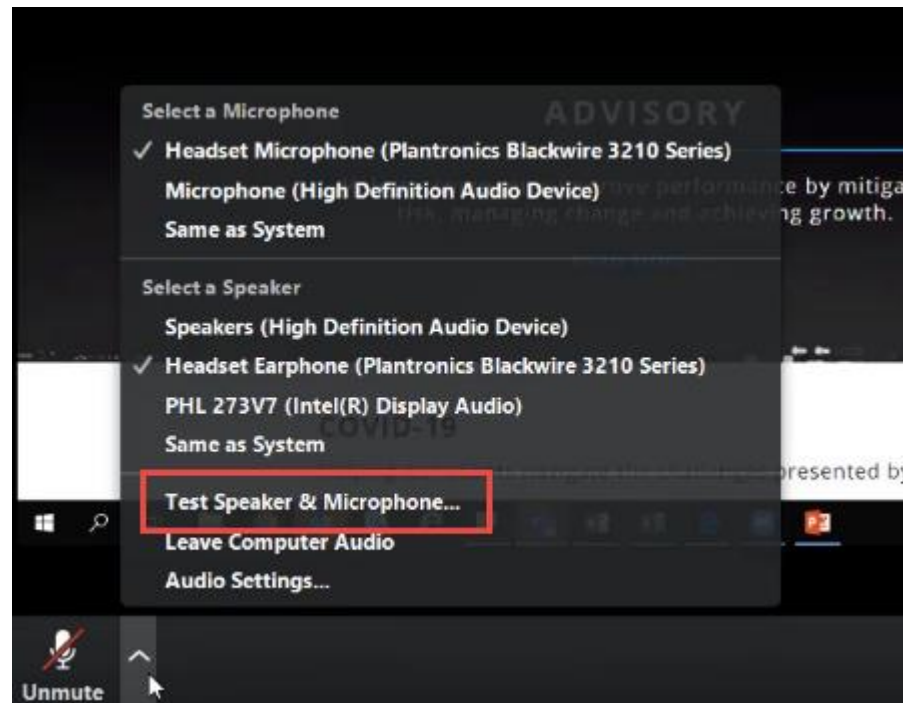
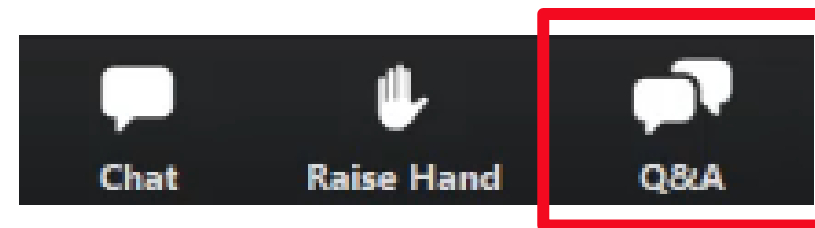


Please hold for the start of the meeting



Check your audio settings in the lower left as shown to select the appropriate microphone and speaker output or conduct a test.



Use the Q&A icon to submit questions or communicate with the host during the meeting.

Tandem Corp Pty Ltd ACN 612 789 983
Tandem Digital Services Pty Ltd ACN 625 476 897
Infrastructure Services Group (Aust) Pty Ltd ACN 142 331 717
ISGA FinCo Pty Ltd ACN 612 825 797
ISGM Consulting Pty Ltd ACN 142 331 735
Tandem Property Works Pty Ltd ACN 600 211 603
ISG Management Pty Ltd ACN 142 916 970
(All Administrators Appointed)
(each a Company, and collectively the Insolvent Companies)

Second Meetings of Creditors

5 August 2021



McGrathNicol



Agenda

- **Introduction**
 - Formalities
 - Concurrent meetings
 - Purpose of meeting
- **Administrators' Report**
 - The Voluntary Administration and Administrators' actions to date
 - Timeline of key events
 - Overview of recent financial information
 - Reasons for failure
 - Administrators' sale process
 - Investigations
 - Liquidation
 - Expected return to creditors
- **Administrators' recommendation**
- **Questions**
- **Resolutions**

Formalities

- Open meeting
- Administrator Chairperson: IPR 75-50
- Introductions:
 - Keith Crawford (Administrator)
 - Matthew Caddy (Administrator)
- Attendance register – meeting via Zoom/Teleconference
- Quorum: IPR 75-105
- Voting
- Time and place convenient: IPR 75-30
- Administrators' report to creditors pursuant to IPR 75-225 (**the Administrators' Report**)
- Proofs of debt and proxies
- DIRRI

Voting

IPR 75- 75 (3) requires that all votes at virtual meetings should now be carried by poll rather than on the voices.

How to vote



Creditors have been provided with instructions to vote by poll “surveys” in advance of the meeting. To vote please click the link that will be sent to all attendees in the “Chat” box or scan the QR code on screen at the time of voting. In the poll link, tick “In favour of”, “Against” or “Abstain” for each resolution as the chairperson reads them out. The meeting will be temporarily suspended whilst votes are counted.

Voting via proxy



General proxies: fill in the online poll for each general proxy you hold – using each individual identification number you have been provided with.
Special proxies: we already have your creditor’s vote (provided in advance)

How the resolution is passed



When more creditors (either in the online meeting or via proxy) vote for it than vote against it
AND
When those who vote for it are owed a greater amount of money than those who vote against it

Meetings to be held concurrently

The Chairperson has determined that the second meetings of creditors of the companies:

- Tandem Corp Pty Ltd
- Tandem Digital Services Pty Ltd
- Infrastructure Services Group (Aust) Pty Ltd
- ISGA FinCo Pty Ltd
- ISGM Consulting Pty Ltd
- Tandem Property Works Pty Ltd
- ISG Management Pty Ltd

(all Administrators Appointed)

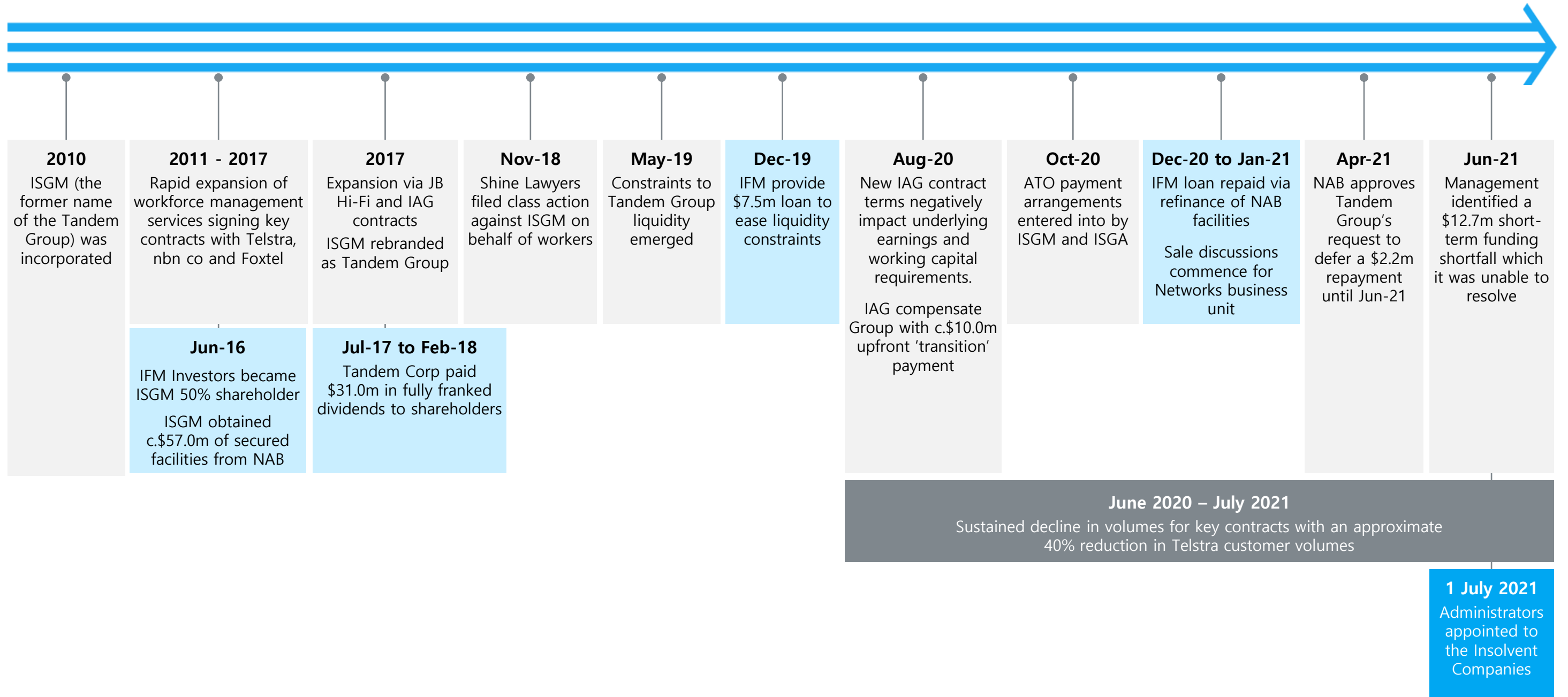
collectively defined as 'the Insolvent Companies', should be held concurrently for the purpose of efficiency and on the basis that each Insolvent Company is party to an ASIC Deed of Cross Guarantee (which has the effect of giving creditors of any one Insolvent Company a claim against each other Insolvent Company). If the meetings are not held concurrently then a separate creditor meeting is required to be held for each company.

On this basis we will proceed with concurrent meetings of the Insolvent Companies. If any creditor objects to this approach please make this known to the Chairperson by using the 'Raise Hand' function or by written submission using the Q&A function.

Purpose of meeting

- Convened under Section 439 of the Corporations Act for creditors to consider the Administrators' Report and determine the future of the Insolvent Companies from the following options:
 - the Insolvent Companies be returned to their directors (not recommended);
 - the Insolvent Companies enter into liquidation (recommended); or
 - the Insolvent Companies execute a Deed of Company Arrangement (this option is not available for consideration).
- Creditors may also resolve that the meetings be adjourned for a period of up to 45 business days.
- If creditors resolve that the Insolvent Companies should enter liquidation:
 - consider the appointment of a Committee of Inspection (for the purposes of the liquidation); and
 - consider authorising the liquidators to (i) compromise debts of the Insolvent Companies, and/or (ii) enter into agreements that may take longer than three months to complete.
- Consider any other business.

Historical timeline



Administrators' actions to date



1 July 2021
Administrators' appointment

13 July 2021
First Meetings of Creditors

29 July 2021
Administrators' Report issued to Creditors

5 August 2021
Second Meetings of Creditors



Financial performance

Summary of financial performance

\$'000	FY18	FY19	FY20	FY21
Revenue	640,265	534,533	511,326	300,959
Cost of goods sold	(493,407)	(433,058)	(372,329)	(216,330)
Gross profit	146,858	101,475	138,997	84,629
<i>Gross margin</i>	<i>22.9%</i>	<i>19.0%</i>	<i>27.2%</i>	<i>28.1%</i>
Operating costs	(110,731)	(101,937)	(113,239)	(68,147)
EBITDA	36,127	(462)	25,758	16,482
Extraordinary items	-	(1,439)	(4,699)	(5,457)
Depreciation & amortisation	(8,357)	(34,730)	(11,607)	(11,762)
EBIT	27,770	(36,631)	9,452	(737)
Interest & finance expense	(479)	(1,409)	(2,219)	(2,475)
Net profit before tax	27,291	(38,040)	7,233	(3,212)
Income tax expense	(8,473)	12,037	(2,772)	1,126
Net profit after tax	18,818	(26,003)	4,461	(2,086)

Revenue declined more than 50% in the four-year period to June 2021 and was most pronounced (c. 40%) in FY21 as customer volumes fell.

FY21 EBITDA includes circa \$21.3m of one-off IAG transition support and JobKeeper income such that we estimate an underlying EBITDA loss (before extraordinary items) of approximately \$4.8m.

Extraordinary items include Class Action legal defence costs, restructuring and retrenchment costs as the Tandem Group progressively scaled back operations.

Reported net profit before tax was broadly break-even across the four-year period.

Source: FY18, FY19 and FY20 audited accounts, FY21 management accounts

Financial position

Summary of financial position				
\$'000	Jun-18	Jun-19	Jun-20	Jun-21
Cash and cash equivalents	36,496	8,316	21,139	2,829
Trade and other receivables	2,704	5,591	5,448	1,161
Accrued revenue	31,329	36,204	43,028	11,589
Current tax assets	-	5,457	3,530	4,291
Other current assets	1,224	1,569	1,839	1,662
Total current assets	71,753	57,137	74,984	21,533
Property, plant and equipment	1,082	2,533	12,257	2,965
Deferred tax assets	-	2,333	-	-
Goodwill and other intangible assets	111,093	85,487	79,570	75,486
Total non-current assets	112,175	90,353	91,827	78,450
Total assets	183,928	147,490	166,811	99,983
Trade and other payables	(30,430)	(38,589)	(44,966)	(16,762)
Unearned revenue	(21,972)	(12,855)	(24,353)	(8,888)
Secured NAB borrowings	(9,851)	(33,826)	(19,339)	(6,274)
Shareholder loan	-	-	(8,228)	-
Current tax liabilities	(7,720)	-	-	-
Provisions for employee entitlements	(11,924)	(10,827)	(6,806)	(10,941)
Lease liabilities	-	-	(2,433)	-
Total current liabilities	(81,897)	(96,097)	(106,125)	(42,865)
Secured NAB borrowings	(16,326)	-	-	(7,010)
Deferred tax liabilities	(8,908)	-	(846)	(846)
Provisions for employee entitlements	(2,513)	(3,068)	(1,357)	(852)
Lease liabilities	-	-	(6,004)	-
Total non-current liabilities	(27,747)	(3,068)	(8,207)	(8,707)
Total liabilities	(109,644)	(99,165)	(114,332)	(51,572)
Net assets	74,284	48,325	52,479	48,411
Current ratio (current assets / current liabilities)	0.88	0.59	0.71	0.50
Net tangible assets (net assets - goodwill & intangibles)	(36,809)	(37,162)	(27,091)	(27,075)

Source: FY18, FY19 and FY20 audited accounts, FY21 management accounts

From December 2019 onwards the Insolvent Group increasingly relied on borrowings from NAB and the IFM shareholder loan to fund its working capital requirements.

Current assets and liabilities (generally working capital balances) declined considerably in the 12 months to June 2021, reflecting the decline in customer volumes.

A current ratio of less than one was recorded at all times from FY18 to FY21, indicating the Insolvent Group had limited capacity to release working capital in order to ease short term liquidity constraints.

At all times during the four-year period a net tangible asset deficiency was reported.

Cash flows

Statement of cash flows

\$'000	FY18	FY19	FY20	FY21
Cash generated from operations	6,414	(12,083)	27,255	6,624
Interest and finance costs	(125)	(1,254)	(1,552)	(3,440)
Income taxes refunded/(paid)	(4,775)	(12,693)	2,335	(1,927)
Net cash generated from/(used in) operating activities	1,514	(26,030)	28,038	1,257
Net payments for plant and equipment	(456)	(1,977)	(3,835)	(455)
Net payments for acquisition of businesses	-	(3,620)	-	-
Payments for purchases of intangibles	(2,785)	(4,053)	(2,463)	(5,822)
Net cash used in investing activities	(3,241)	(9,650)	(6,298)	(6,277)
Principal payment of leases	-	-	(1,909)	-
Proceeds from borrowings	16,000	12,500	27,191	28,632
Repayment of borrowings	(6,638)	(5,000)	(34,200)	(41,921)
Dividends paid	(31,000)	-	-	-
Net cash generated from/(used in) financing activities	(21,638)	7,500	(8,918)	(13,289)
Net increase/(decrease) in cash and cash equivalents	(23,365)	(28,180)	12,822	(18,309)
Cash and cash equivalents at beginning of the period	59,861	36,496	8,316	21,138
Cash and cash equivalents at end of the period	36,496	8,316	21,138	2,829

Source: FY18, FY19 and FY20 audited accounts, FY21 management accounts

The Tandem Group generated modest net operating cash flow of \$4.8m across the four-year period to FY21.

In the four-year period dividends totalling \$31.0m were paid and \$25.5m was reinvested in the business (in PP&E, business acquisitions and capitalised IT expenditure) which largely account for the use of opening cash reserves of circa \$60.0m.

Reasons for failure

Boards of Directors reasons for difficulties:

The Boards of the Insolvent Companies advised that, in their view, the Insolvent Group failed for the following key reasons:

- the impact of the Class Action which frustrated the Group's ability to secure new business and led it to incur approximately \$5.9m in legal defence costs to 30 June 2021;
- a sustained decline in customer volumes for key contracts, with an approximate 40% reduction in Telstra volumes from June 2021 to July 2021;
- the inability of the Insolvent Group to satisfactorily restructure its borrowing arrangements; and
- failure to reach agreement with NAB to further defer a \$2.2m term loan facility repayment due in June 2021.

Administrators' commentary

The Administrators do not dispute that the reasons outlined by the Boards of Directors as factors which contributed to the failure of the Insolvent Companies. However, the Administrators also note that the ultimately insurmountable liquidity challenges facing the Insolvent Companies were further compounded by:

- underlying EBITDA losses of approximately \$4.8m in FY21 driven by a steep decline in Telstra volumes and a change in IAG contract terms which made that business unit loss making on an underlying basis;
- shareholder dividends paid during FY18 totalling approximately \$31.0m; and
- the debt repayment obligations associated with a refinance in January 2021 of a secured shareholder loan totalling \$8.8m (including capitalised interest).

If the Administrators are appointed liquidators they will further investigate the reasons for the Insolvent Companies' failure and provide an update to creditors in due course.

Administrators' sale process

Prior to the Administration, GenusPlus had submitted an NBIO to acquire the assets and operations comprising the Networks, Digital and Mobiles businesses relating to both the Insolvent Companies and non-VA entities.

The Administrators and directors of non-VA entities executed an asset sale agreement with GenusPlus on 29 July 2021 with a headline price of \$3.4m subject to adjustments. Completion of the sale is expected to occur by 6 August 2021.

A separate offer has been received by the Administrators for the assets and operations relating to ISGM's audio visual installation contract service contract with JB Hi-Fi. This offer remains subject to due diligence and documentation.

Benefits of the sale process

- net sale proceeds to be available to the Insolvent Companies for the benefit of creditors;
- transfer of employment of approximately 30-35 employees, reducing residual priority creditor claims against the Insolvent Companies by up to \$1.6m;
- opportunity for NAB to access recoveries from the sale of non-VA entities, improving the prospects of a return to unsecured creditors;
- transfer of employment for approximately 100 employees of non-VA entities; and
- an opportunity for approximately 470 sub-contractors to benefit from service continuity with new, well capitalised counterparties.

Investigations

Claims available in a liquidation

Breach of directors' duties



Insolvent trading



Voidable transactions



Unfair preference claims



Defenses available to counterparties



COVID-19 Safe Harbour Provisions



Cost benefit analysis required on any potential return



Estimated return to creditors

Liquidation

Employees of ISGM



Estimated distributions of between \$1.0m and \$1.5m (net of costs) on claims* of between \$3.9m and \$4.7m.

Estimated shortfall* of between \$2.4m and \$3.7m (before FEG assistance).

**These amounts exclude the contingent claims associated with the Class Action*

Employees of the Insolvent Companies other than ISGM



A return to employees of the Insolvent Companies other than ISGM is unlikely absent meaningful recoveries from voidable transactions.

Estimated shortfall of between \$2.8m to \$3.6m (before FEG assistance).

Secured creditor (NAB)



Estimated distributions of between \$0.5m and \$1.5m against a claim of \$17.6m. Further amounts may be recovered from the sale of non-VA entities.

Unsecured creditors



A return to unsecured creditors of the Insolvent Companies with estimated claims totalling \$5.4m is unlikely absent meaningful recoveries from voidable transactions.

Additional recoveries from voidable transactions (i.e. unfair ATO preferences) may be available to priority creditors of ISGM (\$0.66m) and ISG Aust (\$0.24m).

The potential for further recoveries from voidable transactions and other offences will be investigated by a liquidator.

Administrators' Recommendation



The Administrators recommend creditors resolve that each of the Insolvent Companies be placed into liquidation.



Q & A

Resolution – Appointment of Liquidators

“That the Company be wound up and Keith Crawford and Matthew Caddy be appointed Joint and Several Liquidators.”

Proposed for each of the Insolvent Companies:

- Tandem Corp Pty Ltd (Administrators Appointed)
- Tandem Digital Services Pty Ltd (Administrators Appointed)
- Infrastructure Services Group (Aust) Pty Ltd (Administrators Appointed)
- ISGA FinCo Pty Ltd (Administrators Appointed)
- ISGM Consulting Pty Ltd (Administrators Appointed)
- Tandem Property Works Pty Ltd (Administrators Appointed)
- ISG Management Pty Ltd (Administrators Appointed)

To vote:

Paste the link from the chat box into your web browser

Or

Scan this QR code



Meeting suspended while votes are tallied

Meeting will resume shortly, this
webinar will remain active

Resolution – Passed

“That the Company be wound up and Keith Crawford and Matthew Caddy be appointed Joint and Several Liquidators.”

Proposed for each of the Insolvent Companies:

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- Tandem Digital Services Pty Ltd (Administrators Appointed)
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- ISGM Consulting Pty Ltd (Administrators Appointed)
- Tandem Property Works Pty Ltd (Administrators Appointed)
- ISG Management Pty Ltd (Administrators Appointed)

Resolutions – Committee of Inspection

- Pursuant to section 436E(1) and Insolvency Practice Schedule (Corporations) (IPS) 80-10, creditors may, by resolution, determine whether there is to be a committee of inspection.
- Role:
 - consult with the Liquidators about matters relating to the liquidation;
 - receive and consider reports by the Liquidators; and
 - approve Liquidators' fees.
- The committee of inspection formed at the First Meetings of Creditors dissolved upon the Insolvent Companies being placed into liquidation. Creditors now have an opportunity to appoint a committee of inspection for the liquidation.
- Creditors will vote for whether a committee of inspection is formed for each of the Insolvent Companies individually.
- In advance of the meetings we received multiple expressions of interest from creditors wishing to nominate for representation on a committee of inspection. We will now provide an opportunity for additional nominations ahead of the relevant resolutions.
- We will use the Q&A function to correspond directly with nominees if necessary to ensure an appropriately sized and representative committee.

Meeting suspended while COI nominations are considered

**Meeting will resume shortly, this
webinar will remain active**

When submitting a nomination via the Q&A box please ensure to include your full name and the name of the organisation you are representing (if applicable)

Resolutions – Committee of Inspection

1) Resolution – Committee of Inspection Appointment

“That:

National Australia Bank Limited;

Interleasing (Australia) Limited;

Mr Christopher Hill representing Mr David Southgate;

Ms Kirsty Clarke representing herself as an employee; and

Mr Paul Donker representing himself as an employee

be appointed to the Committee of Inspection for the Company.”

2) Resolution – Committee of Inspection’s Profit or Advantage

“That despite the operation of IPS 80-55, members of the committee may directly or indirectly derive a profit or advantage from the external administration of the Company if the profit or advantage is derived in the ordinary course of trading the business.”

Proposed for each of the Insolvent Companies:

- Tandem Corp Pty Ltd (In Liquidation)
- Tandem Digital Services Pty Ltd (In Liquidation)
- Infrastructure Services Group (Aust) Pty Ltd (In Liquidation)
- ISGA FinCo Pty Ltd (In Liquidation)
- ISGM Consulting Pty Ltd (In Liquidation)
- Tandem Property Works Pty Ltd (In Liquidation)
- ISG Management Pty Ltd (In Liquidation)

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Resolutions – Passed

1) Committee of Inspection Appointment

“That:

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be appointed to the Committee of Inspection for the Company.”

2) Committee of Inspection’s Profit or Advantage

“That despite the operation of IPS 80-55, members of the committee may directly or indirectly derive a profit or advantage from the external administration of the Company if the profit or advantage is derived in the ordinary course of trading the business.”

Resolutions passed for each of the Insolvent Companies:

- Tandem Corp Pty Ltd (In Liquidation)
- Tandem Digital Services Pty Ltd (In Liquidation)
- Infrastructure Services Group (Aust) Pty Ltd (In Liquidation)
- ISGA FinCo Pty Ltd (In Liquidation)
- ISGM Consulting Pty Ltd (In Liquidation)
- Tandem Property Works Pty Ltd (In Liquidation)
- ISG Management Pty Ltd (In Liquidation)

Other resolutions relevant to liquidation

- Other resolutions relevant to the liquidation of the Insolvent Companies include:
 - Liquidators' ability to compromise debts so far as is necessary for the beneficial winding up of the Insolvent Companies;
 - Liquidators' ability to enter into agreements longer than three months so far as is necessary for the beneficial winding up of the Insolvent Companies; and
 - destruction of books and records following the deregistration of the Insolvent Companies (i.e. once the liquidation is finalised) and subject to the consent of the Australian Securities and Investment Commission being obtained.

Resolutions – Comprise debts, enter into agreements and destruction of books and records

1) Liquidators' ability to compromise debts

"That so far as is necessary for the beneficial winding up of the Company, the Liquidators are hereby authorised pursuant to subsections 506(1A), 477(2A) and 477(2B) of the Corporations Act 2001 to compromise any debts greater than the prescribed amount (currently \$100,000)."

2) Liquidators' ability to enter into agreements

"That so far as is necessary for the beneficial winding up of the Company, the Liquidators are hereby authorised to enter into any agreements on behalf of the Company involving a term of obligations extending for more than three months."

3) Destruction of books and records

"That the books and records of the Company may be destroyed following the deregistration of the Company subject to the consent of the Australian Securities and Investment Commission being obtained."

Proposed for each of the Insolvent Companies:

- Tandem Corp Pty Ltd (In Liquidation)
- Tandem Digital Services Pty Ltd (In Liquidation)
- Infrastructure Services Group (Aust) Pty Ltd (In Liquidation)
- ISGA FinCo Pty Ltd (In Liquidation)
- ISGM Consulting Pty Ltd (In Liquidation)
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Resolutions – Passed

1) Liquidators' ability to compromise debts

"That so far as is necessary for the beneficial winding up of the Company, the Liquidators are hereby authorised pursuant to subsections 506(1A), 477(2A) and 477(2B) of the Corporations Act 2001 to compromise any debts greater than the prescribed amount (currently \$100,000)."

2) Liquidators' ability to enter into agreements

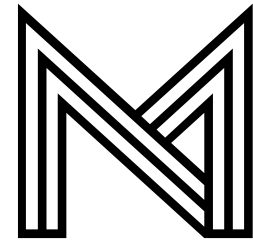
"That so far as is necessary for the beneficial winding up of the Company, the Liquidators are hereby authorised to enter into any agreements on behalf of the Company involving a term of obligations extending for more than three months."

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"That the books and records of the Company may be destroyed following the deregistration of the Company subject to the consent of the Australian Securities and Investment Commission being obtained."

Resolutions passed for each of the Insolvent Companies:

- Tandem Corp Pty Ltd (In Liquidation)
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- ISGM Consulting Pty Ltd (In Liquidation)
- Tandem Property Works Pty Ltd (In Liquidation)
- ISG Management Pty Ltd (In Liquidation)



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