



Sound Diagnostics Pty Ltd (Subject to Deed of Company Arrangement)
ACN 116 377 201
("Sound Diagnostics" or "the Company")
Update to Creditors

We refer to:

- the appointment of Matthew Caddy and I as joint and several Voluntary Administrators of Sound Diagnostics on 25 May 2020 and our subsequent appointment as Deed Administrators on 18 August 2020 (**Deed Administrators**); and
- the Deed of Company Arrangement (**DOCA**) executed by Radiology SA Holdings Pty Ltd (**RSAH**), Sound Diagnostics, Mr Caddy and I on 18 August 2020 pursuant to which the shares in Sound Diagnostics transferred to RSAH 10 September 2020 (**Completion**).

The purpose of this report is to:

- provide an update in relation to the first and final dividend to creditors of Sound Diagnostics, to be paid on or before 20 November 2020; and
- seek further approval of the Deed Administrators' remuneration to finalisation of the DOCA.

This report should be read in conjunction with prior reports to Creditors, in particular our most recent report dated 9 October 2020 (**Last Update**), available from www.mcgrathnicol.com/creditors/sound-diagnostics-pty-ltd.

1 First and final dividend to creditors

Since our Last Update, the Deed Administrators have adjudicated all creditor claims, and corresponded as necessary with relevant creditors regarding (i) further information in support of a submitted claims, and (ii) the rejection of claims (in full or in part).

The Deed Administrators are pleased to confirm that there has been no appeal(s) lodged with the Court regarding the adjudication of claims, and all queries have been dealt with by the Deed Administrators in direct correspondence with the relevant creditors.

Accordingly, the Deed Administrators propose to declare and pay the first and final dividend to creditors during week ended 13 November 2020. In accordance with all previous correspondence to creditors, the dividend will repay all creditor claims in full.

Following completion of the dividend to creditors of Sound Diagnostics, the Deed Administrators will proceed with the distribution of surplus funds after costs to the Company's pre-appointment shareholders. The process of distributing surplus funds to the shareholders has been complicated by a dispute that has arisen in relation to the pre-appointment shareholding interests, and has recently resulted in Court proceedings in the Supreme Court of South Australia.

As a result of the proceedings, the Deed Administrators will be required to complete and file an application to the Court for the shareholder surplus to be paid into the Court, for subsequent distribution to shareholders in accordance with the Court's direction.

SOUNDIA01-2-Report to Creditors Nov-20 - MK

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2 Deed Administrators' remuneration

Since our Last Update, the Deed Administrators have been required to undertake additional work and incur time costs to bring the administration to this point, in excess of their previous forecast. This additional work, includes:

- dealing with ongoing completion adjustment issues pertaining to transferring employee entitlements, including (i) long service leave accrual reconciliations, and (ii) inconsistencies with pre-appointment contracts and leave loading entitlements;
- liaising with the ATO in relation to (i) completion of the DOCA and reporting requirements of the Deed Administrators and RSA pre and post completion of the DOCA, and (ii) an audit of GST transactions on completion;
- protracted communications and follow up with post appointment suppliers and the transition of trading arrangements post completion, over and above that previously forecast; and
- the level of correspondence and time required to effectively communicate and manage rejected creditor claims than previously forecast. Additional work which has avoided Court appeal(s).

Accordingly, the Deed Administrators are seeking approval of remuneration both incurred in respect of the above matters, and yet to be incurred to finalise the Deed Administration, and enclose a detailed report on their remuneration, called a Remuneration Report for the consideration of creditors.

In accordance with our enclosed Remuneration Report, the Deed Administrators are seeking approval of further remuneration totalling \$59,064.00 (excluding GST) over and above that previously approved by creditors for the period of the DOCA following our Last Update, comprising (i) retrospective (actual) remuneration for the period from 23 October 2020 to 6 November 2020 totalling \$24,064.00 (excluding GST), and (ii) prospective remuneration for the period from 7 November 2020 to finalisation of the DOCA and retirement of the Deed Administrators, totalling \$35,000.00 (excluding GST).

We propose to have our remuneration approved by proposal and without a meeting. Information about passing resolutions without holding a creditors meeting, and voting forms with regard to each resolution is enclosed.

In summary, the key tasks comprising the prospective Deed Administrators' remuneration request is set out in detail in the enclosed Remuneration Report, and includes:

- declaring and paying the first and final dividend to creditors of Sound Diagnostics during week ended 13 November 2020;
- completion of FY21 financial accounts, tax returns and related reporting to completion of the DOCA, inclusive of distributions to creditors and shareholder(s), and confirmation of relevant asset and tax implications on handover of the company to RSAH;
- preparation and filing of the necessary Court application regarding the distribution of the shareholder surplus into Court;
- confirmation and payment of final legal and accounting costs, and the subsequent distribution of the remaining DOCA Fund to the Court; and
- effectuation of the DOCA, completion of all statutory obligations and retirement as Deed Administrators.



3 Where can you get more information?

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

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

If you require any further information or clarification of the matters set out above, please contact Magnus Howie of my staff on (08) 6363 7600 or by email to mhowie@mcgrathnicol.com.

Dated: 11 November 2020

Rob Kirman
Joint and Several Deed Administrator

Enclosures:

- 1 Remuneration Report
- 2 Notice of Proposal – Retrospective fees
- 3 Notice of Proposal – Prospective fees
- 4 ARITA Information Sheet – Proposals without meetings