



**Sound Diagnostics Pty Ltd (Administrators Appointed) (Controllers Appointed)**

**ACN 116 377 201  
(Sound Diagnostics)**

**Circular to Employees**

Rob Kirman and Matthew Caddy of McGrathNicol were appointed joint and several Administrators of Sound Diagnostics on 25 May 2020 (**Administrators**).

**Background and immediate objectives**

The director of Sound Diagnostics has this morning resolved to appoint the Administrators, primarily due to progression of legal claims which has impacted the ability of Sound Diagnostics to maintain operations "as normal" and remain solvent.

Accordingly, and in order to protect the Sound Diagnostics business, the Administrators have been appointed and assumed control of Sound Diagnostics' affairs and its assets. It is the Administrators' intention to continue trading Sound Diagnostics on a 'business as usual' basis while undertaking an assessment to determine the best course of action available to preserve the business, including exploring a potential sale and/or recapitalisation process.

To assist in this process, and to limit any disruption to operations, employees are asked to continue with their normal duties pending further advice from the Administrators.

**Wages**

Wages and entitlements for continued employment during the administration will be paid by the Administrators.

The Administrators will process wage payments for the current payroll period (i.e. fortnight in arrears) on Friday, 29 May 2020 in the ordinary course.

Please note that the Administrators do not adopt any employment or other contract you may have with Sound Diagnostics.

**Pre-appointment entitlements**

Claims against Sound Diagnostics for certain categories of employee entitlements (i.e. any unpaid or untaken annual and/or long service leave, and/or superannuation), for the period prior to the Administrators' appointment may receive priority payment under the *Corporations Act*. However, there may be other higher-ranking payment priorities. There must also be sufficient recovery of monies from a specific class of secured assets of Sound Diagnostic (after the costs of realising those assets) to fund payment of the priority claims.

**Moving forward**

The Administrators will continue to keep you apprised of progress on a regular basis. In addition, an initial meeting of creditors of Sound Diagnostics, which includes employees with claims for outstanding entitlements, will be held within the next 8 business days. Notices and further information in relation to the meeting will be provided by the Administrators shortly.

**Other matters and contact details**

A schedule setting out the responsibilities of employees of a company under administration is enclosed for your guidance. The Administrators and their authorised personnel will now assume the overall management control of Sound Diagnostics. In relation to day-to-day operations, please continue to refer to existing management personnel.

A copy of the information sheet, "Insolvency information for directors, employees, creditors and shareholders", issued by the Australian Securities & Investments Commission (**ASIC**) is also enclosed for your information.



If you have any queries, please contact the following of my staff:

- Rosemary Winser on 0400 647 661 or by email to [rwinser@mcgrathnicol.com](mailto:rwinser@mcgrathnicol.com);
- Mark Knight on 0417 812 403, (08) 6363 7613 or by email to [mknight@mcgrathnicol.com](mailto:mknight@mcgrathnicol.com); or
- Magnus Howie on 0421 703 227, (08) 6363 7624 or by email to [mhowie@mcgrathnicol.com](mailto:mhowie@mcgrathnicol.com).

For further information about this engagement, please refer to the website [www.mcgrathnicol.com/creditors](http://www.mcgrathnicol.com/creditors).

Thank you in advance for your cooperation.

Dated: 25 May 2020

Rob Kirman  
*Administrator*

Enclosures:

- 1 Schedule of responsibilities of officers and employees
- 2 ASIC "Insolvency information for directors, employees, creditors and shareholders" information sheet



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**ACN 116 377 201**

**Responsibilities of Officers and Employees**

The duties and responsibilities of the officers and employees of a company under administration are set out below for your guidance.

- All documents issued by the company must have “(Administrators Appointed) (Controllers Appointed)” after the company name where it first appears on the document.
- When a company is placed under administration, the powers of the directors and other officers are suspended. However, under certain circumstances, and only with the consent of the Administrators, those powers may continue. Some obligations of the directors will continue to apply, for example the obligation to lodge Annual Statements with ASIC.
- The Administrators may carry on the business and may employ or remove an officer or employee for this purpose.
- Without the express written authority of the Administrators:
  - No order for goods or services will be placed that has not been signed personally by the Administrators, or a person nominated by the Administrators.
  - No goods will be accepted by the company from any source whatsoever that are not the subject of an order signed by the Administrators, or the nominated representative of the Administrators.
  - No credit will be incurred.
  - No payments will be made.
  - No goods will be returned to any supplier.
- All cash and cheques received will be passed to the Administrators.
- No assets of the company will be removed from the company’s custody without the written approval of the Administrators.
- All assets are to be secured against theft, under lock and key.
- The entire assets and undertaking of the company are under the express and sole control and custodianship of the Administrators and may only be dealt with by the Administrators.

If you have any queries, please contact Magnus Howie on (08) 6363 7624, Mark Knight on (08) 6363 7613 or Antoine Cleuet on (08) 6363 7635.



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](http://www.asic.gov.au/insolvencyinfosheets). The information sheets are also available from the IPA website at [www.ipaa.com.au](http://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.