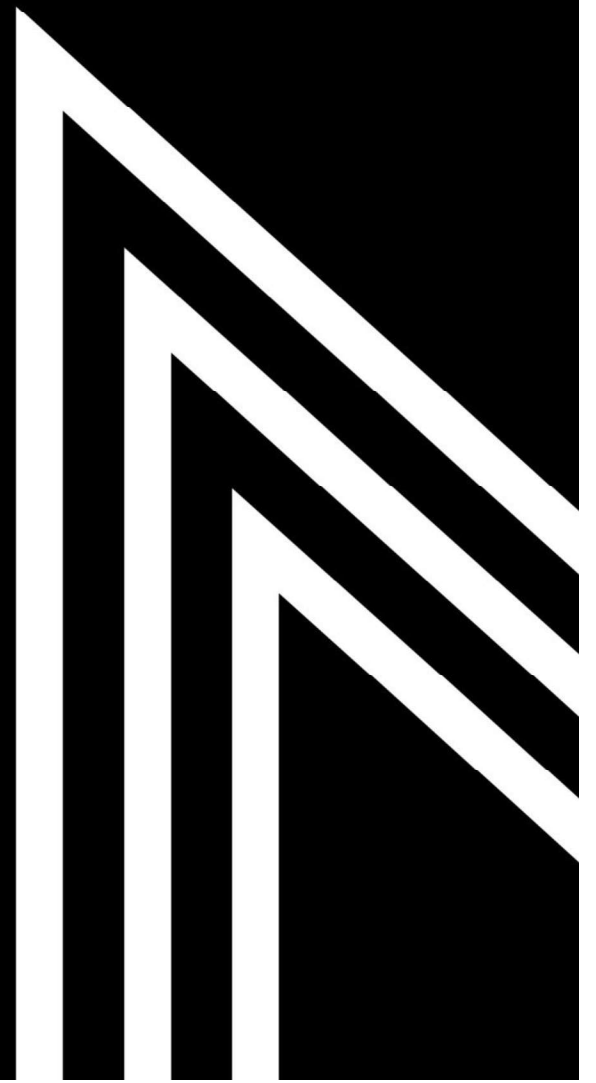

Remuneration Approval Report

Urban Couture Pty Ltd (In Liquidation)

4 June 2019



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 Liquidation of Urban Couture Pty Ltd (**Urban Couture**).

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1 Declaration

We, Katherine Sozou and Barry Kogan of McGrathNicol, have undertaken a proper assessment of this remuneration claim for our appointment as Liquidators of Urban Couture 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.

2 Executive Summary

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

This remuneration approval report details approval sought for the following remuneration:

Approvals sought	Report Reference	Amount (ex GST)
Remuneration		
Retrospective	3.1	\$63,846.50
Prospective*	3.2	\$30,000.00
Total remuneration		\$93,846.50
* Approval sought for future remuneration is based on an estimate of the work necessary to the completion of the Liquidation. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.		

Please refer to the report section references detailed in the above table for full details of the calculation and composition of the remuneration for which approval is 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(s)	Appointment Type	Amount (ex GST)
Resolution 1: 6 March 2019 – 24 May 2019	Liquidation	\$63,846.50
Total retrospective remuneration resolution		\$63,846.50

Resolution 1: from 6 March 2019 to 24 May 2019

"That the remuneration of the Liquidators for the period 6 March 2019 to 24 May 2019, calculated at hourly rates as detailed in Remuneration Report dated 4 June 2019, is approved in the sum of \$63,846.50 exclusive of GST."

We will withdraw funds from the administration account in respect of the Liquidators' remuneration immediately upon approval if funds are available.

The below table sets out the time charged to each major task area by staff members working on the Liquidation for the period 6 March 2019 to 24 May 2019, 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.

Urban Couture Pty Ltd. (In Liquidation) - Retrospective remuneration summary for the period 6 March 2019 to 24 May 2019

Employee	Position	Rate \$/hr (ex GST)	Total		Assets hrs \$ (ex GST)	Creditors hrs \$ (ex GST)	Employees hrs \$ (ex GST)	Investigations hrs \$ (ex GST)	Statutory and Administration hrs \$ (ex GST)			
			hrs	\$ (ex GST)								
Kathy Sozou	Partner	690	14.5	10,005.00	7.0	4,830.00	-	-	4.0	2,760.00	3.50	2,415.00
Barry Kogan	Partner	690	1.0	690.00	-	-	-	-	-	-	1.00	690.00
Rajiv Goyal	Director	600	25.0	15,000.00	20.5	12,300.00	-	-	1.1	660.00	3.40	2,040.00
Emmanuel Hart	Senior Accountant	425	74.5	31,662.50	29.9	12,707.50	10.0	4,250.00	7.9	3,357.50	19.10	8,117.50
Conor Menzies	Accountant	330	15.0	4,950.00	-	-	10.4	3,432.00	-	-	2.00	660.00
Various	Treasury and admin	Various	4.5	1,539.00	-	-	-	-	-	-	4.5	1,539.00
Total (ex GST)			134.5	63,846.50	57.4	29,837.50	20.4	7,682.00	13.0	6,777.50	33.5	15,461.50
Average hourly rate				475								



The below table sets out a detailed description of work undertaken on the Liquidation for the period 6 March 2019 to 24 May 2019, which is the basis of Resolution 1.

Resolution 1: from 6 March 2019 to 24 May 2019

Task Area	General Description	Includes
Assets 57.4 hours \$29,837.50	Monies	Secure bank accounts and issue bank freeze notifications
	Plant and Equipment	Review asset listings Review valuation received from Former Administrators Liaise with valuers and auctioneers to realise plant and equipment
	Debtors	Correspond with pre-appointment debtor for recovery of outstanding amounts
	Assets subject to specific charges and security interests	Search the PPS register Disclaim finance leases
	Stock	Liaise with the Former Administrators regarding the stock sale agreement Review stock sale agreement Extensive liaison with the purchaser of stock and his representatives to receive payment of amounts outstanding pursuant to stock sale agreement Liaise with solicitors regarding recovery of stock purchase price outstanding Liaise with valuers regarding location and security of stock Determining recoverability of overseas stock Investigating the stock held at customs

Task Area	General Description	Includes
	Licence fee	<p>Review the Former Administrator's calculation of the licence fee</p> <p>Interrogate company financial information to determine the Licence fee</p> <p>Meet and correspond with the Former Administrator regarding licence period sales and expenses</p> <p>Meet and correspond with the Directors regarding licence period sales and expenses</p> <p>Liaising with legal representatives of the Directors regarding payment of licence fee from property settlement.</p>
	Intellectual property	<p>Correspond with interested parties regarding the acquisition of intellectual property</p> <p>Liaising with solicitors regarding potential sale of intellectual property</p>
	Leasing	Disclaim real property leases
Creditors 20.4 hours \$7,682.00	Creditor Enquiries, Requests & Directions	<p>Receive and respond to creditor enquiries</p> <p>Prepare and issue initial circular to creditors</p>
	Creditor reports	Prepare Statutory Report by Liquidator
	Deal with proofs of debt (POD)	<p>Receive PODs from claimants and maintain MYOB</p> <p>Receive and review creditor information provided by the Former Administrator</p>
Employees 10.2 hours \$4,088.00	Employee queries	<p>Receive and follow up employee enquiries</p> <p>Prepare and issue circular to employees</p>
	Fair Entitlements Guarantee (FEG)	<p>Correspond with FEG</p> <p>Complete FEG questionnaires</p>
	Calculation of entitlements	<p>Review online employee files and company's books and records</p> <p>Receive and review PODs provided by the Former Administrator</p> <p>Liaise with the Australian Taxation Office (ATO) regarding outstanding Superannuation Guarantee Charge and issuing correspondence regarding same</p>

Task Area	General Description	Includes
Investigation 13.0 hours \$6,777.50	Conduct investigations	<p>Review ROCAP completed by the Director and lodged by the Former Administrators</p> <p>Review company's books and records, including various cloud databases</p> <p>Prepare comparative financial statements</p> <p>Review specific transactions</p> <p>Hold meetings with the Directors to determine Company history</p> <p>Reviewing Former Administrator reports to assist determine avenues of enquiry</p> <p>Conduct preliminary insolvent trading analysis</p>
	Voidable transactions	<p>Review online accounting system to identify preferential payments made during the relation back period</p> <p>Review bank statements for preferential payments made during the relation back period</p>
Administration 33.5 hours \$15,461.50	Correspondence	Correspond and meet with the Directors and their representatives regarding information required
	Insurance	Correspond with insurer regarding initial and ongoing insurance requirements
	Bank account administration	<p>Prepare correspondence to open accounts</p> <p>Request bank statements</p> <p>Perform bank account reconciliations</p>
	ASIC forms	Prepare and lodge ASIC forms
	ATO and other statutory reporting	Notify of appointment
	Planning/Review	Discuss status of external administration
	Books and records / storage	<p>Review Company books and records</p> <p>Liaise with Directors regarding access to electronic books and records</p>

3.2 Prospective remuneration

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

Prospective remuneration resolution	Appointment Type	Amount (ex GST)
Resolution 25 May 2019 – Completion	Liquidation	\$30,000.00
Total Prospective remuneration resolution		\$30,000.00

Resolution 2: from 25 May 2019 to completion of the Liquidation

“That the future remuneration of the Liquidators from 25 May 2019 to completion of the Liquidation is approved at a sum equal to the cost of time spent by the Liquidators and their partners and staff, calculated at the hourly rates as detailed in the Remuneration Report dated 4 June 2019 in the amount of \$30,000.00, exclusive of GST.”

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

The below table sets out the expected costs and a detailed description of the work by task area to be undertaken on the Liquidation for the period 25 May 2019 to completion of the Liquidation, which is the basis of Resolution 2.

Resolution 2: from 25 May 2019 to completion of the Liquidation

Task Area	General Description	Includes
Assets \$3,000.00	Voidable transactions	Pursue recovery of voidable transactions Correspond with parties subject to recovery actions
Creditors \$5,000.00	Creditor Enquiries, Requests & Directions	Receive and respond to creditor enquiries Consider reasonableness of creditor requests, if received Ad hoc communications with creditors as required
		Secured creditors reporting
	Deal with proofs of debt (POD)	Receive and maintain PODs from claimants
	Dividend (if required)	Correspond with creditors regarding dividend Adjudicate on PODs Advertise intention to declare dividend Obtain clearance from ATO Calculate and pay dividend
Employees \$3,000.00	Employee queries	Receive and follow up employee enquiries Prepare correspondence in response to employee’s queries
	Fair Entitlements Guarantee (FEG)	Correspond with FEG

Task Area	General Description	Includes
	Calculation of entitlements	Prepare and lodge Superannuation Guarantee Statements with the Australian Taxation Office (ATO) to confirm the claim for superannuation
Investigation \$16,000.00	Conduct investigations	Review company's books and records Prepare and review comparative financial statements Review specific transactions and liaise with directors regarding certain transactions Liaise with others party to voidable transactions in question
	ASIC reporting	Prepare report to ASIC under s533 of the Act
Statutory & Administration \$3,000.00	Document maintenance/file review/checklist	Conduct first month, then six monthly file Maintain physical and electronic engagement file Update checklists
	Bank account administration	Perform bank account reconciliations
	ASIC forms	Prepare and lodge ASIC forms
	ATO and other statutory reporting	Prepare BAS
	Finalisation	Notify ATO of ceasing to act
	Planning/Review	Discuss status of external administration
	Books and records / storage	Deal with records in storage
Total \$30,000.00		

3.3 Estimated future remuneration

In preparing this report, our prospective remuneration approval is our best estimate of what we believe the Liquidation will cost to complete and we do not anticipate that we will have to ask creditors to approve any further remuneration. However, should the Liquidation not proceed as expected, we will advise creditors and we may seek approval of further remuneration. Matters that may affect the progress and the cost of the Liquidation include the possibility of lengthy negotiations regarding the pursuit and settlement of potential voidable transaction claims.

3.4 Total remuneration reconciliation

At this point in time we estimate that the total remuneration for the Liquidation will be \$98,401.50 (GST exclusive), as shown in the table below. This is subject to the estimated time and cost involved in pursuing voidable transactions, which may have a significant effect on this estimate and that we are unable to determine as yet:

Remuneration type	Amount (ex GST)	Amount (ex GST)
Current remuneration approval being sought:		
Retrospective remuneration approval (refer to section 3.1)	\$63,846.50	
Prospective remuneration approval (refer to section 3.2)	\$30,000.00	\$93,846.50
Estimated total remuneration		\$93,846.50

This differs to the estimate provided in Initial Remuneration Notice to the Former Administrators dated 4 March 2019, which estimated remuneration of \$50,000 to \$70,000 (excluding GST), for reasons that include the following:

- Significant work was undertaken to conduct a handover of the appointment and to understand the complex factual landscape surrounding the Licence Deed and Asset Sale Deed entered into by the Former Administrators.
- Significant work was conducted to understand amounts due under the Licence Deed, involving corresponding with directors and reviewing information available from various cloud databases.
- Payments due under the Asset Sale Agreement were not made in the manner prescribed by sale contract. We liaised with agents for the purchaser and our solicitors over a period of time in order to ensure payments due under the contract were paid in full.

We have provided an explanation of the tasks that remain to be completed, including our estimated costs to complete those tasks, to support our current remuneration approval request, at section 3.2 of this report.

3.5 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, there is also necessary work that must be undertaken by the external administrator to properly adjudicate on claims and distribute any available funds.

4 Disbursements

Disbursements are paid for by McGrathNicol and are recovered from the Liquidation 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. No internal disbursements are being claimed in this remuneration report.

We have undertaken a proper assessment of disbursements claimed for the Liquidation, 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 Liquidation. These amounts will be reimbursed to McGrathNicol at cost from the Liquidation bank account:

External disbursements at cost for the period 6 March 2019 to 24 May 2019	Amount (\$) (GST exclusive)
Searches	\$162.32
Total	\$162.32

5 Summary of receipts and payments

A summary of the receipts and payments for the Liquidation for the period 6 March 2019 to 24 May 2019 is included at Schedule 1 to Statutory Report to Creditors dated 4 June 2019

6 Queries

If you have any queries regarding the information in this report, please contact Emmanuel Hart on (02) 9248 9907 or by email (ehart@mcgrathnicol.com).

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

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

Dated: 4 June 2019



Katherine Sozou
Liquidator