



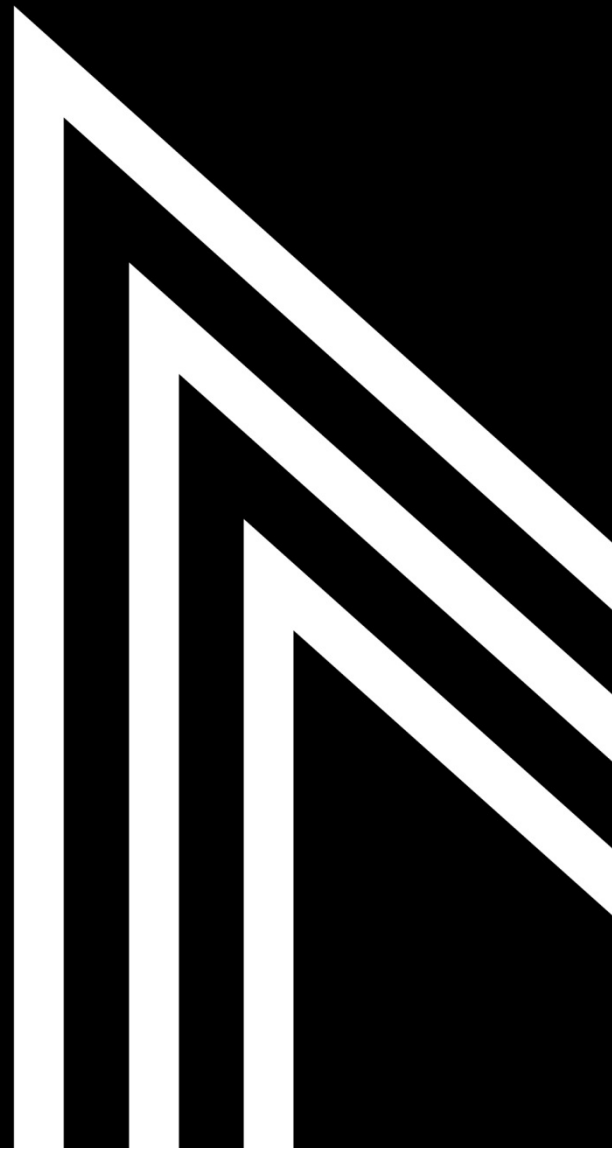
# Remuneration Approval Report

Dalcassian Consulting Pty Ltd (Administrators Appointed)  
(Dalcassian)

28 May 2020



McGrathNicol



This remuneration approval report provides you with information to assist you to make an informed decision regarding the approval of our proposed remuneration for undertaking the Administration of Dalcassian.

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## 1 Declaration

We, Rob Kirman and Rob Brauer of McGrathNicol, have undertaken a proper assessment of this remuneration claim for our appointment as Administrators of Dalcassian 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 this matter.

We have reviewed the work in progress report for the Administration to ensure that remuneration is only being claimed for necessary and properly performed work.

## 2 Executive Summary

To date, no remuneration or internal disbursements have been approved and paid in this administration.

### 2.1 Remuneration if the DOCA proposal is approved and executed

This remuneration approval report details approval sought for remuneration, in the instance where the DOCA Proposal outlined in the attached Report is accepted by creditors.

Remuneration for the Administrators and Deed Administrators is set out below:

Approvals sought	Report Reference	Amount (ex GST)
<b>Remuneration</b>		
Retrospective (Administration)	3.1	\$135,000
Prospective remuneration (Administration)*	3.2.1	\$5,000
Prospective remuneration (Execution of DOCA until completion)*	3.2.2	\$15,000
Total remuneration		<b>\$155,000</b>
* Approval sought for future remuneration is based on an estimate of the work necessary.		

As detailed in this report, the retrospective remuneration of the Administrators totalled \$143,958. In order to maximise the return the creditors and minimise the DOCA contributions, the Administrators are only seeking approval of \$135,000 in respect of their retrospective remuneration.

Please refer to the report section references detailed in the above table for full details of the remuneration approval sought.

### 2.2 Remuneration if Dalcassian is placed into liquidation

This remuneration approval report details approval sought for remuneration, in the instance where Dalcassian is placed into liquidation. Remuneration approval sought for the liquidation scenario is higher than that sought in the DOCA scenario, given liquidators have greater investigative and statutory obligations than Deed Administrators.

Approvals sought	Report Reference	Amount (ex GST)
<b>Remuneration</b>		
Retrospective (Administration)	3.1	\$135,000
Prospective remuneration (Administration)*	3.3.1	\$5,000
Prospective remuneration (Liquidation)*	3.3.2	\$60,000
Total remuneration		<b>\$200,000</b>
* Approval sought for future remuneration is based on an estimate of the work necessary. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.		

As detailed in this report, the retrospective remuneration of the Administrators totalled \$143,958. In order to maximise the return the creditors, the Administrators are only seeking approval of \$135,000 in respect of their retrospective remuneration.

Please refer to the report section references detailed in the above table for full details of the remuneration approval sought

### 3 Remuneration

#### 3.1 Retrospective remuneration

We will request that the following resolution be passed to approve our retrospective remuneration. Details to support this resolution is included further below.

Retrospective remuneration resolution	Appointment Type	Amount (ex GST)
Resolution 1: 30 April 2020 – 26 May 2020	Voluntary Administration	\$135,000
<b>Total retrospective remuneration resolution</b>		<b>\$135,000</b>

#### **Resolution 1: from 30 April 2020 – 26 May 2020**

*"That the remuneration of the Administrators for the period 30 April 2020 to 26 May 2020 calculated at hourly rates as detailed in the Initial Remuneration notice dated 5 May 2020 is determined in the sum of \$135,000, exclusive of GST."*

We will withdraw funds from the administration account in respect of the Administrators' remuneration immediately upon approval if funds are available. If funds are not available, we will withdraw funds progressively over time as funds become available.

The below table sets out the time charged to each major task area by staff members working on the Voluntary Administration for the period 30 April 2020 to 26 May 2020, which is the basis of Resolution 1. More detailed descriptions of the tasks performed within each task area, matching the amounts below, are contained further below.

**Resolution 1: from 30 April 2020 to 26 May 2020**

**Remuneration for the period 30 April 2020 to 26 May 2020**

Position	Employee	Hrly rate	Total		Trading		Assets		Employees		Creditors		Investigations		Statutory / Admin	
			Hours	Total	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$	Hrs	\$
Partner	Rob Kirman	595	32.3	19,219	-	-	20.8	12,376	1.4	833	6.9	4,106	0.4	238	2.8	1,666
Director	Employee 1	525	12.5	6,563	-	-	7.5	3,938	-	-	-	-	5.0	2,625	-	-
Senior Manager	Employee 2	475	94.5	44,888	8.5	4,038	54.2	25,745	-	-	20.6	9,785	2.4	1,140	8.8	4,180
Assistant Manager	Employee 3	410	80.6	33,046	2.0	820	36.8	15,088	3.1	1,271	28.2	11,562	1.5	615	9.0	3,690
Senior Accountant	Employee 4	380	26.5	10,070	-	-	16.5	6,270	-	-	-	-	10.0	3,800	-	-
Accountant	Employee 5	305	87.0	26,535	2.2	671	25.6	7,808	-	-	35.7	10,889	1.4	427	22.1	6,741
Undergraduate	Employee 6	180	6.9	1,242	-	-	6.7	1,206	-	-	-	-	-	-	0.2	36
Admin Level 1	Employee 7	550	1.5	825	-	-	-	-	-	-	1.5	825	-	-	-	-
Admin Level 2	Employee 8	305	1.8	549	-	-	-	-	-	-	0.1	31	-	-	1.7	519
Admin Level 3	Various	305	1.7	519	-	-	-	-	-	-	-	-	0.1	31	1.6	488
Admin Level 4	Various	180	2.8	504	-	-	0.2	36	-	-	-	-	-	-	2.6	468
<b>Total</b>			<b>348.1</b>	<b>143,958</b>	<b>12.7</b>	<b>5,529</b>	<b>168.3</b>	<b>72,467</b>	<b>4.5</b>	<b>2,104</b>	<b>93.0</b>	<b>37,197</b>	<b>20.8</b>	<b>8,876</b>	<b>48.8</b>	<b>17,787</b>
Average rate				414		435		431		468		400		427		364

*Note: Notwithstanding the Administrators' fees to 26 May 2020 totalled \$143,958, the Administrators are only seeking approval for fees of \$135,000 (excluding GST).*

The below table sets out a detailed description of work undertaken on the Voluntary Administration for the period 30 April 2020 to 26 May 2020, which is the basis of Resolution 1.

**Resolution 1: from 30 April 2020 to 26 May 2020**

Task Area	General Description	Includes
Assets 168.3 hours \$72,467	Monies	<ul style="list-style-type: none"> <li>▪ Secure bank accounts and cash on hand.</li> <li>▪ Contact Bankwest to arrange for transfer of cash at bank to the Administration bank account.</li> <li>▪ Deposit cash on hand.</li> </ul>
	Sale of Business as a Going Concern	<ul style="list-style-type: none"> <li>▪ Conduct meetings with the former full time employee of Dalcassian (<b>Former Employee</b>) to agree contractor arrangement and document same.</li> <li>▪ Liaise with Dalcassian's former business broker.</li> <li>▪ Review, finalise and release confidentiality deed.</li> <li>▪ Prepare due diligence pack for interested parties, including understanding historical revenue and current client composition.</li> <li>▪ Facilitate and attend meetings with the Former Employee and interested parties to conduct further due diligence.</li> <li>▪ Attend to additional information requests from interested parties.</li> <li>▪ Understand Dalcassian's information technology environment to prepare for completion of a transaction, including transfer of phone numbers, domain names and emails.</li> <li>▪ Prepare detailed client list.</li> <li>▪ Extract client tax returns from Dalcassian's MYOB system to provide to Purchaser (when consent received).</li> <li>▪ Discuss, review and negotiate offers received from multiple parties.</li> <li>▪ Prepare and negotiate the Sale of Business and Assets documentation and liaise with legal representatives in relation to same.</li> <li>▪ Complete forensic wipe of data on several computers ahead of providing to the Purchaser.</li> <li>▪ Prepare, plan and effect completion of the Sale of Business and Assets, and associated communications with the purchaser.</li> <li>▪ Prepare correspondence for purchaser to issue to clients to advise of the sale.</li> <li>▪ Review client consent forms to ensure correctly executed.</li> <li>▪ Compile individual client records, including file server data, email records and tax returns for transfer to the Purchaser on receipt of a consent.</li> <li>▪ Facilitate delivery of physical records to the Purchaser.</li> </ul>
	Equipment	<ul style="list-style-type: none"> <li>▪ Secure all equipment at the Premises.</li> <li>▪ Prepare list of computer equipment for inclusion in the Sale of Business and Assets.</li> </ul>

Task Area	General Description	Includes
	Debtors & WIP	<ul style="list-style-type: none"> <li>Conduct meetings with the former full time employee of Dalcassian (<b>Former Employee</b>) to agree contractor arrangement and document same.</li> <li>Review and reconcile WIP listing with Former Employee to understand which items can be invoiced, which can be transferred under the Sale of Business and Assets and which are uncollectable.</li> <li>Facilitate invoicing of certain WIP and reconciliation of MYOB.</li> <li>Correspond with debtors for collection of pre-appointment debts.</li> <li>Reconcile debtor receipts.</li> </ul>
Trade on 12.7 hours \$5,529	Trade on management	<ul style="list-style-type: none"> <li>Liaise with suppliers in relation to ongoing supply of services, including closing existing accounts and opening new, administration accounts.</li> <li>Negotiate with Landlord to confirm access to the property.</li> <li>Consider insurance requirements whilst minimal trading occurs.</li> <li>Attend site during Administration.</li> <li>Prepare estimated trading position.</li> </ul>
Creditors 93.0 hours \$37,197	Creditor Enquiries, Requests & Directions	<ul style="list-style-type: none"> <li>Prepare initial correspondence to creditors and their representatives.</li> </ul>
	Creditor reports	<ul style="list-style-type: none"> <li>Prepare initial update to creditors ahead of first meeting of creditors.</li> <li>Prepare Administrators' Report to creditors and associated Remuneration Report.</li> </ul>
	Deal with proofs of debt (POD)	<ul style="list-style-type: none"> <li>Contact all suppliers to request completion of POD's.</li> <li>Receive PODs from claimants.</li> <li>Review PODs prior to the first meeting and throughout Administration.</li> <li>Finalise and lodge income tax returns for FY18, FY19 and FY20 to confirm the liability position with the ATO.</li> <li>Consider the Administrators' liability for income tax and capital gains tax.</li> </ul>
	Meeting of Creditors	<ul style="list-style-type: none"> <li>Prepare and send first meeting of creditors notices.</li> <li>Advertise notice of meeting.</li> <li>Prepare meeting file.</li> <li>Attend and facilitate first meeting of creditors.</li> <li>Prepare and lodge minutes of meetings with Australian Securities and Investments Commission (<b>ASIC</b>).</li> </ul>
Employees 4.5 hours \$2,104	Employee queries	<ul style="list-style-type: none"> <li>Receive and follow up employee enquiries.</li> <li>Prepare correspondence in response to employee's queries.</li> </ul>
	Calculation of entitlements	<ul style="list-style-type: none"> <li>Review employee files and company's books and records.</li> <li>Reconcile superannuation accounts.</li> <li>Agree employee entitlement claims.</li> </ul>

Task Area	General Description	Includes
Investigation 20.8 hours \$8,876	Conduct investigations	<ul style="list-style-type: none"> <li>▪ Send initial request to directors for Report on Company Activities &amp; Property (<b>ROCAP</b>).</li> <li>▪ Obtain physical company books and records.</li> <li>▪ Obtain a forensic image of the Dalcassian electronic records, including shared file server data and local data on several devices.</li> <li>▪ Obtain a backup of Dalcassian's emails and incorporate them into a forensic email search tool for interrogation.</li> <li>▪ Conduct and summarise statutory searches.</li> <li>▪ Review company's books and records.</li> <li>▪ Prepare comparative financial statements.</li> <li>▪ Preliminary investigations including assessment of date of insolvency.</li> <li>▪ Review specific transactions and liaise with Former Employee and the Director regarding the basis of certain transactions.</li> </ul>
Administration 48.8 hours \$17,787	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>▪ Maintain physical and electronic engagement file.</li> <li>▪ Update checklists.</li> </ul>
	Insurance	<ul style="list-style-type: none"> <li>▪ Correspond with insurer regarding initial and ongoing insurance requirements.</li> <li>▪ Review insurance policies.</li> <li>▪ Maintain and cancel insurance policies as necessary.</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>▪ Prepare correspondence to open accounts.</li> <li>▪ Request bank statements.</li> </ul>
	ASIC forms	<ul style="list-style-type: none"> <li>▪ Prepare and lodge ASIC forms.</li> </ul>
	ATO and other statutory reporting	<ul style="list-style-type: none"> <li>▪ Notify of appointment.</li> </ul>
	Planning/Review	<ul style="list-style-type: none"> <li>▪ Discuss status of external administration on a regular basis.</li> <li>▪ Team meetings in relation to task checklists, and statutory requirements.</li> </ul>
<b>Total</b> <b>\$143,958</b>		



## 3.2 Prospective remuneration (DOCA scenario)

We will request that the following resolutions be passed to approve our prospective remuneration. Details to support these resolutions are included further below.

Prospective remuneration resolutions	Appointment Type	Amount (ex GST)
Resolution 2: 27 May 2020 – 5 June 2020	Voluntary Administration	\$5,000
Resolution 3: DOCA execution to completion	DOCA	\$15,000
<b>Total prospective remuneration resolutions</b>		<b>\$20,000</b>

### 3.2.1 Resolution 2: Prospective remuneration of the Voluntary Administrators to 5 June 2020

We will request that the following resolution be passed to approve our prospective remuneration for the period from 27 May 2020 to the date of the Second Meeting of Creditors, being 5 June 2020.

*“That the prospective remuneration of the Administrators, to a maximum amount of \$5,000 exclusive of GST, calculated on hours spent at the rates detailed in the Initial Remuneration notice dated 5 May 2020, for the period from 27 May 2020 to 5 June 2020, is hereby approved for payment, from funds as and when they come to hand.”*

We will withdraw funds from the administration account in respect of the Administrators' remuneration progressively over time as funds become available and only once it is incurred. If actual costs incurred are below the capped amount, the Administrators' are only authorised to draw the amount incurred.

The below table sets out the expected costs and a detailed description of the work by task area to be undertaken on the Voluntary Administration for the period 27 May 2020 to 5 June 2020, which is the basis of Resolution 2.

#### Resolution 2: from 27 May 2020 to 5 June 2020

Task Area	General Description	Includes
Assets \$1,500	Sale of business as a going concern	<ul style="list-style-type: none"> <li>Compile individual client records, including file server data, email records and tax returns for transfer to the Purchaser on receipt of a consent.</li> <li>Facilitate delivery of physical records to the Purchaser.</li> </ul>
	Debtors	<ul style="list-style-type: none"> <li>Correspond with debtors for collection of pre-appointment debts.</li> </ul>
Creditors \$2,500	Creditor reports	<ul style="list-style-type: none"> <li>Finalise Administrators' Report to creditors.</li> </ul>
	POD's	<ul style="list-style-type: none"> <li>Deal with POD's.</li> <li>Continue to liaise with suppliers to finalise Dalcassian's debt position.</li> <li>Finalise and lodge income tax returns for FY18, FY19 and FY20 to confirm the liability position with the ATO.</li> <li>Consider the Administrators' tax liability for income tax and capital gains tax.</li> <li>Receive PODs from claimants.</li> <li>Review PODs prior to the Second Meeting.</li> </ul>
	Meeting of Creditors	<ul style="list-style-type: none"> <li>Prepare for and hold the Second Meeting of Creditors.</li> </ul>
Administration \$1,000	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>Maintain physical and electronic management file.</li> <li>Update and maintain checklists as necessary.</li> </ul>

Task Area	General Description	Includes
	Bank account administration	<ul style="list-style-type: none"> <li>Perform bank account reconciliations.</li> </ul>
	Planning/Review	<ul style="list-style-type: none"> <li>Discuss status of external administration.</li> </ul>
<b>Total</b>		
<b>\$5,000</b>		

### 3.2.2 Resolution 3: Prospective remuneration of the Deed Administrators where a DOCA is executed

We will request that the following resolution be passed to approve our prospective remuneration as Deed Administrators where a DOCA is executed. Details to support this resolution are included further below.

*“That the prospective remuneration of the Deed Administrators, to a maximum amount of \$15,000, exclusive of GST, calculated on hours spent at the rates detailed in the Initial Remuneration notice dated 5 May 2020, for the period from the execution of the DOCA until completion, is hereby approved for payment, from funds as and when they come to hand.”*

We will withdraw funds from the administration account in respect of the Deed Administrators’ remuneration progressively over time as funds become available and only once it is incurred. If actual costs incurred are below the capped amount, the Deed Administrators’ are only authorised to draw the amount incurred.

The below table sets out the expected costs and a detailed description of the work by task area to be undertaken on the DOCA for the period of execution until completion, which is the basis of Resolution 3.

#### Resolution 3: from execution of the DOCA to completion

Task Area	General Description	Includes
Assets \$3,000	Sale of business as a going concern	<ul style="list-style-type: none"> <li>Compile individual client records, including file server data, email records and tax returns for transfer to the Purchaser on receipt of a consent.</li> <li>Facilitate delivery of physical records to the Purchaser.</li> </ul>
	Debtors	<ul style="list-style-type: none"> <li>Correspond with debtors for collection of pre-appointment debts.</li> <li>Report to Former employee regarding fee for collection of debts.</li> </ul>
Creditors \$10,000	Creditor Enquiries, Requests & Directions	<ul style="list-style-type: none"> <li>Receive and respond to creditor enquiries.</li> <li>Reviewing and preparing correspondence to creditors and their representatives.</li> <li>Consider reasonableness of creditor requests.</li> <li>Obtain legal advice on requests.</li> <li>Document reasons for not complying with requests or directions.</li> <li>Compile information requested by creditors.</li> </ul>

Task Area	General Description	Includes
	Deed of Company Arrangement & distribution to creditors	<ul style="list-style-type: none"> <li>▪ Advertise notice of distribution to unsecured and priority creditors.</li> <li>▪ Agree claims with all creditors.</li> <li>▪ Receive PODs from claimants.</li> <li>▪ Consider the Administrators' tax liability for income tax and capital gains tax.</li> <li>▪ Update return to creditors to confirm if sufficient funds are available to pay creditors and costs in full.</li> <li>▪ Account to Proponent in relation to the above, and request additional funds where necessary.</li> <li>▪ Arrange payment of creditor claims to all employees and creditors.</li> </ul>
	Meeting of Creditors (only if requested)	<ul style="list-style-type: none"> <li>▪ Prepare and send meeting notices.</li> <li>▪ Advertise notice of meeting.</li> <li>▪ Prepare meeting file.</li> <li>▪ Respond to stakeholder queries and questions following the meeting.</li> </ul>
	Employee queries	<ul style="list-style-type: none"> <li>▪ Receive and follow up employee enquiries.</li> </ul>
	Shareholder queries	<ul style="list-style-type: none"> <li>▪ Respond to shareholder enquires.</li> <li>▪ Remit balance of funds available (where relevant) to Director.</li> </ul>
Administration & finalisation \$2,000	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>▪ Conduct file reviews.</li> <li>▪ Maintain physical and electronic engagement file.</li> <li>▪ Update checklists.</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>▪ Request bank statements.</li> <li>▪ Perform bank account reconciliations.</li> <li>▪ Correspond with bank regarding specific transfers.</li> </ul>
	ASIC forms	<ul style="list-style-type: none"> <li>▪ Prepare and lodge ASIC forms.</li> <li>▪ Correspond with ASIC regarding statutory forms.</li> </ul>
	ATO and other statutory reporting	<ul style="list-style-type: none"> <li>▪ Notify of retirement.</li> <li>▪ Prepare BAS.</li> </ul>
	Planning/Review	<ul style="list-style-type: none"> <li>▪ Discuss status of external administration.</li> </ul>
	Books and records / storage	<ul style="list-style-type: none"> <li>▪ Deal with records in storage.</li> <li>▪ Send job files to storage.</li> </ul>
	Finalisation	<ul style="list-style-type: none"> <li>▪ Attend to finalisation of Administration, and of the DOCA appointment.</li> </ul>
<b>Total</b> <b>\$15,000</b>		

### 3.3 Prospective remuneration (Liquidation scenario)

Where Dalcassian is to be placed into liquidation, we request that the following resolutions be passed to approve the remuneration of the Voluntary Administrators from 27 May 2020 to 5 June 2020 and our subsequent remuneration as liquidators from 6 June 2020 to completion.

Details to support these resolutions are included further below.

Prospective remuneration resolution(s)	Appointment Type	Amount (ex GST)
Resolution 4: 27 May 2020 to 5 June 2020	Voluntary Administration	\$5,000
Resolution 5: 5 June 2020 to completion	Liquidation	\$60,000
<b>Total Prospective remuneration resolutions</b>		<b>\$65,000</b>

#### 3.3.1 Resolution 4: Prospective remuneration of the Voluntary Administrators to 5 June 2020

We will request that the following resolution be passed to approve our prospective remuneration for the period from the date the Report was issued, to the date of the Second Meeting of Creditors.

*"That the prospective remuneration of the Administrators, to a maximum amount of \$5,000 exclusive of GST, calculated on hours spent at the rates detailed in the Initial Remuneration notice dated 5 May 2020, for the period from 27 May 2020 to 5 June 2020, is hereby approved for payment, from funds as and when they come to hand."*

We will withdraw funds from the administration account in respect of the Administrators' remuneration progressively over time as funds become available and only once it is incurred. If actual costs incurred are below the capped amount, the Administrators' are only authorised to draw the amount incurred.

The below table sets out the expected costs and a detailed description of the work by task area to be undertaken on the Voluntary Administration for the period 27 May 2020 to 5 June 2020, which is the basis of Resolution 4.

#### Resolution 4: from 27 May 2020 to 5 June 2020

Task Area	General Description	Includes
Assets \$1,500	Sale of business as a going concern	<ul style="list-style-type: none"> <li>Compile individual client records, including file server data, email records and tax returns for transfer to the Purchaser on receipt of a consent.</li> <li>Facilitate delivery of physical records to the Purchaser.</li> </ul>
	Debtors	<ul style="list-style-type: none"> <li>Correspond with debtors for collection of pre-appointment debts.</li> </ul>
Creditors \$2,500	Creditor reports	<ul style="list-style-type: none"> <li>Finalise Administrators' Report to creditors.</li> </ul>
	POD's	<ul style="list-style-type: none"> <li>Deal with POD's.</li> <li>Continue to liaise with suppliers to finalise Dalcassian's debt position.</li> <li>Receive PODs from claimants.</li> <li>Review PODs prior to the Second Meeting.</li> </ul>
	Meeting of Creditors	<ul style="list-style-type: none"> <li>Prepare for and hold the Second Meeting of Creditors.</li> </ul>
Administration \$1,000	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>Maintain physical and electronic management file.</li> <li>Update and maintain checklists as necessary.</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>Perform bank account reconciliations.</li> </ul>

Task Area	General Description	Includes
	Planning/Review	<ul style="list-style-type: none"> <li>Discuss status of external administration.</li> </ul>
<b>Total</b>		
<b>\$5,000</b>		

### 3.3.2 Resolution 5: Prospective remuneration of the Liquidators for the period from 5 June 2020 to completion

We will request that the following resolution be passed to approve our prospective remuneration for the period from 5 June 2020 to completion of the liquidation.

*“That the prospective remuneration of the Administrators, to a maximum amount of \$60,000 exclusive of GST, calculated on hours spent at the rates detailed in the Initial Remuneration notice dated 5 May 2020, for the period from 5 June 2020 to completion of the liquidation, is hereby approved for payment, from funds as and when they come to hand.”*

We will withdraw funds from the administration account in respect of the Administrators’ remuneration progressively over time as funds become available and only once it is incurred. If actual costs incurred are below the capped amount, the Administrators’ are only authorised to draw the amount incurred.

The below table sets out the expected costs and a detailed description of the work by task area to be undertaken on the Voluntary Administration for the period 5 June 2020 to completion, which is the basis of Resolution 5.

#### Resolution 5: from 5 June 2020, to completion of the liquidation

Task Area	General Description	Includes
Assets \$8,000	Sale of business as a going concern	<ul style="list-style-type: none"> <li>Compile individual client records, including file server data, email records and tax returns for transfer to the Purchaser on receipt of a consent.</li> <li>Facilitate delivery of physical records to the Purchaser.</li> </ul>
	Debtors	<ul style="list-style-type: none"> <li>Correspond with debtors for collection of pre-appointment debts.</li> <li>Issue demand to Director for re-payment of the Director’s loan account.</li> <li>Pursue recovery actions (where applicable and commercial to do so).</li> </ul>
Creditors \$20,000	Creditor Enquiries	<ul style="list-style-type: none"> <li>Receive and respond to creditor enquiries</li> </ul>
	Creditor reports	<ul style="list-style-type: none"> <li>Prepare Statutory Report to creditors and Remuneration Report (where relevant).</li> <li>Prepare other general reports to creditors if and when required.</li> </ul>
	Deal with proofs of debt (POD)	<ul style="list-style-type: none"> <li>Receive PODs from claimants.</li> <li>Review PODs prior to meeting.</li> </ul>
	Meeting of Creditors	<ul style="list-style-type: none"> <li>Prepare and lodge minutes of Second Meeting with ASIC.</li> <li>Respond to stakeholder queries and questions following the meeting, as and when necessary.</li> </ul>

Task Area	General Description	Includes
	Creditor dividend (where relevant)	<ul style="list-style-type: none"> <li>▪ Correspond with creditors regarding dividend.</li> <li>▪ Receive and adjudicate PODs.</li> <li>▪ Advertise intention to declare dividend.</li> <li>▪ Obtain clearance from ATO.</li> <li>▪ Calculate increasing or decreasing adjustment regarding ATO's claim.</li> <li>▪ Calculate equalising dividend.</li> <li>▪ Calculate and pay dividend.</li> </ul>
Employees \$4,000	Employee queries	<ul style="list-style-type: none"> <li>▪ Receive and follow up employee enquiries.</li> <li>▪ Prepare correspondence in response to employee's queries.</li> </ul>
	Fair Entitlements Guarantee (FEG) (where relevant)	<ul style="list-style-type: none"> <li>▪ Correspond with FEG.</li> <li>▪ Prepare verification spreadsheet for employees.</li> <li>▪ Prepare FEG quotation.</li> <li>▪ Complete FEG questionnaire.</li> </ul>
	Employee distribution (where relevant)	<ul style="list-style-type: none"> <li>▪ Correspond with employees regarding distribution.</li> <li>▪ Correspond with ATO regarding Superannuation Guarantee Charge (SGC) POD.</li> <li>▪ Receive and adjudicate PODs.</li> <li>▪ Calculate and prepare distribution.</li> </ul>
Investigation \$23,000	Conduct investigations	<ul style="list-style-type: none"> <li>▪ Finalise review of company's books and records.</li> <li>▪ Complete consideration of historical financial information.</li> <li>▪ Finalise review of date of insolvency.</li> <li>▪ Confirm quantum of insolvent trading claim (where relevant).</li> <li>▪ Finalise review of unfair preferences.</li> <li>▪ Finalise review of potential breaches of director duties.</li> <li>▪ Finalise review of other voidable transactions.</li> <li>▪ Finalise Liquidators' investigation file.</li> <li>▪ Review specific transactions and liaise with Former Employee and the Director regarding the basis of certain transactions.</li> <li>▪ Pursue liquidator recovery actions (where applicable and commercial to do so).</li> </ul>
	ASIC reporting	<ul style="list-style-type: none"> <li>▪ Prepare section 533 Report.</li> <li>▪ Liaise with ASIC.</li> </ul>
Administration & finalisation \$5,000	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>▪ Maintain physical and electronic engagement file.</li> <li>▪ Update checklists.</li> </ul>
	Insurance	<ul style="list-style-type: none"> <li>▪ Finalise insurance position.</li> </ul>
	ASIC forms	<ul style="list-style-type: none"> <li>▪ Prepare and lodge ASIC forms.</li> <li>▪ Correspond with ASIC regarding statutory forms.</li> </ul>
	Planning/Review	<ul style="list-style-type: none"> <li>▪ Discuss status of external administration.</li> </ul>

Task Area	General Description	Includes
	Finalisation	<ul style="list-style-type: none"> <li>▪ Attend to retirement as liquidator.</li> <li>▪ Notify ATO of ceasing to act.</li> <li>▪ Cancel ABN/GST/PAYG registration.</li> <li>▪ Complete checklists.</li> </ul>
	Books and records / storage	<ul style="list-style-type: none"> <li>▪ Send job files to storage.</li> </ul>
<b>Total</b>		
<b>\$60,000</b>		

### 3.4 Estimated future remuneration

In preparing this report, we do not anticipate that we will have to ask creditors to approve any further remuneration. However, should the matter not proceed as expected, we will advise creditors and we may seek approval of further remuneration.

### 3.5 Total remuneration reconciliation

At this point in time we estimate that the total remuneration for the Voluntary Administration will be \$140,000 (GST exclusive), as shown in the table below.

Remuneration type	Amount (ex GST)	Amount (ex GST)
Current remuneration approval being sought:		
Retrospective remuneration approval (refer to section 3.1)	\$135,000	
Prospective remuneration approval (refer to section 3.2)	\$5,000	
<b>Estimated total remuneration for the Administration</b>		<b>\$140,000</b>

In our Initial Remuneration Notice dated 5 May 2020, we estimated total remuneration for the Administration would be between \$75,000 to \$100,000 (excluding GST).

Our current estimate of \$140,000 varies from this, for the following reasons:

- the creditor position was not up to date, resulting in additional time verifying claims against Dalcassian;
- several tax returns were outstanding, resulting in additional time required to facilitate their completion;
- the sale of business conducted was competitive, which was not initially expected; and
- additional time was required to negotiate, consider and agree a DOCA proposal which was not foreseen in the initial estimate.

### 3.6 Likely impact on dividends

It is both reasonable and appropriate for a professional service provider to be remunerated for their services. An external administrator is entitled to be remunerated for necessary work that is properly performed. That work generates the funds that may be recovered for the benefit of creditors and other stakeholders.

The impact of the approval of the external administrator's remuneration is that the remuneration will then be paid provided 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 creditors in the external administration.

It is noted that funds would only be available to any stakeholder as a consequence of the work necessarily undertaken by the external administrator.

If a dividend or distribution is to be paid to stakeholders during a subsequent appointment, there is also necessary work that must be undertaken by the external administrator to properly adjudicate on claims and distribute any available funds.

### 3.7 Remuneration recovered from external sources

The Administrators have not recovered any remuneration from external sources or received any indemnities or up-front payments.

## 4 Disbursements

Disbursements are paid for by McGrathNicol and are recovered from the Administration bank account.

Disbursements are divided into two types:

- External disbursements- these are recovered at cost. Examples are travel, accommodation, postage, advertising, couriers and search fees.
- Internal disbursements – these disbursements are charged at a rate which recoups both fixed and variable costs and may include an element of profit or advantage to the External Administrator or a related party of the External Administrator. Examples are printing and data storage. The recovery of these costs must be on a reasonable commercial basis. Details of the basis of recovery of each of these costs is discussed below.

We have undertaken a proper assessment of disbursements claimed for the Administration, in accordance with the law and applicable professional standards. We are satisfied that the disbursements claimed are necessary and proper.



## 4.1 External disbursements

External disbursements are recovered at cost. Creditors are not required to approve these types of disbursements, but details are provided to account to creditors, including the basis of charging for these types of disbursements. Creditors are entitled to question the incurring of the disbursements and can challenge the disbursements in Court.

The following external disbursements have been paid by McGrathNicol and relate to the Voluntary Administration.

These amounts will be reimbursed to McGrathNicol at cost from the Voluntary Administration bank account:

External disbursements at cost for the period 30 April 2020 to 26 May 2020	Amount (\$) (GST exclusive)
Car parking	\$25.41
Staff vehicle use (\$0.68 per km)*	\$240.21
Hardrive	\$203.44
Taxi	\$32.92
<b>Total</b>	<b>\$501.98</b>

\* These rates are deemed reasonable by the Australian Taxation Office.

## 4.2 Internal disbursements

Internal disbursements may have an element of profit or advantage to the External Administrator or a related party of the External Administrator. Creditors are required to approve these types of disbursements. No approval for internal disbursements are being sought at this stage.

### 4.2.1 Further explanation of data hosting disbursements

In the conduct of this Administration we may use McGrathNicol's Forensic Technology team to extract, aggregate, electronically process and/or host electronic data, which could be used for the:

- trade or sale of the business or assets; and/or
- investigations regarding transactions or potential recoveries available to creditors.

If data hosting is required and we choose not to use the services of McGrathNicol's Forensic Technology team, we will otherwise have to purchase those services from an alternative provider and/or use another method to achieve the same end, which will not be as efficient as using these available internal services.

We note that the data hosting rates above are no more than our standard commercial pricing available for the same services when they are provided to external parties.

## 5 Summary of receipts and payments

A summary of the receipts and payments for the Administration for the period 30 April 2020 to 26 May 2020 is included at Schedule A to this report.

## 6 Queries

If you have any queries regarding the information in this report, please contact Phoebe Donaldson on 08 6363 7619.

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

- ARITA at [www.arita.com.au/creditors](http://www.arita.com.au/creditors)
- ASIC at [www.asic.gov.au](http://www.asic.gov.au) (search for "fees of insolvency practitioner").

Supporting documentation for our remuneration claim may be viewed if requested, provided sufficient notice is given.

Dated: 28 May 2020



Rob Kirman  
*Administrator*

## Schedule A – Summary of receipts and payments

### Receipts and payments to 27 May 2020

#### \$ incl. GST

##### Receipts

Debtors	15,680
Sale of business and assets	198,000
Cash at bank	37,625
Total receipts	251,305

##### Payments

Contractor fee	(27,500)
Legal fees	(9,872)
Total payments	(37,372)

**Cash at bank as at 27 May 2020** **213,932**