd.	Account - Intangible Property
Payroll Partner Pty. Ltd.	ALLPAP		

5.2. Background

The Company was incorporated on 29 May 2002 and provides IT recruitment services for permanent and contracting employees.

The Company at the time of our appointment employed two full time staff and six contractors.

The Company's head office is located in Lime Street, Sydney.

5.3. Aizoon loan account

We have obtained legal advice on the validity of Aizoon's securities and confirm that it is defect free and perfected in accordance with the PPSA.

On 14 December 2013 the Company entered into a loan and security agreement with Aizoon for an interest free loan facility of \$800K. The loan was also guaranteed by the Company and its directors at the time. Aizoon is the sole shareholder of the Company.

The term of the loan was for three-years expiring on the calendar year on the third anniversary of the Completion date being 31 December 2016. We note that facility was not repaid within the term and was in excess of the approved limit at the date of our appointment.

We have obtained a verification statement from the PPSR which confirms Aizoon's security interest was registered on 28 December 2013.

On 9 February 2017 the Company executed a letter of offer and General Security Deed with Payroll Partner for an invoice finance facility of \$300K. Payroll Partner is a non-related entity.

A Deed of Subordination and a Deed of Priority, dated 10 February 2017, were executed by the Company, Aizoon and Payroll Partner, providing Payroll Partner with a priority over certain assets of the Company.

As part of our investigations we have reviewed the general ledger and bank statements of the Company to reconcile the Aizoon loan account and to determine whether there may be any voidable transactions associated with the loan.

A summary of the transactions against the loan account are as follows:

Date	Type	Transaction	Debit \$'000	Credit \$'000	Balance \$'000
31/12/2015	SB	Conversion Balance	600		600
22/02/2016	PAY	horizon	50		650
23/02/2016	PAY	horizon	50		700
24/02/2016	PAY	horizon	50		750
25/02/2016	PAY	horizon	50		800
21/03/2016	PAY	loan - Horizon	50		850
9/06/2016	PAY	loan - Return partial loan horizon		50	800
15/06/2016	PAY	loan - To Horizon	20		820
16/06/2016	PAY	loan - To Horizon	20		840
29/07/2016	PAY	horizon	14		854
1/08/2016	PAY	loan - Return partial loan horizon		14	840
11/08/2016	PAY	loan - Horizon	50		890
30/08/2016	PAY	loan - Return partial loan horizon		40	850
8/09/2016	PAY	loan - Horizon	9		859
22/09/2016	PAY	loan - Horizon	40		899
2/11/2016	PAY	loan - horizon	41		940
3/11/2016	PAY	loan - loan	10		950
14/11/2016	PAY	loan - HORIZON	50		1,000
30/08/2017	PAY	loan - horizon		50	950
31/12/2017	MJ	MS03 - FBT Contribution - MS - FBT Contribution	14		964
31/12/2017	MJ	Clearance account - Clearance account		14	950
2/01/2018	PAY	loan - Horizon		33	917
25/04/2018	PAY	loan Fe.Co. - loan Horizon		21	896
30/04/2018	PAY	loan - Horizon		35	861
20/06/2018	PAY	loan - Horizon		12	849
29/08/2018	PAY	loan	95		944
Total			1,213	269	

There may be a possible recovery of \$6K relating to unreasonable director related transactions pursuant to section 588FDA of the Act. The quantum of the claim is derived from the balance of transactions which have occurred between 31 December 2017 to 29 August 2018.

5.4. Sale of contract work

On 28 May 2018 the Company executed a contract to sell its government contracts workforce for the cash sum of \$210K to an unrelated party Finite Group APAC Pty Ltd ("the Purchaser"). We are satisfied that the transaction was at arm's length and for a commercial value.

The Company divested its interest in the Government contracts in March 2018 as they had been loss making and were substantially depleting working capital. The financial statements depict the rapid growth associated with these contracts and trading losses in CY17.

The Company approached HHMC Global Pty Ltd ("HHMC") a recognised advisory business in the recruitment industry to assist with divesting certain assets of the business. HHMC were subsequently engaged in March 2018 to assist in the sale and approached four (4) prospective parties.

The sale related to twelve (12) government contracts which included circa sixty-six (66) contractors. The total revenue available under the contracts were estimated at \$3.4 million with an average margin of 6 per cent (after payment of contractor salaries) resulting in a gross profit \$262K before overheads.

Two offers were received from Finite Group and from Ecareer Employment Services Pty Ltd ("Ecareer"). The offer from Ecareer (cash payment \$105K and 20 per cent of total gross profit for the first six months) was rejected as it was inferior and with onerous terms.

Finite Group's offer was accepted for a cash sum of \$210k, representing 80 per cent of the gross profit (\$262K) of the contract income. When considering the reasonableness of the offer we have prepared a separate analysis based on the capitalisation of future maintainable earnings, which is a widely accepted valuation methodology. The contracts in our opinion had no value and were loss making.

Using the gross profit of \$262K and applying a fixed overhead rate of 15% (which is consistent with the Company's overhead rate) the contract income generated a future maintainable loss of (\$78K). Therefore, the value of \$210K derived from the sale was in our opinion commercially acceptable.

Our review of the Company's bank statements confirms the proceeds from the sale were paid in full and used in the ordinary course of the business.

The key terms of the sale were as follows:

- First payment of \$140,000 on execution of the contract and transfer of government contracts.
- Final payment of \$70,000 four weeks after the first payment.
- The Purchaser being satisfied that the contracts will continue following completion.
- The contract workers consenting to an assignment, novation or transfer of their contracts.

6. HISTORICAL FINANCIAL RESULTS

The Company's financial year end is calendar year end, 31 December. We have reviewed the financial statements from 1 January 2015 to 31 October 2018.

The Company experienced rapid growth in CY17 with revenues increasing circa 188 per cent on the back of successful tenders with NSW Government under the Contingent Workforce Scheme. Despite the growth, the Company was loss making at an NPBT loss of \$451K due to an inappropriate pricing model and high labour costs.

The Company funded its trading losses and working capital by negotiating a repayment plan with the ATO, funding from a related party Aizoon in the order of \$1 million, and the divestment of its government contracts business for \$210K.

In YTD18 the Company generated a profit of \$65K largely as a result of the sale of government contracts business which assisted in partially recapitalising the Company. The proceeds from the sale were paid and retained by the Company and used for normal operating expenditure.

At the time of our appointment the Company required urgent recapitalisation of \$446K.

6.1. Profit and loss

Comparative Profit and Loss	Financials CY15 \$'000	Financials CY16 \$'000	Financials CY17 \$'000	Financials YTD 18 \$'000
Sales	2,004	3,065	8,843	4,971
Less: cost of sales				
Commissions	151	135	227	0
Direct wages and super	452	2,231	5,490	3,281
Contractor salaries and super	987	381	2,601	1,097
Other	10	16	27	(7)
	1,600	2,762	8,345	4,371
Gross Profit	404	303	499	600
Margin	20%	10%	6%	12%
Other Income	0	(2)	66	210
Expenses				
Bad debt	15	29	6	0
Travel and accom	20	8	7	0
Accounting	37	59	115	68
Advertising	51	76	20	0
Consultants	0	6	17	32
Insurance	8	11	26	41
Payroll tax	47	109	370	265
Recruitment exp	68	82	109	94
Rent	110	119	121	111
Telephone	16	12	8	5
Other	87	28	78	58
	458	538	877	674
EBITDA	(53)	(237)	(312)	136
Depreciation	9	7	10	1
EBIT	(62)	(245)	(321)	135
Interest	9	9	130	68
Net profit	(71)	(253)	(451)	67
Adjusted Net operating profit	(71)	(252)	(518)	(143)

Our observations are provided below:

- The Company has been loss making since at least CY15. The profit of \$67K in YTD18 was a result of the sale of government contracts (\$210K). On a normalised basis the Company made a NPBT loss of \$143K.
- The Company's revenue grew by \$5.7 million (188%) in CY17, via the tendering process with NSW Government Agencies under the Contingent Workforce Scheme (SCM0007). Whilst revenues grew substantially the Company was unable to control the growth and gross profit margins deteriorated as a result of high labour costs (10% down to 6%). In our opinion the decline in the gross margin was a result of a flawed pricing model and high costs of labour.

- In CY18 the Company divested its government contracts business. The profit from the sale was \$210K. The proceeds were used in the ordinary course of business and to meet the repayment arrangements with ATO.

Since the sale of its government contracts in May 2018 the business has commenced restructuring its operations and returning to profitability. The monthly profit and loss for CY18 is provided below and demonstrates the Company's ability to return to profitability.

Monthly Profit & Loss	Jan-18 \$'000	Feb-18 \$'000	Mar-18 \$'000	Apr-18 \$'000	May-18 \$'000	Jun-18 \$'000	Jul-18 \$'000	Aug-18 \$'000	Sep-18 \$'000	Oct-18 \$'000
Sales	484	765	867	1,217	951	219	117	114	135	103
Less: cost of sales	425	714	784	1,126	848	439	14	3	17	1
Gross Profit	59	51	82	91	103	(220)	103	111	118	102
Margin	12%	7%	9%	8%	11%	-100%	88%	97%	88%	99%
Other income	3	18	13	13	223	(104)	0	0	41	3
Expenses	84	133	137	130	113	(289)	103	109	145	79
Net Profit	(22)	(64)	(42)	(26)	213	(35)	0	2	14	26

The divestment of the government contracts income has improved the businesses performance since May 2018.

6.2. Balance Sheet and Net Working Capital

Comparative Balance sheet	CY15 \$'000	CY16 \$'000	CY17 \$'000	YTD18 \$'000
Current Assets				
Cash and cash equivalents	20	72	3	3
Trade receivables and prepayments	147	519	716	326
Bonds	37	37	37	37
Other	23	22	12	49
Total Current Assets	226	650	769	416
Non-Current Assets				
Related party loans	2	0	0	0
Property, plant and equipment (less: accum depreciation)	112 (53)	112 (60)	12 (5)	12 (2)
Intangibles	30	30	30	30
Total Non-Current Assets	92	82	37	40
Total Assets	318	732	806	456
Current Liabilities				
Statutory liabilities	108	320	873	645
Debtor factoring	0	0	0	45
Trade payables	92	86	107	85
Provision - employee entitlements	67	140	311	11
Finance liabilities	10	8	1	11
Total Current Liabilities	277	555	1,293	797
Non-current liabilities				
Aizoon - loan	600	1,000	842	944
Asset finance	66	55	0	0
Total non-current liabilities	666	1,055	842	944
Total liabilities	943	1,610	2,135	1,741
Net Assets	(625)	(878)	(1,329)	(1,286)
Equity				
Paid up capital	0	0	0	0
Retained earnings	(625)	(878)	(1,329)	(1,285)
Total Equity	(625)	(878)	(1,329)	(1,285)
Adjusted	(25)	122	(487)	(341)

Working capital	CY15 \$'000	CY16 \$'000	CY17 \$'000	YTD18 \$'000
Revenue	2,004	3,065	8,831	4,861
COGS	1,600	2,762	8,345	4,371
Net working capital				
Cash and cash equivalents	20	72	3	3
Trade debtors	147	519	716	326
Statutory liabilities	(108)	(320)	(873)	(645)
Debtor factoring	0	0	0	(45)
Trade payables	(92)	(86)	(107)	(85)
	(33)	185	(261)	(446)

Our observations are provided below:

- The Company has a net asset deficiency since CY15, albeit excluding the related party secured creditor Aizoon, the deficiency is substantially improved.
- Aizoon has contributed substantial capital to the business (\$1 million) which has been used to fund trading losses and working capital.
- The Company has substantially reduced its tax obligations in CY18 from \$842K to \$645K and has complied with its repayment obligations up to the date of the Administrators appointment.
- The trade receivable decline substantially coinciding with the sale of government contracts. We note the Company's major customer has been slow in remitting payment of invoices which has created additional cash flow pressures on the business in the last six months (35% of the debtors ledger is at 90+ days).
- The Company had a net working capital deficiency since CY17 and required a minimum of \$446K to recapitalise at 31 October 2018.

6.3. Company Director's Explanation for the Company's difficulties

The Company's Director, Mr Federico Cornagliotto has advised that the Company's financial difficulties were due to the historic ATO debt and repeated delays in payment from the Company's major customer.

6.4. Administrators' opinion on the reasons for the Company's difficulties

We are of the opinion that the Company's financial distress and failure was largely a result of the following:

- Trading losses since CY15 which has depleted net working capital;
- Inability to manage and fund rapid growth in CY17 which result in an urgent need to recapitalise;
- Inappropriate pricing model, which eroded gross margins and profitability;
- Working capital management and extension of payment terms of major customer, which substantially impacted cash flow and working capital in the last six months; and
- Withdrawal of funding support from Aizoon on 8 November 2018

7. REPORT ON COMPANY ACTIVITIES & PROPERTY ("ROCAP")

The Act requires directors and secretary to complete and provide to the Administrators a ROCAP, detailing the financial position of the Company at the date of our appointment. The ROCAP discloses the estimated book value and estimated realisable value (ERV) of known assets and liabilities.

A summary of the Director's ROCAP is provided as **Appendix D**.

8. DEED OF COMPANY ARRANGEMENT ("DOCA")

8.1. Introduction

On 26 November 2018 we received a DoCA proposal from the director of the Company, Mr Federico Cornagliotto. A copy of the proposed DoCA is available from the creditor portal at www.hogansproles.com.au.

The DoCA is expected to return 20 cents in the dollar to unsecured creditors of the Company (comprising 100 cents in the dollar to contractor creditors and 17.2 cents in the dollar to the remaining unsecured creditors), enable the Company to continue trading and result in employees retaining their positions. The payment of a dividend to the unsecured creditors has been enabled via the secured creditor, Aizoon, agreeing to defer its claim for \$944K in the DoCA pursuant to a Deed of Deferral. The deferment will unlock circa \$141K of funds available for distribution to unsecured creditors that wouldn't otherwise be available in a liquidation scenario.

The proposed DoCA doesn't impact continuing employees. All employment arrangements and employee entitlements will be preserved in full. In the event an employee creditor has an unpaid claim against the Company, their rights are preserved in the Deed Fund as a priority creditor.

Our investigations and legal advice confirm that Aizoon's security interest is defect free and properly perfected. We are of the view that Aizoon's deferment of its claim represents a genuine benefit to creditors. Control of the Company will revert to the Director upon approval and execution of the DoCA.

A return to unsecured creditors is unlikely in a liquidation scenario.

A comparison of the returns from DoCA and Liquidation scenarios are provided at section 9 of this report.

8.2. Key terms

Term	Description
Deed proponent	The Company's Director, Mr Federico Cornagliotto
Deed Administrator	The Administrators will become the Deed Administrators
Composition of Deed Fund	<p>The Deed Fund shall comprise of the following amounts:</p> <ul style="list-style-type: none">a) The retained cash (\$54K)b) Any income received from debtors (net of any amounts owed to the secured creditor Payroll Partner) (\$192K)c) The license fee (\$1,000)
Distribution of Deed Fund	<p>The Deed Administrator shall distribute the Deed Fund in the following order of priority:</p> <ul style="list-style-type: none">a) First, payment of the Administrators Disbursements;b) Second, payment of the Administrators Remuneration;c) Third, payment of Priority Creditors (employees);d) Fourth, payment of Contractor Creditors (personal contractors working on Company projects);e) Fifth, payment of Participating Creditors on a pro rata basis to the Participating Creditors other than the Priority Creditors and Contractor Creditors; and

- f) Finally, in the event there is a surplus, any surplus shall be refunded by the Deed Administrators to the Company.

Note the secured creditor, Payroll Partner is secured over certain debtors of the Company and will receive all distributions from those invoices pursuant to its security interest in priority to all other creditors.

Secured creditor

Payroll Partner

Contractor creditors

Bicky Ealias
Brijesh Kumar Singh
Harpreet Singh Dosanjh
Harshada Koyalikar
Kunai Bedi
Supriya Swamy

Deferred creditor

Aizoon

Deed of Deferral

The Deferred Creditor, Aizoon, shall enter into a Deed of Deferral with the Administrators and the Company with the intent that the Deferred Claim (\$944,090) shall be barred from any claim as against the Deed Fund under the DoCA.

The Deferred Creditor shall be barred from making any claim against the Deed Fund under the DoCA for the deferment period (i.e. from the date the DoCA is executed until its effectuation).

Control

The control and stewardship of the Company will revert to the Director upon the execution of the DoCA.

The Deed Administrators are to have complete access to the books and records of the Company for the purposes of administering the DoCA.

9. ESTIMATED RETURN TO CREDITORS IN A DOCA AND LIQUIDATION

The proposed DoCA will enable an estimated return of 20 cents in the dollar to the unsecured creditors of the Company. The secured creditor, Aizoon, will defer its claim in full and will not participate in the Deed Fund, resulting in a cash surplus of \$141K being available to the unsecured creditors. In our opinion a DoCA, provides a better and more certain return to creditors compared with a liquidation.

In a liquidation scenario the assets of the Company, excluding recovery actions, are insufficient for the purposes of enabling a dividend to unsecured creditors.

Estimated Position Statement	Notes	Book Value \$'000	CVL ERV \$'000	DOCA ERV \$'000
Assets subject to fixed charge				
Debtors	1	339	271	271
Less: Secured Creditor (Payroll Partner)	2	(78)	(78)	(78)
		261	192	192
Circulating assets				
Cash at Bank on appointment	3	54	54	54
Bank Guarantee		37	nil	nil
Intangible Assets		8	nil	nil
Office Furniture & Equipment		3	nil	nil
Voidable transaction recoveries		n/a	nil	n/a
Licence fee		n/a	1	1
		101	55	55
Total assets available		362	248	248
Less: Costs (excl. GST)	4			
VA fees, legals and other			75	75
Liquidators Fees & Disbursements			50	nil
DOCA Fees & Disbursements			nil	25
			125	100
Surplus/Deficiency for Priority Creditors		362	123	148
Less: Priority creditors	5			
Wages		5	5	5
Annual leave		14	14	nil
PILN		6	6	nil
Superannuation		1	1	1
		25	25	6
Surplus/Deficiency for Secured Creditor		316	76	141
Aizoon Australia Pty Ltd (defer participation)	6	944	944	nil
Surplus/Deficiency for Contract creditors		(628)	(868)	141
Contractor creditors	7	23	23	23
Surplus available for Participating creditors		(651)	(891)	117
Unsecured creditors	8			
ATO		639	639	639
Landlord		24	24	nil
Trade Creditors		42	42	42
		705	705	681
Total surplus / deficiency		(1,356)	(1,596)	(564)

Summary of returns

Secured creditor (Payroll Partner)	100 cents in \$	100 cents in \$
Secured creditor (Aizoon Australia)	10 cents in \$	nil
Priority employee's	100 cents in \$	100 cents in \$
Contract creditors	nil	100 cents in \$
Unsecured creditors	nil	17.2 cents in \$

Notes

1. A summary of the outstanding debtors at the date of our appointment is provided below:

Debtors	\$
Tata Consultancy Services Limited	296,182.26
Rimini Street Australia Pty Ltd	14,270.30
Payroll Partner Pty. Ltd.	28,899.62
Total	339,352.18

To date a further \$29K has been received in respect of unfactored book debts. We have also been advised that factored book debts of \$10K and unfactored book debts of \$14K have been paid into the Company's pre-appointment bank account. We have requested that this be transferred to the Company's administration bank account.

The Director has advised that the sum due from Payroll Partner is an amount payable to the Company under the factoring agreement.

2. Of the outstanding balance due to Payroll Partner, factored book debts of \$33K were received prior to our appointment and have been paid to Payroll Partner, leaving a balance of \$45K due to Payroll Partner. A further \$10K of factored book debts have been received into the Company's pre-appointment bank account and will be paid to Payroll Partner in due course.
3. Of the cash at bank of \$54K, \$33K was received in respect of factored book debts and has been paid over to Payroll Partner in respect of their security.
4. These are estimated. Further details can be found at section 14 of this report.
5. Priority creditors consist of employee claims for arrears of wages, annual leave, pay in lieu of notice and superannuation. The claims for annual and pay in lieu of notice will only crystallise on the termination of the employees' employment.
6. Aizoon is the sole shareholder and first ranking secured creditor of the Company. Under the terms of the DoCA Aizoon would defer their claim for \$944k that would otherwise be due and payable in a liquidation.
7. Contractor creditors are personal contractors employed on Company projects. These currently consist of six contractors whose claims are estimated to total \$45K.
8. Along with the ATO and the landlord, the unsecured creditors of the Company are as follows:

Trade Creditors	\$
Job Adder Operations Pty Ltd	1,076.90
JXT Global Pty Ltd	1,925.00
LinkedIn Singapore Pte Ltd	10,023.75
Murchisons Services Pty Ltd	2,722.50
Optus Billing Services Pty Limited	335.00
Primus Telecommunications Pty Limited	89.20
Seek Limited	20,294.00
Superbaht Pty Ltd	5,011.24
Telstra	281.60
Total	41,759.19

10. RECOVERIES, OFFENCES, VOIDABLE TRANSACTIONS & INSOLVENT TRADING

We have reviewed the Company's financial statements, general ledgers, bank statements and books and records to identify possible recoveries and offences.

For general information about what offences may be identified by the Administrators, please refer to the attached ARITA information sheet entitled "*Creditor Information Sheet: Offences, Recoverable transactions and Insolvent Trading*" marked as **Appendix F**.

10.1. Review of specific transactions

a) Aizoon loan account

We refer to our commentary at section 5.3 of this report. The transactions recorded against the ledger appear to have been adequately documented and captured by the Company's accounting system. There may be a possible unreasonable director related transaction for \$6K associated with certain loan repayments since 31 December 2017. Details of potential claim are provided at section 1.6.

b) Aizoon security interest

We refer to sections 1.7 and 5.3 of this report. Based on our investigations and legal advice, the security registration is defect free and properly perfected in accordance with the PPSA.

c) Sale of government contracts

We refer to our commentary at section 5.4 of this report. Based on our investigations the sale was conducted at arm's length and at a commercial value. We do not consider there will be any recovery actions associated with the sale.

10.2. Voidable Transactions

Corporations Regulation 5.3A.02 requires Administrators to specify whether there are any transactions that appear to be voidable transactions in respect of money, property or other benefits which may be recoverable by a liquidator under Part 5.7B of the Act.

This issue is relevant to creditors if they are being asked to choose between a Deed of Company Arrangement (DOCA) or liquidation, as voidable transactions are only recoverable if a company is being wound up, i.e. in liquidation.

Our preliminary view is that the Company became insolvent on 8 November 2018 when Aizoon advised the Company that further funding would not be provided.

To the extent that information has been available, the Administrators have conducted the following preliminary investigations in relation to voidable transactions:

- Review the books and records to determine whether there have been any unfair loans to or from the Company;

- Review books and records for the period approximately 6 months prior to the appointment of the Administrators to determine whether any creditors have been preferred over the general body of creditors as a result of any transaction; and
- Reviewed documentation provided to us by third parties.

A summary of the various transactions is set out below:

a) Unfair Preferences (Section 588FA)

We have investigated the Company's records for the relation back day period, being six (6) months prior to the date of our appointment. Our preliminary review is that certain unfair preferences may be available.

The ATO received thirteen (13) payments, totalling, \$1.1m during the relation back day period.

We note that our investigations in relation to the above are continuing and that the above transactions may be voidable transactions recoverable by a liquidator, albeit the ability to pursue these transactions, assuming a date of insolvency that coincides with our appointment, would make recovery difficult. In our opinion the recovery of this claim in a liquidation scenario is uncertain.

There are a range of defences that may be available to the parties involved in the above transactions that would need to be considered and investigated prior to commencing recovery action.

It would also be necessary to establish that the Company was insolvent, and the recipient had reasonable grounds for suspecting that the Company was insolvent at the time or would become insolvent.

b) Uncommercial Transactions (Section 588FB)

Section 588FB of the Corporations Act provides for transactions that were not beneficial or were detrimental to the Companies as being void. The transaction must have occurred when the Companies was insolvent or would become insolvent.

From our investigations to date, we have not identified any transactions that would be subject to this Section of the Act.

c) Unfair Loans (Section 588FD)

Section 588FD of the Act provides for loans to be voided in circumstances where interest or charges are considered extortionate.

From our investigations to date, we have not identified any transactions that would be subject to this Section of the Act.

d) Unreasonable Director-Related Transactions (Section 588FDA)

Section 588FDA of the Corporations Act provides for transactions where it may be expected that a reasonable person in the Company's circumstances would not have entered into the transaction having regard to the benefits, detriments and respective benefits to other parties.

Based on our investigations to date, we have identified a potential recovery of \$6K associated with the Aizoon loan account that may be available for a liquidator to pursue. The claim is uncertain and would require further investigation.

e) Related Party Transactions (Section 588FE(4))

Section 588FE(4) of the Act provides for payments to related parties may be voided where the Company was insolvent at the time of the transaction.

From our investigations to date, we have not identified any transactions that would be subject to this Section of the Act.

f) Circulating security interest created within 6 months before relation back date (Section 588 FJ)

Our searches reveal there were no circulating security interest created within 6 months before our appointment.

10.3. Insolvent Trading (Section 588G)

Section 588G of the Act provides that a company's director(s) has a duty to protect the company from incurring debt when there are reasonable grounds for suspecting that the company will be unable to pay its debts as and when they fall due. Section 588M of the Act provides that a Liquidator is able to recover 'damages' from the director(s) of an insolvent company, in an amount equal to the loss or damage suffered by the company as a result of a breach of duty.

Section 95A(1) of the Corporations Act 2001 provides a definition of a solvent entity as follows:

"A person is Solvent if, and only if, the person is able to pay all of its debts, as and when they become due and payable"

An insolvent entity is defined under Section 95A(2) of the Corporations Act 2001 as:

"A person which is not Solvent is Insolvent"

The Company traded at a loss since CY15 and funded its working capital / cash flow through a number of means including:

- Negotiation of a repayment plan with the ATO which deferred the payment obligation of \$872K over a period of 29 months.
- Funding from related party Aizoon in the sum of \$1 million since 14 December 2013

- Divestment of its government contracts business in May 2018 for \$210K.

The Company had not defaulted on the ATO repayment plan at the date of our appointment.

Using the cash flow test as a primary indicator of insolvency, we estimate the potential date of insolvency as 8 November 2018, which coincides with the secured creditor, Aizoon's, withdrawal of funding support.

From a balance sheet perspective, the Company may have been balance sheet insolvent from at least 31 December 2017 when a working capital deficiency of \$261K was recorded. We note the net working capital deteriorated further in CY18 and the Company would have required \$446K as a minimum to recapitalise.

When assessing insolvency, we have also considered the Company's ability to raise capital externally. The Company did have access to capital through Aizoon and had been drawing down on the facility during CY18. We note that the overall creditor position had been improving, except for the increasing exposure to Aizoon. On 8 November 2018, Aizoon formally withdrew its funding support to the Company at which point the Company was placed into Voluntary Administration.

When making our assessment of the Company's insolvency we would also consider the common law principles, some of which include:

- Whether or not a company is insolvent for the purposes of the Corporations Act, ss95A, 459B, 588FC or 588G(1)(b) is a question of fact to be ascertained from the consideration of the company's financial position taken as a whole.
- In considering the company's financial position, the court must have regard to the commercial realities. Commercial realities will be relevant in considering what resources are available to the company to meet its liabilities as they fall due, whether the resources other than cash are realisable by sale or borrowing upon security, and when such realisation are achievable.
- The conclusion of insolvency ought to be clear from a consideration of the debtor's financial position in its entirety and generally speaking ought not to be drawn simply from evidence of temporary lack of liquidity. It is the debtor's inability, utilising such cash resources as he has or can command through the use of his/her assets, to meet his/her debts as they fall due which indicates insolvency.

Further investigations are required to determine insolvency and the quantum of any claim. The defences available to a director pursuant to section 588FGB of the Act include:

- if it is provided that, at the payment time, the person had reasonable grounds to expect, and did expect, that the company was solvent at that time and would remain solvent if it made the payment;

- had reasonable grounds to believe, and did believe:
 - that a competent and reliable person (*the other person*) was responsible for providing to the first-mentioned person adequate information about whether the company was solvent; and
 - that the other person was fulfilling that responsibility.
- expected, on the basis of information provided to the first-mentioned person by the other person, that the company was solvent at that time and would remain solvent even if it made the payment.
- because of illness or for some other good reason, the person did not take part in the management of the company at the payment time.
- the person took all reasonable steps to prevent the company from making the payment; or there were no such steps the person could have taken.

For general information about insolvent trading, please refer to the Creditor Information Sheet – S439A reports contained within the Code of Professional Conduct on the ARITA website at www.arita.com.au.

10.4. Directors' Personal Financial Position

If the Company is wound up at the Second Meeting of Creditor further investigations may be conducted into the prospects of a successful actions against the Director and former director and the cost benefits of pursuing such actions.

If necessary we will be requesting the directors to provide details of their personal financial position.

10.5. Breach of Directors' Duties

Section 180 to 184 of the Act sets out duties and powers of directors and officers of a company to enable directors to act in the interest of a company. The duties include:

- Section 180 – Care and Diligence (Civil obligations)
- Section 181 – Good Faith (Civil obligations)
- Section 182 – Use of Position (Civil obligations)
- Section 183 – Use of Information (Civil obligations)
- Section 184 – Good faith, use of position and use of information (Criminal offences)

From our investigations to date, we have not identified any conduct that would be subject to these Sections of the Act.

11. ADMINISTRATORS' OPINION

Section 439A requires Administrators to provide their opinion on which of the three (3) alternative courses of action available to creditors, is in their interests.

It is the Administrators' opinion in relation to the Company that:

- It **would not be** in the creditors' best interest to resolve **to end the administration** at the second meeting of creditors as the Company is insolvent and is unlikely to return to solvency.
- It **would be** in the creditors' best interest to resolve that the Company execute a Deed of Company Arrangement ("DoCA") for the following reasons:
 - The proposed DoCA provides a greater return to the unsecured creditors of the Company than a Liquidation.
 - The proposed DoCA provides a more certain return to the unsecured creditors of the Company than a Liquidation.
 - The proposed DoCA will cost less to administer than a Liquidation.
 - The proposed DoCA enables the business to continue and employees to be retained.
- It **would not be** in the creditors' best interests for the Company to be wound up for the following reasons:
 - It would provide a smaller return to the unsecured creditors of the Company compared with the proposed DoCA.
 - The prospect of a return to the unsecured creditors of the Company is uncertain and reliant on voidable transaction recoveries, which are uncertain
 - The costs of a Liquidation will be greater than the proposed DoCA.
 - A Liquidation is likely to result in the termination of the employees and the crystallisation of entitlements.
 - The secured creditor, Aizoon, would be entitled to participate as a creditor in any distribution and substantially erode any return to creditors in the liquidation scenario (noting they have agreed to defer their claim in the DoCA and not participate in the Deed Fund)

See **Appendix A** as our formal statement of opinion.

12. SECOND MEETING OF CREDITORS

The Second Meeting of Creditors is to be held at the offices of **HoganSproles at Level 9, 60 Pitt Street, Sydney NSW on Thursday, 6 December 2018 at 11:00am.**

The purpose of the Second Meeting of Creditors is to discuss the Company's affairs and to determine the Company's future. Creditors' options are as follows:

- That the Administration should end.
- The Company executes a Deed of Company Arrangement.
- That the Company be wound up.

Creditors may adjourn the meeting for up to forty-five (45) business days.

Creditors will also be asked whether they wish to replace the incumbent Administrators with a new liquidator or deed administrator (as applicable).

In respect of the meeting please find enclosed the following at **Appendix B**:

- Form 529 – Notice of Meeting and Agenda
- Form 532 – Appointment of Proxy
- Form 535 – Proof of Debt Form

In order to receive this report and any future reports and/or notices via email or facsimile, rather than by regular post, please provide your contact details on the enclosed Proof of Debt form.

Telephone facilities will be available.

13. CONDUCT OF THE ADMINISTRATION

We have attended to the following matters:

- Issued notices of appointment;
- Met with the Company's Director to understand the background and financial position of the Company;
- Attended to statutory duties including notifying ASIC, the ATO and other relevant authorities of their appointment and advertising their appointment;
- Organising access to electronic data and files for investigation;
- Convened the first meeting of creditors held on 21 November 2018;
- Attended and chaired the first meeting of creditors (and lodged minutes of those meetings);

- Undertook personal property securities register and property searches;
- Written to security interest parties for details of their securities and supporting documentation;
- Conducted a preliminary review of the books and records made available, to ascertain the Company's financial position, the key issues affecting the Company and transactions potentially recoverable by a liquidator;
- Liaised with stakeholders, including the accountant and creditors of the Company;
- Liaised with insurance brokers regarding the adequate cover of insurance over the assets;
- Answered unsecured creditors' enquiries in relation to the Administration;
- Conducting preliminary investigations in relation to the business, affairs and financial circumstances of the Company; and
- Prepared a detailed report to creditors pursuant to Section 439A of the Act.

14. REMUNERATION

14.1. Voluntary Administration

At the meeting of creditors to be held on 6 December 2018, pursuant to Section 449E of the Act, the Administrators will seek creditor approval for the fee's set out in the remuneration report, which is attached as **Appendix G**.

At the meeting, creditors will be asked to consider the following resolutions:

"That the remuneration of the Administrators, their partners and staff, for the period of the administration from 9 November 2018 to 27 November 2018 is fixed at a sum equal to the cost of time spent by the Administrators and the Administrators' partners and staff, calculated at the hourly rates as detailed in the report to creditors of 13 November 2018 of fees equalling \$45,762.40 plus GST, and that the Administrators can draw the remuneration immediately or as required."

"That the future remuneration of the Administrators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors of 13 November 2018, for the period 28 November 2018 to 6 December 2018, is fixed and approved to a maximum cap of \$5,000 plus GST, and can be drawn as soon as practicable after the conclusion of the second meeting. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought."

"That the future remuneration of the Administrators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors of 13 November 2018, for the period, from 6 December 2018 to the conclusion of the administration, is fixed and approved to a maximum cap of \$5,000 plus GST, and can be drawn as soon as practicable after the conclusion of the second meeting. Should a lesser amount be incurred, only the lesser

amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought."

"That the internal disbursements of the Administrators for the period 9 November 2018 to the conclusion of the Administration at the rates outlined in the Remuneration Approval Report dated 28 November 2018 be capped at the amount of \$5,000 plus GST and can be drawn by the Administrators as required."

A copy of the information sheet 'Approving Fees: a guide for creditors' can be found on the ASIC website at www.asic.gov.au.

14.2. Deed of Company Arrangement

If the Company enters into a Deed of Company Arrangement, approval of the Deed Administrator's future fees will be sought in accordance with the remuneration report attached as **Appendix G**. A summary of the tasks to be completed by the Deed Administrators and their staff in the conduct of the deed for the period upon signing of the deed to the completion is also outlined in the **Remuneration Report**.

At the meeting, creditors will be asked to consider the following resolutions:

"That the remuneration of the Deed Administrators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors of 13 November 2018, for the period from commencement of the Deed of Company Arrangement to completion of the Deed of Company Arrangement, is fixed and approved to a maximum cap of \$20,000 plus GST, to be drawn only when incurred on a monthly basis or as required. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought."

"That the internal disbursements of the Deed Administrators for the period from the commencement of the Deed of Company Arrangement to the conclusion of the Deed of Company Arrangement at the rates outlined in the Remuneration Approval Report dated 28 November 2018 be capped at the amount of \$5,000 plus GST and can be drawn by the Deed Administrators as required."

14.3. Liquidation

If the Company is placed into liquidation, approval of the Liquidator's future fees will be sought in accordance with the remuneration report attached as **Appendix G**. A summary of the tasks to be completed by the Liquidators and their staff in the conduct of the liquidation for the period 6 December 2018 to the completion of the liquidation is also outlined in the **Remuneration Report**.

At the meeting, creditors will be asked to consider the following resolutions:

"That the remuneration of the Liquidators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors of 13 November 2018, for the period from commencement of the liquidation to completion of the liquidation, is fixed and approved to a maximum cap of \$45,000 plus GST, to be drawn only when incurred on a monthly basis or as required. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought."

"That the internal disbursements of the Liquidators for the period from the commencement of the liquidation to the conclusion of the liquidation at the rates outlined in the Remuneration Approval Report dated 28 November 2018 be capped at the amount of \$5,000 plus GST and can be drawn by the Liquidators as required."

DATED this **28th day of November 2018**



Christian Sprowles
Joint and Several Administrator

Appendix A

**Horizon Consulting Pty Ltd
(Administrators Appointed)
A.C.N. 100 724 338**

**STATEMENT OF ADMINISTRATORS'S OPINION
PURSUANT TO SECTION 439A(4)(b) OF THE CORPORATIONS ACT**

This statement sets out our opinions in relation to the alternatives which the creditors of the Company will consider at the Second Meeting of Creditors to be held at **the offices of HoganSprowles at Level 9, 60 Pitt Street, Sydney NSW on Thursday, 6 December 2018 at 11:00am.**

- It **would not be** in the creditors' best interest to resolve **to end the administration** at the second meeting of creditors as the Company is insolvent and is unlikely to return to solvency.
- It **would be** in the creditors' best interest to resolve that the Company execute a Deed of Company Arrangement ("DoCA") for the following reasons:
 - The proposed DoCA provides a greater return to the unsecured creditors of the Company than a Liquidation.
 - The proposed DoCA provides a more certain return to the unsecured creditors of the Company than a Liquidation.
 - The proposed DoCA will cost less than a Liquidation.
 - The proposed DoCA enables the business to continue and allow employees to be retained.
- It **would not be** in the creditors' best interests for the Company to be wound up for the following reasons:
 - It would provide a smaller return to the unsecured creditors of the Company than would the proposed DoCA.
 - The prospect of a return to the unsecured creditors of the Company is uncertain.
 - The costs of a Liquidation will be greater than the proposed DoCA.
 - A Liquidation is likely to result in the termination of the employment of the employees, which will crystallise their entitlements.
 - Any return to the unsecured creditors of the Company in a Liquidation will be dependent upon the recovery of voidable transactions which we consider to be unlikely.

Dated this **28th day of November 2018**


Christian Sprowles
Joint & Several Administrator

Appendix B

FORM 529

CORPORATIONS ACT 2001
Section 439A
Insolvency Practice Rules (Corporations)
75-10, 75-15 & 75-20

NOTICE OF SECOND MEETING OF CREDITORS

Horizon Consulting Pty Ltd
(Administrators Appointed)
A.C.N. 100 724 338
("the Company")

NOTICE IS GIVEN that concurrent meeting of the creditors of the Companies will be held at **the offices of HoganSprowles at Level 9, 60 Pitt Street, Sydney NSW on Thursday, 6 December 2018 at 11:00am.**

AGENDA

1. To review the Administrators' report concerning the companies' business, property, affairs and financial circumstances.
2. For creditors to consider the options available and to resolve either:
 - a) that the administration should end; or
 - b) that the company execute a Deed of Company Arrangement; or
 - c) that the company be wound up.
3. For creditors to:
 - a) approve the Voluntary Administrators' remuneration; and
 - b) determine the remuneration of the Deed Administrator/Liquidator, if one is appointed.
4. For creditors to consider the appointment of an alternative Deed Administrator or Liquidator.
5. If the Company is wound up, to consider the appointment of a Committee of Inspection.
6. If the Company is wound up, to consider the early destruction of the books and records at the conclusion of the liquidation.
7. To consider any other business that may be brought before the meeting.

Telephone conference facilities will be available at the meeting. Please note that under Insolvency Practice Rules (Corporations) (IPR) 75-35:

- a) A person, or the proxy or attorney of a person, who wishes to participate in the meeting by telephone must give to the convener, not later than the second last working day before the day on which the meeting is to be held, written statement setting out:
 - (i) the name of the person and of the proxy or attorney (if any); and
 - (ii) an address to which notices to the person, proxy or attorney may be sent; and
 - (iii) a method by which the person, proxy or attorney may be contacted for the purposes of the meeting.
- b) A person, or the proxy or attorney of a person, who participates in the meeting by telephone must pay any costs incurred by the person, proxy or attorney in participating and is not entitled to be reimbursed for those costs from the assets of the Company.

Proxies to be used at the meeting should be given to me as Joint and Several Administrator and to the person named as convening the meeting. A creditor can only be represented by proxy or by an attorney pursuant to IPR 75-150 & 75-155 and if a body corporate by a representative appointed pursuant to Section 250D.

Creditors will not be entitled to vote at this meeting unless they have previously lodged particulars of their claim against the Company in accordance with IPR 75-85 and that claim has been admitted for voting purposes wholly or in part by the Joint and Several Administrators.

Dated this **28th day of November 2018**


Christian Sprowles
Joint & Several Administrator
HoganSprowles Pty Ltd, Level 9, 60 Pitt Street, Sydney NSW 2000.

FORM 535
CORPORATIONS ACT 2001

ACN 100 724 338

Sub regulation 5.6.49(2)

FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)

To the Joint and Several Administrators Horizon Consulting Pty Ltd (Administrators Appointed)

1. This is to state that the company was, on 9 November 2018 ⁽¹⁾ and still is, justly and truly indebted to ⁽²⁾ (full name):

.....
(‘Creditor’)

.....
of (full address)

for \$dollars andcents.

Particulars of the debt are:

Date	Consideration ⁽³⁾ state how the debt arose	Amount \$	GST included \$	Remarks ⁽⁴⁾ include details of voucher substantiating payment

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any manner of satisfaction or security for the sum or any part of it except for the following:

Insert particulars of all securities held. Where the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, specify them in a schedule in the following form:

Date	Drawer	Acceptor	Amount \$ c	Due Date

☐ I am **not** a related creditor of the Company ⁽⁵⁾

☐ I am a related creditor of the Company ⁽⁵⁾
relationship:

3A.^{(6)*} 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, still remains unpaid and unsatisfied.

3B.^{(6)*} I am the creditor's agent authorised to make this statement in writing. I know that the debt was incurred and for the consideration stated and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.

DATED this day of 2018

Signature of Signatory

NAME IN BLOCK LETTERS

Occupation

Address

See Directions overleaf for the completion of this form

OFFICE USE ONLY

POD No:		ADMIT (Voting / Dividend) - Ordinary	\$
Date Received:	/ /	ADMIT (Voting / Dividend) – Preferential	\$
Entered into CORE IPS:		Reject (Voting / Dividend)	\$
Amount per CRA/RATA	\$	Object or H/Over for Consideration	\$
Reason for Admitting / Rejection			
PREP BY/AUTHORISED		TOTAL PROOF	\$
DATE AUTHORISED	/ /		

Proof of Debt Form Directions

- * Strike out whichever is inapplicable.
- (1) Insert date of Court Order in winding up by the Court, or date of resolution to wind up, if a voluntary winding up.
 - (2) Insert full name and address (including ABN) 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.
 - (3) Under "Consideration" state how the debt arose, for example "goods sold and delivered to the company between the dates of", "moneys advanced in respect of the Bill of Exchange".
 - (4) Under "Remarks" include details of vouchers substantiating payment.
 - (5) Related Party / Entity: Director, relative of Director, related company, beneficiary of a related trust.
 - (6) If the Creditor is a natural person and this proof is made by the Creditor personally. In other cases, if, for example, you are the director of a corporate Creditor or the solicitor or accountant of the Creditor, you sign this form as the Creditor's authorised agent (delete item 3A). If you are an authorised employee of the Creditor (credit manager etc), delete item 3B.

Annexures

- A. If space provided for a particular purpose in a form is insufficient to contain all the required information in relation to a particular item, the information must be set out in an annexure.
- B. An annexure to a form must:
 - (a) have an identifying mark;
 - (b) and be endorsed with the words:
 - i) "This is the annexure of *(insert number of pages)* pages marked *(insert an identifying mark)* referred to in the *(insert description of form)* signed by me/us and dated *(insert date of signing)*; and
 - (c) be signed by each person signing the form to which the document is annexed.
- C. The pages in an annexure must be numbered consecutively.
- D. If a form has a document annexed the following particulars of the annexure must be written on the form:
 - (a) the identifying mark; and
 - (b) the number of pages.
- E. A reference to an annexure includes a document that is with a form.

CORPORATIONS ACT 2001
Insolvency Practice Rules (Corporations)
75-25 & 75-150

APPOINTMENT OF PROXY
CREDITORS MEETING

**Horizon Consulting Pty Ltd
(Administrators Appointed)
A.C.N. 100 724 338**

*I/*We ⁽¹⁾	
Of (address)	
being a creditor of the Company, appoint ⁽²⁾ or in his or her absence	
to vote for me/us on my/our behalf at the meeting of creditors to be held on 6 December 2018 or at any adjournment of that meeting.	

Please mark any boxes with an

☒

Proxy Type:

☐

General

☐

Special

	For	Against	Abstain
Resolution 1 A resolution that the Administration end.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 A resolution that the company be required to execute a Deed of Company Arrangement.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 A resolution that the Company be wound up.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 That in the event that the Company is wound up and an alternate Liquidator is proposed, that the existing Liquidators be replaced and (Alternative Appointee) be appointed in their stead.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 That the remuneration of the Administrators, their partners and staff, for the period of the administration from 9 November 2018 to 27 November 2018 is fixed at a sum equal to the cost of time spent by the Administrators and the Administrators' partners and staff, calculated at the hourly rates as detailed in the report to creditors of 13 November 2018 of fees equalling \$45,762.40 plus GST, and that the Administrators can draw the remuneration immediately or as required.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<p>Resolution 6</p> <p>That the future remuneration of the Administrators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors of 13 November 2018, for the period 28 November 2018 to 6 December 2018, is fixed and approved to a maximum cap of \$5,000 plus GST, and can be drawn as soon as practicable after the conclusion of the second meeting. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Resolution 7</p> <p>That the future remuneration of the Administrators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors of 13 November 2018, for the period, from 6 December 2018 to the conclusion of the administration, is fixed and approved to a maximum cap of \$5,000 plus GST, and can be drawn as soon as practicable after the conclusion of the second meeting. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Resolution 8</p> <p>That the remuneration of the Deed Administrators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors of 13 November 2018, for the period from commencement of the Deed of Company Arrangement to completion of the Deed of Company Arrangement, is fixed and approved to a maximum cap of \$20,000 plus GST, to be drawn only when incurred on a monthly basis or as required. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Resolution 9</p> <p>That the remuneration of the Liquidators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors of 13 November 2018, for the period from commencement of the liquidation to completion of the liquidation, is fixed and approved to a maximum cap of \$45,000 plus GST, to be drawn only when incurred on a monthly basis or as required. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Resolution 10</p> <p>That the internal disbursements of the Administrators for the period 9 November 2018 to the conclusion of the Administration at the rates outlined in the Remuneration Approval Report dated 28 November 2018 be capped at the amount of \$5,000 plus GST and can be drawn by the Administrators as required.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature

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Appendix C

Horizon Consulting Pty Ltd
(Administrators Appointed)
ACN 100 724 338

Receipts & Payments for the period 9 November 2018 to 27 November 2018

Receipts	Net Amount
	\$
Debtors	29,251.55
Cash at Bank	54,270.00
Licence fee	1,000.00
Total Receipts (Incl GST)	84,521.55
Payments	
Secured Creditor - Payroll Partner Pty. Ltd.	33,412.50
Total Payments (Incl GST)	33,412.50
Net Receipts/(Payments)	51,109.05

Appendix D

Horizon Consulting Pty Ltd (Administrators Appointed) ACN 100 724 338		
Report On Company Activities & Property	Notes	Estimated Value \$
Assets subject to fixed charge		
Debtors		338,452.56
Less: secured creditor (A-Positive)		(78,402.06)
		260,050.50
Circulating assets		
Cash at Bank on appointment		54,270.56
Deposit: Bank Guarantee		37,045.23
Intangible Assets		7,500.00
Office Furniture & Equipment		2,500.00
Estimated Surplus/(Deficiency) for Priority Creditors		361,366.29
Less: priority unsecured creditors		
Employee entitlements		19,576.18
Estimated Surplus/(Deficiency) for Secured Creditors		341,790.11
Less: secured creditors		
Aizoon Australia Pty Limited		944,090.00
Estimated Surplus/(Deficiency) for Unsecured Creditors		(602,299.89)
Less: unsecured creditors		
Contractors		64,955.47
ATO		639,183.99
Landlord		23,738.00
Trade Creditors		40,682.05
Estimated Surplus/(Deficiency)		(1,370,859.40)

Appendix E



ASIC

Australian Securities & Investments Commission

Insolvency information for directors, employees, creditors and shareholders

ASIC has 11 insolvency information sheets to assist you if you're affected by a company's insolvency and have little or no knowledge of what's involved.

These plain language information sheets give directors, employees, creditors and shareholders a basic understanding of the three most common company insolvency procedures—liquidation, voluntary administration and receivership. There is an information sheet on the independence of external administrators and one that explains the process for approving the fees of external administrators. A glossary of commonly used insolvency terms is also provided.

The Insolvency Practitioners Association (IPA), the leading professional organisation in Australia for insolvency practitioners, endorses these publications and encourages its members to make their availability known to affected people.

List of information sheets

- INFO 41 *Insolvency: a glossary of terms*
- INFO 74 *Voluntary administration: a guide for creditors*
- INFO 75 *Voluntary administration: a guide for employees*
- INFO 45 *Liquidation: a guide for creditors*
- INFO 46 *Liquidation: a guide for employees*
- INFO 54 *Receivership: a guide for creditors*
- INFO 55 *Receivership: a guide for employees*
- INFO 43 *Insolvency: a guide for shareholders*
- INFO 42 *Insolvency: a guide for directors*
- INFO 84 *Independence of external administrators: a guide for creditors*
- INFO 85 *Approving fees: a guide for creditors*

Getting copies of the information sheets

To get copies of the information sheets, visit ASIC's website at www.asic.gov.au/insolvencyinfosheets. The information sheets are also available from the IPA website at www.ipaa.com.au. The IPA website also contains the IPA's Code of Professional Practice for Insolvency Professionals, which applies to IPA members.

Important note: The information sheets contain a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. These documents may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances. You will need a qualified professional adviser to take into account your particular circumstances and to tell you how the law applies to you.

Appendix F

Creditor Information Sheet

Offences, Recoverable Transactions and Insolvent Trading



Offences

A summary of offences under the Corporations Act that may be identified by the administrator:

180	Failure by company officers to exercise a reasonable degree of care and diligence in the exercise of their powers and the discharge of their duties.
181	Failure to act in good faith.
182	Making improper use of their position as an officer or employee, to gain, directly or indirectly, an advantage.
183	Making improper use of information acquired by virtue of the officer's position.
184	Reckless or intentional dishonesty in failing to exercise duties in good faith for a proper purpose. Use of position or information dishonestly to gain advantage or cause detriment. This can be a criminal offence.
198G	Performing or exercising a function or power as an officer while a company is under administration.
206A	Contravening a court order against taking part in the management of a corporation.
206A, B	Taking part in the management of corporation while being an insolvent, for example, while bankrupt.
206A, B	Acting as a director or promoter or taking part in the management of a company within five years after conviction or imprisonment for various offences.
209(3)	Dishonest failure to observe requirements on making loans to directors or related companies.
254T	Paying dividends except out of profits.
286	Failure to keep proper accounting records.
312	Obstruction of an auditor.
314-7	Failure to comply with requirements for the preparation of financial statements.
437D(5)	Unauthorised dealing with company's property during administration.
438B(4)	Failure by directors to assist administrator, deliver records and provide information.
438C(5)	Failure to deliver up books and records to the administrator.
590	Failure to disclose property, concealed or removed property, concealed a debt due to the company, altered books of the company, fraudulently obtained credit on behalf of the company, material omission from Report as to Affairs or false representation to creditors.

Recoverable Transactions

Preferences

A preference is a transaction, such as a payment by the company to a creditor, in which the creditor receiving the payment is preferred over the general body of creditors. The relevant period for the payment commences six months before the commencement of the liquidation. The company must have been insolvent at the time of the transaction, or become insolvent because of the transaction.

Where a creditor receives a preference, the payment is voidable as against a liquidator and is liable to be paid back to the liquidator subject to the creditor being able to successfully maintain any of the defences available to the creditor under the Corporations Act.

Uncommercial Transaction

An uncommercial transaction is one that it may be expected that a reasonable person in the company's circumstances would not have entered into, having regard to:

- the benefit or detriment to the company;
- the respective benefits to other parties; and,
- any other relevant matter.



To be voidable, an uncommercial transaction must have occurred during the two years before the liquidation. However, if a related entity is a party to the transaction, the period is four years and if the intention of the transaction is to defeat creditors, the period is ten years.

The company must have been insolvent at the time of the transaction, or become insolvent because of the transaction.

Unfair Loan

A loan is unfair if and only if the interest was extortionate when the loan was made or has since become extortionate. There is no time limit on unfair loans – they only must be entered into before the winding up began.

Arrangements to avoid employee entitlements

If an employee suffers loss because a person (including a director) enters into an arrangement or transaction to avoid the payment of employee entitlements, the liquidator or the employee may seek to recover compensation from that person. It will only be necessary to satisfy the court that there was a breach on the balance of probabilities. There is no time limit on when the transaction occurred.

Unreasonable payments to directors

Liquidators have the power to reclaim 'unreasonable payments' made to directors by companies prior to liquidation. The provision relates to payments made to or on behalf of a director or close associate of a director. The transaction must have been unreasonable, and have been entered into during the 4 years leading up to a company's liquidation, regardless of its solvency at the time the transaction occurred.

Voidable charges

Certain charges over company property are voidable by a liquidator:

- circulating security interest created within six months of the liquidation, unless it secures a subsequent advance;
- unregistered security interests;
- security interests in favour of related parties who attempt to enforce the security within six months of its creation.

Insolvent trading

In the following circumstances, directors may be personally liable for insolvent trading by the company:

- a person is a director at the time a company incurs a debt;
- the company is insolvent at the time of incurring the debt or becomes insolvent because of incurring the debt;
- at the time the debt was incurred, there were reasonable grounds to suspect that the company was insolvent;
- the director was aware such grounds for suspicion existed; and
- a reasonable person in a like position would have been so aware.

The law provides that the liquidator, and in certain circumstances the creditor who suffered the loss, may recover from the director, an amount equal to the loss or damage suffered. Similar provisions exist to pursue holding companies for debts incurred by their subsidiaries.

A defence is available under the law where the director can establish:

- there were reasonable grounds to expect that the company was solvent and they did so expect;
- they did not take part in management for illness or some other good reason; or
- they took all reasonable steps to prevent the company incurring the debt.

The proceeds of any recovery for insolvent trading by a liquidator are available for distribution to the unsecured creditors before the secured creditors.

Important note: This information sheet contains a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. This document may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances.

Appendix G

Remuneration Report

**Horizon Consulting Pty Ltd
(Administrators Appointed)
A.C.N. 100 724 338
("the Company")**

This remuneration report provides you with the information you need to be able to make an informed decision regarding the approval of our remuneration for undertaking the Administration.

Table of Contents

Part 1:	Declaration
Part 2:	Executive Summary
Part 3:	Description of work completed / to be completed
Part 4:	Calculation of Remuneration
Part 5:	Statement of Remuneration Claim
Part 6:	Remuneration Recoverable from External Sources
Part 7:	Likely impact on dividends
Part 8:	Disbursements
Part 9:	Report on Progress of the Administration
Part 10:	Summary of Receipts and Payments
Part 11:	Queries
Part 12:	Information Sheet

Part 1: Declaration

Christian Sprowles and Michael Hogan of HoganSprowles have undertaken a proper assessment of this remuneration claim for our appointment as Joint and Several Administrators of Horizon Consulting Pty Ltd in accordance with the law and applicable professional standards. We are satisfied that the remuneration claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of the administration.

Part 2: Executive Summary

To date, no remuneration has been approved and paid in the administrations. This remuneration report details approval sought for the following fees:

	Amount ex GST (\$)
Current remuneration approval sought:	
<i>Voluntary Administration - Actual</i>	
Resolution 5: 9 November 2018 to 27 November 2018	45,762.40
<i>Voluntary Administration - Estimated</i>	
Resolution 6: 28 November 2018 to 6 December 2018	5,000.00
Resolution 7: 6 December 2018 to the conclusion of the administration	5,000.00
<i>Total - Voluntary Administration</i>	55,762.40
<i>Deed of Company Arrangement</i>	
Resolution 8: from commencement to completion	20,000.00
<i>Total - Deed of Company Arrangement</i>	20,000.00
<i>Liquidation</i>	
Resolution 9: from commencement to completion	45,000.00
<i>Total - Liquidation</i>	45,000.00

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

This is consistent with the estimate of costs provided in the Initial Advice to Creditors dated 13 November 2018, which estimated a cost to completion of the administration of \$80,000 (excluding GST).

Part 3: Description of work completed / to be completed

Resolution 5 - Current Joint and Several Administrators' remuneration for the period 9 November 2018 to 27 November 2018

Task Area	General Description	Includes
Assets Number of hours: 5.95 Cost: \$2,387.35	Assets subject to specific charges	All tasks associated with realising a charged asset
	Debtors	Correspondence with debtors Reviewing and assessing debtors ledgers Liaising with debt collectors and solicitors
	Other Assets	Tasks associated with realising other assets
Creditors Number of hours: 47.83 Cost: \$19,735.38	Creditor Enquiries	Receive and follow up creditor enquiries via telephone Maintaining creditor enquiry register Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Secured creditor reporting	Responding to secured creditor's queries
	Creditor reports	Preparing 439A, investigation, meeting and 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
	Meeting of Creditors	Preparation meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. Preparation & lodgement of minutes of meetings with ASIC Respond to stakeholder queries and questions immediately following meeting
Trade On Number of hours: 5.00 Cost: \$2,270.00	Trade On Management	Liaising with suppliers Liaising with management and staff Attendance on site
	Processing receipts and payments	Entering receipts and payments into accounting system
Investigation Number of hours: 38.58 Cost: \$18,170.87	Conducting investigation	Collection of company books and records Correspondence with ASIC to receive assistance in obtaining reconstruction of financial statements company's books & records and Report as to Affairs 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

Task Area	General Description	Includes
Administration Number of hours: 12.60 Cost: \$3,198.80		Lodgement of investigation with the ASIC Preparation and lodgement of supplementary report if required
	ASIC reporting	Preparing statutory investigation reports Preparing affidavits seeking non lodgements assistance Liaising with ASIC
	Correspondence	With various stakeholders
	Document maintenance/file review/checklist	First month, then 6 monthly administration review Filing of documents File reviews Updating checklists
	Insurance	Correspondence with Willis regarding initial and ongoing insurance requirements Correspondence with previous brokers
	Bank account administration	Preparing correspondence opening and closing accounts Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including 505, 524, 911 etc Correspondence with ASIC regarding statutory forms
	Planning / Review	Discussions regarding status of administration

**Resolution 6 - Future Joint and Several Administrators' remuneration for the period
28 November 2018 to 6 December 2018**

Task Area	General Description	Includes
Assets Number of hours: 4.00 Estimated Cost: \$1,634.00	Assets subject to specific charges	All tasks associated with realising a charged asset
	Debtors	Correspondence with debtors Reviewing and assessing debtors ledgers Liaising with debt collectors and solicitors
	Other Assets	Tasks associated with realising other assets
Creditors Number of hours: 3.50 Estimated Cost: \$1,361.50	Creditor Enquiries	Receive and follow up creditor enquiries via telephone Maintaining creditor enquiry register Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Creditor reports	Preparing 439A, investigation, meeting and 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
	Meeting of Creditors	Preparation meeting notices, proxies and advertisements Forward notice of meeting to all known creditors

Task Area	General Description	Includes
		Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. Preparation and lodgement minutes of meetings with ASIC Respond to stakeholder queries and questions immediately following meeting
Administration Number of hours: 9.62 Estimated Cost: \$2,004.50	Correspondence	With various stakeholders
	Document maintenance/file review/checklist	First month, then 6 monthly administration review Filing of documents File reviews Updating checklists
	Insurance	Correspondence with Willis regarding initial and ongoing insurance requirements Correspondence with previous brokers
	Bank account administration	Preparing correspondence opening and closing accounts Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including 505, 524, 911 etc Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	Notification of appointment Preparing BAS Completing payment summaries
	Planning / Review	Discussions regarding status of administration

Resolution 7 – Future Joint and Several Administrators’ remuneration for the period from 6 December 2018 to the conclusion of the administration

Task Area	General Description	Includes
Assets Number of hours: 4.00 Estimated Cost: \$1,634.00	Assets subject to specific charges	All tasks associated with realising a charged asset
	Debtors	Correspondence with debtors Reviewing and assessing debtors ledgers Liaising with debt collectors and solicitors
	Other Assets	Tasks associated with realising other assets
Creditors Number of hours: 3.50 Estimated Cost: \$1,361.50	Creditor Enquiries	Receive and follow up creditor enquiries via telephone Maintaining creditor enquiry register Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Creditor reports	Preparing investigation, meeting and general reports to creditors
	Dealing with proofs of debt	Receipting and filing POD when not related to a dividend

Task Area	General Description	Includes
		Corresponding with OSR and ATO regarding POD when not related to a dividend
	Meeting of Creditors	Preparation meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. Preparation and lodgement minutes of meetings with ASIC Respond to stakeholder queries and questions immediately following meeting
Administration Number of hours: 9.62 Estimated Cost: \$2,004.50	Correspondence	With various stakeholders
	Document maintenance/file review/checklist	First month, then 6 monthly administration review Filing of documents File reviews Updating checklists
	Insurance	Correspondence with Willis regarding initial and ongoing insurance requirements Correspondence with previous brokers
	Bank account administration	Preparing correspondence opening and closing accounts Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including 505, 524, 911 etc Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	Notification of appointment Preparing BAS Completing payment summaries
	Planning / Review	Discussions regarding status of administration

Resolution 8 – Deed Administrators’ remuneration for the period from commencement of the Deed of Company Arrangement to completion of the Deed of Company Arrangement

Task Area	General Description	Includes
Assets Number of hours: 4.00 Estimated Cost: \$1,634.00	Assets subject to specific charges	All tasks associated with realising a charged asset
	Debtors	Correspondence with debtors Reviewing and assessing debtors ledgers Liaising with debt collectors and solicitors
	Other Assets	Tasks associated with realising other assets
Creditors Number of hours: 12.00	Creditor Enquiries	Receive and follow up creditor enquiries via telephone Maintaining creditor enquiry register Review and prepare correspondence to creditors and their representatives via facsimile, email and post

Task Area	General Description	Includes
Estimated Cost: \$4,720.00		Correspondence with committee of inspection members
	Creditor reports	Preparing investigation, meeting and general reports to creditors
Dividend Number of hours: 22.00 Estimated Cost: \$8,350.00	Processing proofs of debt	Preparation of correspondence to potential creditors inviting Lodgement of POD Receipt of PODs Maintain POD register Adjudicating POD Request further information from claimants regarding POD Preparation of correspondence to claimant advising outcome of adjudication
	Dividend procedures	Preparation of correspondence to creditors advising of intention to declare dividend Advertisement of intention to declare dividend Obtain clearance from ATO to allow distribution of company's assets Preparation of dividend calculation Preparation of correspondence to creditors announcing declaration of dividend Advertise announcement of dividend Preparation of distribution Preparation of dividend file Preparation of payment vouchers to pay dividend Preparation of correspondence to creditors enclosing payment of dividend
Administration Number of hours: 25.87 Estimated Cost: \$5,296.00	Correspondence	With various stakeholders
	Document maintenance/file review/checklist	First month, then 6 monthly administration review Filing of documents File reviews Updating checklists
	Bank account administration	Preparing correspondence opening and closing accounts Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including 505, 524, 911 etc Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	Notification of appointment Preparing BAS Completing payment summaries
	Finalisation	Completing checklists Finalising WIP
	Planning / Review	Discussions regarding status of administration
	Books and records / storage	Sending job files to storage

Resolution 9 –Liquidators’ remuneration for the period from commencement of the liquidation to completion of the liquidation

Task Area	General Description	Includes
Assets Number of hours: 9.00 Estimated Cost: \$3,995.00	Sale of Business as a Going Concern	Preparing an information memorandum Liaising with purchasers Internal meetings to discuss/review offers received
	Plant and Equipment	Liaising with valuers, auctioneers and interested parties Reviewing asset listings
	Assets subject to specific charges	All tasks associated with realising a charged asset
	Debtors	Correspondence with debtors Reviewing and assessing debtors ledgers Liaising with debt collectors and solicitors
	Other Assets	Tasks associated with realising other assets
Creditors Number of hours: 35.00 Estimated Cost: \$14,525.00	Creditor Enquiries	Receive and follow up creditor enquiries via telephone Maintaining creditor enquiry register Review and prepare correspondence to creditors and their representatives via facsimile, email and post Correspondence with committee of inspection members
	Secured creditor reporting	Preparing reports to secured creditor Responding to secured creditor’s queries
	Creditor reports	Preparing investigation, meeting and 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
	Meeting of Creditors	Preparation meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. Preparation and lodgement minutes of meetings with ASIC Respond to stakeholder queries and questions immediately following meeting
Employees Number of hours: 14.00 Estimated Cost: \$5,810.00	Employees enquiry	Receive and follow up employee enquiries via telephone Maintain employee enquiry register Review and prepare correspondence to creditors and their representatives via facsimile, email and post Preparation of letters to employees advising of their entitlements and options available Receive and prepare correspondence in response to employees objections to leave entitlements

Task Area	General Description	Includes
	FEG	Correspondence with FEG Preparing notification spreadsheet Preparing FEG quotations Preparing FEG distributions
	Calculation of entitlements	Calculating employee entitlements Reviewing employee files and company's books and records Reconciling superannuation accounts Reviewing awards Liaising with solicitors regarding entitlements
	Employee dividend	Correspondence with employees regarding dividend Correspondence with ATO regarding SGC proof of debt Calculating dividend rate Preparing dividend file Advertising dividend notice Preparing distribution Receipting POD Adjudicating POD Ensuring PAYG is remitted to ATO
	Workers compensation claims	Review insurance policies Receipt of claim Liaising with claimant Liaising with insurers and solicitors regarding claims Identification of potential issues requiring attention of insurance specialists Correspondence with Willis regarding initial and ongoing workers compensation insurance requirements Correspondence with previous brokers
	Other employee issues	Correspondence with Child Support Correspondence with Centrelink
Investigation Number of hours: 35.00 Estimated Cost: \$15,435.00	Conducting investigation	Collection of company books and records Correspondence with ASIC to receive assistance in obtaining reconstruction of financial statements company's books & records and Report as to Affairs 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 Preparation and lodgement of supplementary report if required
	Examinations	Preparing brief to solicitor Liaising with solicitor(s) regarding examinations Attendance at examination Reviewing examination transcripts Liaising with solicitor(s) regarding outcome of examinations and further actions available

Task Area	General Description	Includes
	Litigation / Recoveries	Internal meetings to discuss status of litigation Preparing brief to solicitors Liaising with solicitors regarding recovery actions Attending to negotiations Attending to settlement matters
	ASIC reporting	Preparing statutory investigation reports Preparing affidavits seeking non lodgements assistance Liaising with ASIC
Administration Number of hours: 25.29 Estimated Cost: \$5,235.00	Correspondence	With various stakeholders
	Document maintenance/file review/checklist	First month, then 6 monthly administration review Filing of documents File reviews Updating checklists
	Insurance	Correspondence with Willis regarding initial and ongoing insurance requirements Correspondence with previous brokers
	Bank account administration	Preparing correspondence opening and closing accounts Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including 505, 524, 911 etc Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	Notification of appointment Preparing BAS Completing payment summaries
	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

Part 4: Calculation of Remuneration

Resolution 5 – Current Joint and Several Administrators' remuneration for the period 9 November 2018 to 27 November 2018

Horizon Consulting Pty Ltd [Administrators Appointed]														
Calculation of Remuneration for the period 9 November 2018 to 27 November 2018														
Employee	Position	\$ /hour (ex GST)	Total actual hours	Total (\$)	Task Area									
					Assets		Creditors		Trade On		Investigations		Administration	
					hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$
Christian Sprowles	Appointee	545	39.37	21,455.00	1.25	681.25	13.03	7,102.98	2.50	1,362.50	22.58	12,308.27	0.00	0.00
Michael Hogan	Appointee	545	0.40	218.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30	163.50	0.10	54.50
Luke Mann	Supervisor	363	64.80	23,522.40	4.70	1,706.10	34.80	12,632.40	2.50	907.50	15.70	5,699.10	7.10	2577.30
Natalie Lu	Administration	105	5.40	567.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.40	567.00
TOTAL HOURS			109.97											
TOTAL REMUNERATION				45,762.40	5.95	2,387.35	47.83	19,735.38	5.00	2,270.00	38.58	18,170.87	12.60	3,198.80
Cost Adjustments				0.00										
GST				4,576.24										
TOTAL (Including GST)				50,338.64										
Average hourly rate (Excluding GST)				416.15		401.24		412.59		454.00		470.94		253.87

Resolution 6 – Future Joint and Several Administrators' remuneration for the period 28 November 2018 to 6 December 2018

Horizon Consulting Pty Ltd (Administrators Appointed)											
Calculation of Remuneration for the period 28 November 2018 to 6 December 2018											
Employee	Position	\$ /hour (ex GST)	Total actual hours	Total (\$)	Task Area						
					Assets		Creditors		Administration		
					hrs	\$	hrs	\$	hrs	\$	
Christian Sprowles	Appointee	545	2.00	1,090.00	1.00	545.00	0.50	272.50	0.50	272.50	
Luke Mann	Supervisor	363	9.00	3,267.00	3.00	1,089.00	3.00	1,089.00	3.00	1,089.00	
Natalie Lu	Administration	105	6.12	643.00	0.00	0.00	0.00	0.00	6.12	643.00	
TOTAL HOURS				17.12							
TOTAL REMUNERATION				5,000.00	4.00	1,634.00	3.50	1,361.50	9.62	2,004.50	
Cost Adjustments				0.00							
GST				500.00							
TOTAL (Including GST)				5,500.00							
Average hourly rate (Excluding GST)				291.99	408.50		389.00		208.29		

Resolution 7 – Future Joint and Several Administrators' remuneration for the period from 6 December 2018 to the conclusion of the administration

Horizon Consulting Pty Ltd (Administrators Appointed)										
Calculation of Remuneration for the period 6 December 2018 to the conclusion of the administration										
Employee	Position	\$ /hour (ex GST)	Total actual hours	Total (\$)	Task Area					
					Assets		Creditors		Administration	
					hrs	\$	hrs	\$	hrs	\$
Christian Sprowles	Appointee	545	2.00	1,090.00	1.00	545.00	0.50	272.50	0.50	272.50
Luke Mann	Supervisor	363	9.00	3,267.00	3.00	1,089.00	3.00	1,089.00	3.00	1,089.00
Natalie Lu	Administration	105	6.12	643.00	0.00	0.00	0.00	0.00	6.12	643.00
TOTAL HOURS				17.12						
TOTAL REMUNERATION				5,000.00	4.00	1,634.00	3.50	1,361.50	9.62	2,004.50
Cost Adjustments				0.00						
GST				500.00						
TOTAL (Including GST)				5,500.00						
Average hourly rate (Excluding GST)				291.99	408.50		389.00		208.29	

Resolution 8 – Deed Administrators’ remuneration for the period from commencement of the Deed of Company Arrangement to completion of the Deed of Company Arrangement

Horizon Consulting Pty Ltd (Administrators Appointed)												
Calculation of Remuneration for the from commencement of the liquidation to completion of the liquidation												
Employee	Position	\$ /hour (ex GST)	Total actual hours	Total (\$)	Task Area							
					Assets		Creditors		Dividend		Administration	
					hrs	\$	hrs	\$	hrs	\$	hrs	\$
Christian Sprowles	Appointee	545	5.00	2,725.00	1.00	545.00	2.00	1,090.00	2.00	1,090.00	0.00	0.00
Luke Mann	Supervisor	363	43.00	15,609.00	3.00	1,089.00	10.00	3,630.00	20.00	7,260.00	10.00	3630.00
Natalie Lu	Administration	105	15.87	1,666.00	0.00	0.00	0.00	0.00	0.00	0.00	15.87	1666.00
TOTAL HOURS			63.87									
TOTAL REMUNERATION				20,000.00	4.00	1,634.00	12.00	4,720.00	22.00	8,350.00	25.87	5,296.00
Cost Adjustments				0.00								
GST				2,000.00								
TOTAL (Including GST)				22,000.00								
Average hourly rate (Excluding GST)				313.15		408.50		393.33		379.55		204.74

Resolution 9 –Liquidators’ remuneration for the period from commencement of the liquidation to completion of the liquidation

Horizon Consulting Pty Ltd (Administrators Appointed)														
Calculation of Remuneration for the from commencement of the liquidation to completion of the liquidation														
Employee	Position	\$ /hour (ex GST)	Total actual hours	Total (\$)	Task Area									
					Assets		Creditors		Employees		Investigations		Administration	
					hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$
Christian Sproles	Appointee	545	33.00	17,985.00	4.00	2,180.00	10.00	5,450.00	4.00	2,180.00	15.00	8,175.00	0.00	0.00
Luke Mann	Supervisor	363	70.00	25,410.00	5.00	1,815.00	25.00	9,075.00	10.00	3,630.00	20.00	7,260.00	10.00	3630.00
Natalie Lu	Administration	105	15.29	1,605.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15.29	1605.00
TOTAL HOURS			118.29											
TOTAL REMUNERATION				45,000.00	9.00	3,995.00	35.00	14,525.00	14.00	5,810.00	35.00	15,435.00	25.29	5,235.00
Cost Adjustments				0.00										
GST				4,500.00										
TOTAL (Including GST)				49,500.00										
Average hourly rate (Excluding GST)				380.43		443.89		415.00		415.00		441.00		207.03

Part 5: Statement of Remuneration Claim

At the meeting of creditors convened for 6 December 2018, creditors will be asked to consider the following resolutions:

Resolution 5 – Current Joint and Several Administrators’ remuneration for the period 9 November 2018 to 27 November 2018

“That the remuneration of the Administrators, their partners and staff, for the period of the administration from 9 November 2018 to 27 November 2018 is fixed at a sum equal to the cost of time spent by the Administrators and the Administrators’ partners and staff, calculated at the hourly rates as detailed in the report to creditors of 13 November 2018 of fees equalling \$45,762.40 plus GST, and that the Administrators can draw the remuneration immediately or as required.”

Resolution 6 – Future Joint and Several Administrators’ remuneration for the period 28 November 2018 to 6 December 2018

“That the future remuneration of the Administrators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors of 13 November 2018, for the period 28 November 2018 to 6 December 2018, is fixed and approved to a maximum cap of \$5,000 plus GST, and can be drawn as soon as practicable after the conclusion of the second meeting. Should a lesser amount be

incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought.”

Resolution 7 – Future Joint and Several Administrators’ remuneration for the period from 6 December 2018 to the conclusion of the administration

“That the future remuneration of the Administrators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors of 13 November 2018, for the period, from 6 December 2018 to the signing of the deed or conclusion of the administration, is fixed and approved to a maximum cap of \$5,000 plus GST, and can be drawn as soon as practicable after the conclusion of the second meeting. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought.”

Resolution 8 – Deed Administrators’ remuneration for the period from commencement of the Deed of Company Arrangement to completion of the Deed of Company Arrangement

“That the remuneration of the Deed Administrators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors of 13 November 2018, for the period from commencement of the Deed of Company Arrangement to completion of the Deed of Company Arrangement, is fixed and approved to a maximum cap of \$20,000 plus GST, to be drawn only when incurred on a monthly basis or as required. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought.”

Resolution 9 – Liquidators’ remuneration for the period from commencement of the liquidation to completion of the liquidation

“That the remuneration of the Liquidators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors of 13 November 2018, for the period from commencement of the liquidation to completion of the liquidation, is fixed and approved to a maximum cap of \$45,000 plus GST, to be drawn only when incurred on a monthly basis or as required. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought.”

Creditors have not previously approved any remuneration of the Administrators.

Part 6: Remuneration Recoverable from External Sources

The Administrators have not received, and are not entitled to receive, any funding from external sources in respect of remuneration.

Part 7: Likely impact on dividends

It is both reasonable and appropriate for a professional service provider to be remunerated for their services. Administrators, Deed Administrators and Liquidators are entitled to be remunerated for necessary work that is reasonably performed. That work is also the source of any funds that may be recovered for the benefit of creditors and other stakeholders.

The impact of the approval of the administrator’s remuneration is that the remuneration will be paid to the Administrators / Deed Administrators / Liquidators if sufficient funds are generated to enable it to be paid. The remuneration will be paid from those funds that are generated prior to the

payment of most other stakeholders. It is noted that no funds would be available for any stakeholder without the work necessarily undertaken by the Administrators / Deed Administrators / Liquidators.

Part 8: 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 which recoups both variable and fixed costs. The recovery of these costs must be on a reasonable commercial basis.

We have undertaken a proper assessment of disbursements claimed in the administration, in accordance with the law and applicable professional standards. We are satisfied that the disbursements claimed are necessary and proper. To date no disbursements have been paid in the administration.

Disbursements provided by our firm will be charged to the administration on the following basis:

Disbursements	Rate ex GST (\$)
Externally provided professional services	At cost
Externally provided non-professional services	At cost
Internal disbursements:	
Advertising	At cost
Search fees	At cost
Courier	At cost
Printing, Faxes & Photocopies	\$0.20 per page
Postage	At cost
Stationary and other incidental disbursements	At cost
Travel - Staff by own vehicle	\$0.66 per km
Travel - other	At cost

Rates applicable for financial year ending 30 June 2019.

We will be seeking approval of the following resolutions to approve our internal disbursements.

Resolution 10 - Joint and Several Administrators' disbursements

"That the internal disbursements of the Administrators for the period 9 November 2018 to the conclusion of the Administration at the rates outlined in the Remuneration Approval Report dated 28 November 2018 be capped at the amount of \$5,000 plus GST and can be drawn by the Administrators as required."

Resolution 11 - Deed Administrators' disbursements

"That the internal disbursements of the Deed Administrators for the period from the commencement of the Deed of Company Arrangement to the conclusion of the Deed of Company Arrangement at the rates outlined in the Remuneration Approval Report dated 28 November 2018 be capped at the amount of \$5,000 plus GST and can be drawn by the Deed Administrators as required."

Resolution 12 - Liquidators' disbursements

"That the internal disbursements of the Liquidators for the period from the commencement of the liquidation to the conclusion of the liquidation at the rates outlined in the Remuneration Approval Report dated 28 November 2018 be capped at the amount of \$5,000 plus GST and can be drawn by the Liquidators as required."

Part 9: Report on Progress of the Administration

Please see the Administrators' Report to Creditors dated 28 November 2018.

Part 10: Summary of Receipts and Payments

Please see the Administrators' Report to Creditors dated 28 November 2018.

Part 11: Queries

If you have any queries in relation to the information in this report, please contact Luke Mann on (02) 8020 5862 or via email at lmann@hogansproawles.com.au. You can also access information which may assist you on the following websites:

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

Part 12: Information Sheet

The ASIC information sheet, Approving fees: A guide for creditors can be found at http://download.asic.gov.au/media/1310767/Approving_fees_guide_for_creditors.pdf