



Initial Remuneration Notice

Unlockd Limited (Administrators Appointed) ACN 169 872 502
Unlockd IP Pty Ltd (Administrators Appointed) ACN 602 741 355
Unlockd AU Pty Ltd (Administrators Appointed) ACN 602 741 284
Unlockd Operations Pty Ltd (Administrators Appointed) ACN 608 719 375
(collectively known as Unlockd)

The purpose of the Initial Remuneration Notice is to provide you with information about how we propose our remuneration for undertaking the voluntary administration will be set.

1 Remuneration methods

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

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

2 Method chosen

Given the nature of this external administration, we propose that our remuneration be calculated on a time basis which will be recorded and charged in six minute increments. Details of the hourly rates for different levels of staff are included below. The complexity and demands of the external administration will determine the staff to be utilised for this appointment.

However, given the significant uncertainty in relation to the quantum of recoveries in this administration, and to best position us to maximise the value of recoveries, it may be appropriate for us to consider a contingency based remuneration method in lieu of, or in conjunction with, an hourly rate method. We will seek creditor or court approval before any introduction of a contingency based remuneration method.

In the interim, we have chosen the time based method because:

- This method is considered to be most suitable for this appointment as it ensures creditors are only charged for work that is performed in the external administration, which can be difficult to accurately estimate at the date of appointment.
- Even later than the date of appointment, it can be difficult to estimate the time that may be required in advance of the substantive work being undertaken. The time based method in this case again ensures that creditors are only charged for work that is actually performed in the external administration.



- The practitioner is required to perform a number of tasks which do not relate to the realisation of assets, for example responding to creditor enquiries, reporting to ASIC and distributing funds in accordance with the provisions of the *Corporations Act*.
- The practitioner has a time recording system that can produce a detailed analysis of time spent on each type of task by each individual staff member utilised in the external administration.
- Time based remuneration calculates fees upon a basis of time spent at the level appropriate to the work performed.

3 Explanation of Hourly Rates

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

Title	Description	Hourly rate (excl GST)
Appointee/Partner	Registered liquidator, Chartered Accountant or equivalent and generally degree qualified with more than twelve years of experience. Leads assignments with full accountability for strategy and execution.	\$680
Director 1	Generally Chartered Accountant or comparable qualification and degree qualified with more than ten years of experience, including four years of Director or equivalent experience. Autonomously leads complex insolvency appointments reporting to Appointee/Partner.	\$620
Director	Generally Chartered Accountant or comparable relevant qualification and degree qualified with more than nine years of experience. Autonomously leads insolvency appointments reporting to Appointee/Partner.	\$580
Senior Manager	Generally Chartered Accountant or comparable relevant qualification and degree qualified with more than seven years of experience. Self-sufficiently conducts small to medium insolvency appointments and leads major workstreams in larger matters.	\$530
Manager	Generally Chartered Accountant or comparable relevant qualification and degree qualified with more than five years of experience. Self-sufficiently conducts small insolvency appointments and takes a supervisory role on workstreams in larger matters.	\$500
Assistant Manager	Generally Chartered Accountant or comparable relevant qualification and degree qualified with more than three years of experience. Autonomously manages workstream activity within appointments.	\$450



Title	Description	Hourly rate (excl GST)
Senior Accountant	Generally degree qualified and undertaking Chartered Accountant's qualification or comparable relevant qualification with more than 16 months of experience. Completes tasks within workstreams and appointments under supervision.	\$410
Accountant	Generally degree qualified and undertaking or about to undertake Chartered Accountant's qualification or comparable relevant qualification with less than one year of experience. Assists with tasks within workstreams and appointments under supervision.	\$320
Undergraduate/Cadet	Undertaking relevant degree. Assists with tasks within workstreams and appointments under supervision.	\$200
Practice Services Director	National Practice Service leaders, generally degree qualified with more than ten years of experience and reporting directly to partners. Technical experts in their specific areas and have team management responsibilities.	\$620
Senior Treasury staff	Appropriately experienced and undertakes senior Treasury activities such as oversight of the processing of payment of receipts and banking administration. May be responsible for day to day management of projects or operations and may have supervisory responsibility for junior staff.	\$410
Senior Client Administration and Treasury	Appropriately experienced and undertakes senior level administrative support activities or Treasury activities. May be responsible for day to day management of projects or operations and may have supervisory responsibility for junior staff.	\$320
Administration	Appropriately experienced and undertakes support activities such as meeting coordination and preparation of materials where it is efficient and appropriate to do so.	\$175

McGrathNicol reviews its hourly rates on either 31 December or 30 June. Creditors will be advised of any change to the hourly rates for this external administration.

4 **Estimated remuneration**

The work performed by the Administrators protects and generates any funds that may ultimately be available to meet our remuneration claims and then be distributed for the benefit of creditors and other stakeholders according to the order of repayment prescribed by the *Corporations Act*. In this case, generation of a fund sufficient to meet the costs and fees of the Administrators at both the lower and upper end of our estimated range, which may be required to maximise the potential return to creditors and other stakeholders, will be dependent upon successful implementation of an effective asset realisation strategy.

Remuneration for the appointees is detailed in sections 4.1 to 4.45 below.



In each case, the 'low' scenario assumes that the administrators trade the business for a short term before executing an asset sale or Deed of Company Arrangement (**DOCA**) within the standard convening period for the second creditors meeting. This estimate assumes a high level of business and stakeholder stability.

In each case, the 'high' scenario assumes that the administrators trade the business for a longer period of time, before executing an asset sale or DOCA within an extended convening period for the second creditors meeting (utilising one month of extension). This estimate also assumes a high level of business and stakeholder stability.

Other variables likely to impact the total remuneration claimed are listed at 4.5 below.

Further updated information about the total estimated remuneration will be provided when approval of a remuneration claim is sought.

4.1 *Unlockd Limited (Administrators Appointed) ACN 169 872 502 (**Unlockd Limited**)*

Unlockd Limited is the head company of Unlockd. Unlockd Limited owns the majority of the intellectual property assets of Unlockd, has substantial intercompany receivables owed to it and is the principal Australian litigant in various legal proceedings.

Subject to the assumptions set out above and in sections 4.5, we estimate that the external administration of Unlockd Limited may involve remuneration for the practitioners of approximately \$300,000 to \$450,000 (excluding GST). The variables set out in section 4.5 below may have a significant effect on this estimate.

4.2 *Unlockd IP Pty Ltd (Administrators Appointed) ACN 602 741 355 (**Unlockd IP**)*

We understand Unlockd IP owns various trademarks and has significant intercompany balances.

Subject to the assumptions set out above and in section 4.5, we estimate that the external administration of Unlockd IP may involve remuneration for the practitioners of approximately \$30,000 to \$50,000 (excluding GST). The variables set out in section 4.5 below may have a significant effect on this estimate.

4.3 *Unlockd AU Pty Ltd (Administrators Appointed) ACN 602 741 284 (**Unlockd AU**)*

We understand Unlockd AU may be the contracting entity for various Unlockd Group contracts.

Subject to the assumptions set out above and in section 4.5, we estimate that the external administration of Unlockd AU may involve remuneration for the practitioners of approximately \$30,000 to \$50,000 (excluding GST). The variables set out in section 4.5 below may have a significant effect on this estimate.

4.4 *Unlockd Operations Pty Ltd (Administrators Appointed) ACN 608 719 375 (**Unlockd Operations**)*

We understand that Unlockd Operations is the main operating and contracting entity, as well as the employing entity for Unlockd employees.

Subject to the assumptions set out below and in section 4.5, we estimate that the external administration of Unlockd Operations may involve remuneration for the practitioners of approximately \$240,000 to \$400,000 (excluding GST). The variables set out in section 4.5 below may have a significant effect on this estimate.



4.5 *Impacts on remuneration estimates*

Whilst the above represents our best estimate of our remuneration, there still remains significant uncertainty around how the administration will progress over the coming weeks. The following variables may have a significant effect on the estimates in sections 4.1 to 4.4:

- uncertainty around the level of interest, timing and manner of the sale of Unlocked's business and assets;
- the structure of any Deed of Company Arrangement that may be proposed;
- implications of any change to the status of foreign entities owned by Unlocked;
- the timeframe to progress or resolve existing legal claims;
- the unpredictable level of work required to stabilise the business and take control of all staffing and operational matters;
- the number and value of claims that may be received in the external administration and work that may be required to adjudicate on those claims for voting and/or dividend purposes;
- work that may be required to distribute funds to creditors;
- investigations that may be required to ascertain the existence and location of any other assets, including potential legal actions that may be available to the external administrator; and
- any identified matters that are required to be reported to statutory authorities such as ASIC.

5 **Disbursements**

Disbursements are divided into three types:

- **Externally provided professional services** – these are recovered at cost. An example of an externally provided professional service disbursement is legal fees.
- **Externally provided non-professional costs** – such as travel, accommodation, external printing services and search fees – these are recovered at cost.
- **Internal disbursements** – such as photocopying, printing and postage. These disbursements are generally charged at cost but may include, in the case of disbursements such as data storage and hosting, telephone calls, photocopying and printing, both direct variable and fixed costs. For example the rate per page for printing includes a reasonable and commercial allowance for paper, toner, depreciation, power and maintenance.

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

We are required to obtain creditor's consent for the payment of internal disbursements where there may be a profit or advantage. Creditors will be asked to approve our internal disbursements where there is a profit or advantage prior to these disbursements being paid from the external administration.

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

For clarity, it is noted that any time costs of any employee of McGrathNicol or any associated entity will be reported as part of our remuneration, for which approval may be sought.



Basis of disbursement claim

<i>Disbursement type</i>	<i>Rate (Excl GST)</i>
Externally provided professional services	At cost
Externally provided non-professional services	At cost
Internal disbursements	
Advertising	At cost
Courier	At cost
Data hosting – data loading & processing fee	\$50-\$100 per gigabyte (GB)*
Data hosting – monthly hosting fee (for matters where data is required to be hosted online for more than 1 month)	Standard monthly hosting fee of \$2,000 per month (for up to 500GB of information loaded) plus \$2,000 per month for every additional 500GB block over and above 500GB
Printing – black and white	\$0.09 per page
Printing – Colour	\$0.28 per page
Postage	At cost
Stationery and other incidental disbursements	At cost
Staff per diem travel allowance**	\$89.00 per day***
Staff vehicle use	\$0.63 per km***
Telephony – mobile, fixed line and conference calls	At cost
Travel	At cost

* Depending on volume of data to be hosted

** Payable when partners or staff are required for business purposes to stay away from their usual place of residence overnight

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



McGrathNicol

Further explanation of data hosting disbursements

In the conduct of this external administration, we may use McGrathNicol Technology Advisory 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 Technology Advisory, 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.

Date of issue: 15 June 2018