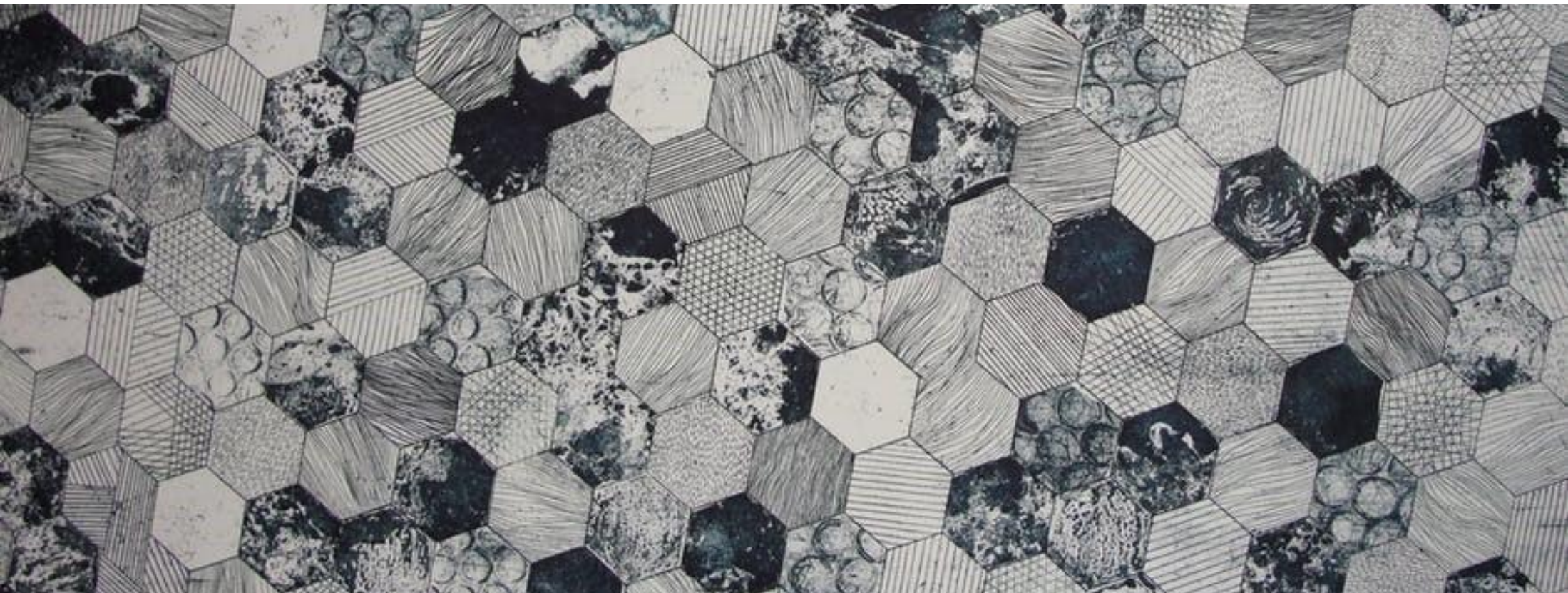




Coulson Tiles Pty Ltd
(Administrators Appointed) ACN 004 571 528
("the Company")

Voluntary Administrators' Report



28 February 2018





About this report: a guide for creditors

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Purpose of this report

- The Administrators are required to prepare this report under the Act. We are required to provide creditors with information about the Company's business, property, affairs and financial circumstances.
- This report and its attachments contain details about the forthcoming Second Meeting of Creditors to be held on 8 March 2018. It also contains our opinion and recommendation about the future of the Company and what is considered to be in the creditors' interests. Creditors are required to decide whether:
 - the Company should execute a DOCA, or
 - the administration of the Company should end, or
 - the Company should be wound up.

Alternatively, creditors can vote to adjourn the meeting for up to 45 business days to allow more time to make their decision.

Information included

- This report contains the information the Administrators are required by law to include, plus other information considered materially relevant to creditors to enable them to make an informed decision about the Company's future.
- The Table of Contents on the following page lists the sections of this report. A glossary and certain other information, including details about the Administrators' claim for remuneration, is included in the appendices.

Key messages and recommendations

Whilst this report must be read in its entirety, section 2 contains a summary of the items considered particularly important for creditors to be aware of. This includes a summary of our opinion and recommendation to creditors.

Details and forms for the forthcoming creditors' meeting

All details, forms and instructions relating to the meeting have been included with the covering letter and documents attached to this report.

Questions and help

Please contact us if you are unsure about any of the matters raised in this report and the impact that any decision about the Company's future may have on you.



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1. Key Matters and Summary

1. Key Matters and Summary

- Set out below is a summary of the key messages and recommendations that are detailed in this report. Please read this summary in conjunction with the remainder of the report including the terms of reference contained in Appendix 1 and any other attachments.

Key areas	Commentary	Analysis
Administrators' Recommendation	<ul style="list-style-type: none"> ■ It is the Administrators' opinion, given the: <ul style="list-style-type: none"> ▪ financial position of the Company; ▪ results of the Administrators' investigations to date; and ▪ DOCA proposal received, ■ that it is in creditors' best interests that the Company execute a DOCA as contained and proposed herein. ■ Please see section 9 for further details regarding the Administrators' recommendation. 	Section 9
Administrators' strategy and major actions	<ul style="list-style-type: none"> ■ The Administrators' strategy for the administration has been to support the Company to continue to trade whilst exploring all options including a potential restructure via a DOCA or a sale of the Company's business assets. ■ The Administrators have: <ul style="list-style-type: none"> ▪ put the necessary controls in place to continue trading; ▪ liaised with existing management regarding identifying cost savings; ▪ regularly engaged with employees to explain the voluntary administration process and the Administrators' strategy; ▪ engaged with major customers and suppliers throughout the administration process; ▪ liaised with the Company's major financier, Scottish Pacific (BFS) Pty Ltd ("Scottish Pacific"), regarding collection of the Company's debtors and the opening a new facility for the Administrators in order to fund ongoing trading; and ▪ advertised the Company's business assets for sale and liaised predominantly with Ms Charlotte Limb, a director of the Company, regarding a potential DOCA proposal. 	Section 3
Explanations for the Company's circumstances	<ul style="list-style-type: none"> ■ The directors of the Company have attributed the Company's current financial position to the following factors: <ul style="list-style-type: none"> ▪ High occupation costs, in particular, in Melbourne and Brisbane; ▪ Historically high levels of one-off investment in unproven stock lines leading to inappropriate product mix; ▪ Failure to meet sales targets as a result of pricing being too high (from January 2016 until August 2017), lack of relevant stock (from August 2017 onwards) and high turnover of sales team; 	Section 2

1. Key Matters and Summary

Key areas	Commentary	Analysis
	<ul style="list-style-type: none"> ▪ Legacy issues with historical lack of supervision and governance at an operational level; and ▪ Inappropriate financing model. <ul style="list-style-type: none"> ■ Based on the Administrators' investigations to date, they agree with the factors indicated by the directors for the explanation for the Company's circumstances. 	
<p>Proposal for a DOCA</p>	<ul style="list-style-type: none"> ■ Ms Limb has submitted a DOCA for consideration by the creditors. The DOCA contains the following key terms: <ul style="list-style-type: none"> ▪ The Deed Proponent will be Ms Limb ("Deed Proponent"); ▪ The DOCA is intended to be a realisation DOCA, allowing for the orderly wind down and realisation of the Company's assets in a manner that maximises the recovery value of the Company assets; ▪ The Deed Proponent and any related entity will not participate in any dividend to be paid by the Deed Administrators; ▪ The Deed Proponent will contribute \$50,000 ("Contribution") to the Deed Fund; ▪ In consideration of the Deed Proponent not making a claim in the DOCA and payment of the Contribution, subject to the consent of relevant security holders, all assets not subject to a direct encumbrance of the Company with the exclusion of motor vehicles, surplus debtors (after payment of Scottish Pacific's debt), stock, cash and cash equivalents ("Retained Assets"), and also excluding books and record, will be transferred to a new entity nominated by the Deed Proponent; ▪ The Company retains control of the Retained Assets; ▪ A Deed Fund be created and will comprise the proceeds from the realisation of the Retained Assets; and ▪ The stock is realised either by a new entity nominated by the Deed Proponent, acting as the Company's agent, who will realise the Company's stock in the normal course of business, or as otherwise determined by the Administrators. 	<p>Section 6</p>
<p>Administrators' investigations and avenues for other recoveries in a liquidation</p>	<ul style="list-style-type: none"> ■ The Administrators have conducted a preliminary investigation into the affairs of the Company. ■ The Administrators' preliminary view is that the Company was likely insolvent from 1 November 2017 and remained so up until the Administrators' appointment on 1 February 2018. ■ The Administrators consider there are potential claims for voidable transactions in the vicinity of \$340,000. 	<p>Section 5</p>

1. Key Matters and Summary

Key areas	Commentary	Analysis																																								
	<ul style="list-style-type: none"> The Directors may have breached certain duties under the law as company directors, including Section 588G of the Act - trading whilst insolvent, which may also constitute a breach of Section 180 of the Act. It is uncertain at this stage as to whether the Directors would be able to satisfy any judgement arising from a successful insolvent trading claim made in any liquidation. 																																									
Estimated outcome for creditors	<ul style="list-style-type: none"> The estimates shown are based on the information presently available, terms of the DOCA Proposal and our view of the Company's estimated realisable value of assets and estimated claims of creditors: <table border="1" data-bbox="548 612 1822 1010"> <thead> <tr> <th colspan="5">Summary of Estimated Outcomes</th> </tr> <tr> <th></th> <th colspan="2">Liquidation Dividend</th> <th colspan="2">DOCA Dividend</th> </tr> <tr> <th>AUD\$</th> <th>Cents in \$</th> <th>Timing</th> <th>Cents in \$</th> <th>Timing</th> </tr> </thead> <tbody> <tr> <td>Secured Creditors</td> <td>100 cents</td> <td>3 months</td> <td>100 cents</td> <td>3 months</td> </tr> <tr> <td>Employee Superannuation</td> <td>100 cents</td> <td>3 months</td> <td>100 cents</td> <td>3 months</td> </tr> <tr> <td>Employee Entitlements – FEG Funded</td> <td>5 to 100 cents</td> <td>3 to 6 months</td> <td>n/a</td> <td>n/a</td> </tr> <tr> <td>Employee Entitlements – Not FEG Funded</td> <td>0 to 100 cents</td> <td>3 to 12 months</td> <td>100 cents</td> <td>3 to 6 months</td> </tr> <tr> <td>Ordinary Unsecured Creditors</td> <td>0 to 29 cents</td> <td>12 to 36 months</td> <td>26 to 64 cents</td> <td>6 to 18 months</td> </tr> </tbody> </table> The key factors and variables that impact the estimated return to creditors include: <ul style="list-style-type: none"> The ultimate realisation of the Company's assets and in particular inventory. If a DOCA is executed, the inventory is to be sold by a new entity nominated by the Deed Proponent acting as agent for the Company, in the ordinary course of business, or otherwise at the discretion of the Deed Administrators. If the Company is placed into liquidation, the inventory will likely be sold via a managed liquidation sale which is expected to sell at a larger discount to its cost value via alternative means and channels, than under the DOCA proposed. In a DOCA scenario, Ms Limb has confirmed that her and her related entity will not participate for dividend purposes. Ms Limb and her related entity claims total approximately \$1.65 million. In a liquidation scenario, Ms Limb and her related entity would prove their debts and participate in any dividend as unsecured creditors. An additional contribution of \$50,000 would be made by Ms Limb under the DOCA proposal. 	Summary of Estimated Outcomes						Liquidation Dividend		DOCA Dividend		AUD\$	Cents in \$	Timing	Cents in \$	Timing	Secured Creditors	100 cents	3 months	100 cents	3 months	Employee Superannuation	100 cents	3 months	100 cents	3 months	Employee Entitlements – FEG Funded	5 to 100 cents	3 to 6 months	n/a	n/a	Employee Entitlements – Not FEG Funded	0 to 100 cents	3 to 12 months	100 cents	3 to 6 months	Ordinary Unsecured Creditors	0 to 29 cents	12 to 36 months	26 to 64 cents	6 to 18 months	Section 7
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1. Key Matters and Summary

Key areas	Commentary	Analysis
Remuneration	<ul style="list-style-type: none">■ Under Section 449E(1)(a) of the Act the Administrators are seeking approval for their remuneration as follows:<ul style="list-style-type: none">■ \$217,565.50 (plus GST and disbursements) for the period 1 February 2018 to 25 February 2018.■ Up to \$100,000 (plus GST and disbursements) for the period 26 February 2018 to the conclusion of the Voluntary Administration; and■ Under Section 449E(1)(b) of the Act, the remuneration of the Administrators (and either the Deed Administrators or Liquidators, if appointed) can be fixed at the Second Meeting of Creditors. Details of our proposed remuneration and resolutions are included in our Remuneration Approval Report.	Section 8

2. Background Information

2. Background Information

2.1. Appointment of Administrators

Appointment of Administrators

- Messrs Ross Blakeley and Paul Allen were appointed Joint and Several Administrators of the Company by resolution of the Directors on 1 February 2018 pursuant to Section 436A of the Act.
- On appointment, the Administrators assumed control of the Company, its operations and assets.
- The Administrators' appointment supersedes the powers of the Directors and company officers to make decisions and perform management functions.

Administrators' prior involvement and independence

- In accordance with Section 436DA of the Act, creditors were provided with a Declaration of Independence, Relevant Relationships and Indemnities ("DIRRI") with the Administrators' first communication to creditors.
- The DIRRI included the circumstances that led to the appointment of Mr Blakeley and Mr Allen as Administrators.
- A copy of the DIRRI is enclosed at Appendix 4. There has been no change to the position as stated in the original DIRRI.

First meeting of creditors

- In accordance with Section 436E of the Act, the first meeting of creditors was held on Tuesday, 13 February 2018 at the Chartered Accountants Australia and New Zealand, Level 18, 600 Bourke Street, Melbourne, VIC 3000.
- Creditors were provided with an update on the circumstances surrounding the Administrators' appointment as well as the progress of the Administration to date.
- A copy of the minutes of the first meeting of creditors can be made available upon request.

Second meeting of Creditors

- Accompanying this report is a notice of the second meeting of creditors to be held on Thursday, 8 March 2018 at the Chartered Accountants Australia and New Zealand, Level 18, 600 Bourke Street, Melbourne, VIC 3000 at 2:00 PM. Teleconference facilities are available for the meeting. Please contact this office should you wish to attend the meeting via telephone.

Conduct of the Administration

- Since the commencement of their appointment, the Administrators have undertaken the following broad tasks:
 - Discussed the affairs of the Company with the Directors of the Company;
 - Attended the Company's premises' in order to address staff, review operations and the available records of the Company;
 - Reviewed and assessed the Company's financial position and viability to trade during the administration;
 - Provided notification of the appointment to all key stakeholders and attended to queries from stakeholders in relation to the Administration;
 - Assessed outstanding employee entitlements and communicated same to the current and former employees;
 - Taken the necessary steps to continue trading the business in administration including establishing controls, opening new accounts with suppliers and contacting key customers for ongoing support;
 - Explored the various options available to the Company in order to maximise the return to creditors including advertising the business for sale and discussing terms of a potential DOCA with Ms Limb; and
 - Investigated the affairs of the Company prior to the appointment of the Administrators.

2. Background Information

2.2. Company Background

History of the Company

- The Company was registered on 2 May 1963 as “Intercommerce Pty Ltd” before changing its name to “Coulson Tiles” on 11 May 1993.
- The Company is one of Australia’s largest importers and wholesalers of tiles for residential and commercial applications with its head office and warehousing facilities in Mentone, Victoria with further warehousing facilities in Sydney and Brisbane.
- The Company is a key supplier to a major hardware retailer and also specialises in the supply of pool tiles to independent pool builders and independent tile retailers.
- The Company employed approximately 30 staff at the date of administration across a range of roles, including administration, sales and warehousing.
- The Company’s annual turnover for FY17 was approximately \$12.3 million.

Ongoing trading

- On appointment, the Administrators undertook an immediate assessment of the Company’s business to determine whether ongoing trade was possible.
- It was determined to continue trading the Company’s business for the following reasons:
 - The price achieved for the Company’s assets (primarily stock) would be enhanced by continuing to trade;
 - Ms Limb had indicated her desire to put forward a DOCA proposal which would be contingent upon the Company being able to trade during the administration; and
 - There were reasonable prospects alternatively for the sale of the Company’s business as a going concern.
- Accordingly, the Administrators continued to trade the Company's business throughout the administration period.
- It is the Administrators’ intention to continue to trade whilst the future of the Company is determined.

Company information

- Appendix 2 includes further information available via the records held with the Australian Securities and Investments Commission.

Contributing factors of the Company’s difficulties

Directors’ views

- High occupation costs, in particular, in Melbourne and Brisbane;
- Historically high levels of one-off investment in unproven stock lines leading to inappropriate product mix;
- Failure to meet sales targets as a result of pricing being too high (from January 2016 until August 2017), lack of relevant stock (from August 2017 onwards) and high turnover of sales team;
- Legacy issues with lack of historical supervision and governance at an operational level; and
- Inappropriate financing model.

Administrators’ Views

- Based on the Administrators’ investigations to date, they agree with the factors indicated by the Directors for the explanation for the Company’s circumstances.

3. Administrators' Strategy

3. Administrators' Strategy

3.1. Strategy

- The Administrators' strategy since the date of their appointment has, broadly speaking, been fourfold:
 1. Attending to statutory and administrative duties;
 2. Determining the current financial position of the Company and investigating its affairs prior to administration;
 3. Preserving the value of the business through continuing to trade; and
 4. Exploring options to maximise the outcome for creditors.
- Specifically, the Administrators have attended to the following:

Task Area	Tasks
Statutory & Administration	<ul style="list-style-type: none">■ Notified all statutory authorities, creditors and other parties of the appointment;■ Notified the Directors of their statutory duties and requested completion of the RATA;■ Convened and held the first meeting of creditors; and■ Convened the second meeting of creditors and compiled this report.
Financial Position and Investigations	<ul style="list-style-type: none">■ Met with the Directors and other staff to determine the current financial position of the Company;■ Reviewed and analysed available company records;■ Conducted searches of relevant public registers including ASIC, the Victorian Office of Land Titles and the Personal Properties Securities Register;■ Undertook a review of transactions occurring prior to the appointment of the Administrators to determine existence of any voidable transactions; and■ Formed a preliminary view as to the nature of certain potential contraventions of the Act by the Directors.
Trading and Value Preservation	<ul style="list-style-type: none">■ Determined to continue to trade the Company's business;■ Assessed trading profitability and cash flow of the business;■ Engaged with various landlords and negotiated more favourable temporary terms in order to continue trading;■ Implemented new control procedures and trading guidelines;■ Engaged with employees, major customers and opened new accounts with suppliers; and■ Liaised with Scottish Pacific regarding collection of the pre-appointment debtor book and setting up a new facility for the Administration period.

3. Administrators' Strategy

3.1. Strategy

Task Area	Tasks
Asset Realisation Options	<ul style="list-style-type: none">■ Commissioned a valuation of the Company's assets;■ Engaged with various third parties to determine the options available for the sale of the Company's inventory;■ Assisted Ms Limb with formulating her DOCA proposal and assessed the viability of same;■ Sought expressions of interest from parties in relation to a sale of the Company's business assets or possible recapitalisation; and■ Attended to queries and assessed indicative offers received from interested parties.

3. Administrators' Strategy

3.2. Administrators' Trading

Summary

- The Administrators considered the historical and current trading performance of the Company and determined the Company could continue to trade whilst options to maximise the value of the Company's business assets were explored.
- It is the Administrators' opinion that by continuing to trade, the value of the Company's business assets, in particular inventory, is likely to be maximised.

Inventory

- The book value of Inventory was approximately \$4 million at the date of appointment.
- The Administrators undertook the following main actions regarding the Company's inventory:
 - Instructed a valuer to prepare a valuation of the inventory under certain assumptions;
 - Requested various agents to submit proposals to realise the inventory via alternative means;
 - Reviewed current stock lists and identified obsolete stock;
 - Liaised with management and identified the most urgent and best performing stock keeping units ("SKU").
 - Liaised with the Company's main customer to fulfil urgent orders where possible;
 - Liaised with various tile wholesale customers to realise obsolete stock; and
 - Together with management, contacted key suppliers in order to discuss new orders and terms during the administration process.

- Given the extended lead time for the delivery of stock and the various conditions put on stock purchases by suppliers, the Administrators have been unable to procure new stock at this time. However, some stock purchases may still occur.

Customers

- The Company's main customers are a large hardware retailer, independent hardware retailers and pool builders.
- On appointment, the Administrators together with management, met with key customers to ensure their continued support of the business during the administration period. This has successfully lead to continued sales throughout the Administrators' trading period.

Revenue

- The Company operated a factoring facility with Scottish Pacific to assist with its cashflow.
- As the Company was without immediate cash resources to pay wages and trading liabilities, the Administrators arranged a new factoring facility with Scottish Pacific and have continued to factor invoices raised during the administration period.
- In this regard, the Company generated sales during the administration period totalling \$758,885 (including GST) for the period 1 February 2018 to 26 February 2018.
- Revenue peaked in the third trading week as terms with key freight suppliers were finalised and an increased number of orders were able to be met.



3. Administrators' Strategy

3.2. *Administrators' Trading*

Leased Premises

- A Company in administration is afforded a seven (7) day rent free period pursuant to Section 443B of the Act. In addition to this, the Administrators negotiated rental concessions with all landlords to maximise the viability of trading during the administration period.
- The rent relief achieved has been a significant contributing factor to the Administrators being able to continue operations.

Employees

- The Administrators reviewed the employees outstanding entitlements and communicated same to all employees shortly following the Administrators' appointment.
- Weekly meetings have been held with employees providing updates on trading and the Administrators' strategy.

3. Administrators' Strategy

3.3. Sale of Business

Campaign Seeking Expressions of Interest in the Company's business

- Whilst discussing potential restructure options including a potential DOCA proposal with the Directors, the Administrators concurrently offered the Company's business assets for sale by way of an expression of interest campaign.
- The campaign commenced shortly after the Administrators' appointment with:
 - An advertisement placed in the Australian Financial Review on 7 February 2018;
 - A number of unsolicited approaches received; and
 - A number of parties identified and approached by the Administrators.
- The table below summarises the interest generated:

Summary of Interested Parties

Item	No.
Interest Expressed	16
NDA signed and returned	14
Information provided	10

- Interested Parties were requested to submit non-binding offers by Friday, 23 February 2018.

Non-Binding Offer

- The Administrators received a non-binding offer ("offer") from an interested party on 23 February 2018 for the purchase of the Company's business assets.
- Whilst the major terms of this non-binding offer are confidential, the offer is open for acceptance until 9 March 2018.

- The Administrators will continue to engage with interested parties in exploring all options potentially available, noting that the alternative of a DOCA has also now been proposed. At this stage, that DOCA proposal is considered to provide a superior return for creditors.
- Should the proposed DOCA not be accepted by creditors at the second meeting of creditors, the subsequently appointed Liquidators would progress negotiations for the sale of the Company's business assets with interested parties that exist at that time.

4. Financial Position

4. Financial Position

4.1. Director's Report as to Affairs

Report as to affairs by the Directors

- Upon appointment the Administrators requested the Directors of the Company provide a statement about the Company's assets and liabilities as at the date of administration in the form of a RATA as required by Section 438B(2) of the Act.
- The Directors submitted a RATA, a summary of which is adjacent.
- Creditors should note that the RATA is the Directors' estimate only.
- The Administrators have also prepared an estimate of the financial position of the Company that is included in the Estimated Return to Creditors detailed in Section 8 of this report.
- Key issues relevant to the Administrators' assessment include:
 - The Directors appear to have valued stock at full retail value;
 - Based on the formal valuation received, the Directors' estimated realisable value for plant and equipment is likely to be higher than the ultimate realisation value; and
 - The total quantum of unsecured creditor claims against the Company will ultimately be subject to the proof of debt process in the event a dividend is available and are therefore subject to change.

Summary of Directors' RATA

As at 1 February 2018

		Book Value	ERV
	Notes	\$	\$
Assets not subject to specific security interests			
Cash on hand		150	150
Stock	1	3,957,096	5,287,066
Plant and equipment	2	242,267	200,000
Other assets	3	797,968	47,968
Totals assets not specifically charged		4,997,481	5,535,184
Assets subject to specific security interests	4	1,004,410	943,746
Less amounts owing	5	(585,315)	(585,315)
Net assets subject to specific charges		419,095	358,431
Amounts payable in advance of secured creditors	6	198,033	198,033
Amounts owing and secured by debenture or floating charge		-	-
Total claims		198,033	198,033
Unsecured creditors	7	5,085,140	5,085,140
Surplus / (Deficiency)		133,403	610,442

Notes to the estimated position are provided overleaf

4. Financial Position

4.1. Director's Report as to Affairs Continued

Note 1

- The Directors have indicated that inventory has a value of approximately \$5.29 million. The Administrators note that this is retail value and may not necessarily represent the actual realisation value subject to realisation costs.

Note 2

- The Directors have disclosed that the Company's plant and equipment has a book value of \$242,267 and an ERV of \$200,000. The Administrators note that the asset listing attached to the RATA contains a number of leasehold improvements and assets subject to direct security interests. Thus it is likely that the ERV of the plant and equipment is less than the Directors' estimate.

Note 3

- Other Assets represents:
 - a supplier security deposit of \$47,968 made to Kim Hin Ceramics (Shanghai) Co Ltd. The Administrators are currently investigating if this asset can be recovered; and
 - ANZ term deposits totalling \$750,000, which represents security for rental guarantees given for the Company's leased premises. Realisation of the term deposits will be dependant upon any shortfall on the amount payable under the terms of the leases entered into by the Company.

Note 4

- Assets subject to specific security interests represents:
 - the Company's debtor book which is secured by an ALLPAAP security interest granted to Scottish Pacific. The Administrators estimate the debtor book at appointment to be approximately \$853,442; and
 - The Company's vehicles and mobile equipment are subject to direct security interests granted to multiple parties.

Note 5

- Amounts owing to secured parties at appointment are:
 - Scottish Pacific were owed \$545,741 (excluding interest charges, fees and legal costs); and
 - Parties who hold direct security interests against the vehicles and mobile equipment are owed approximately \$354,483 (including final balloon payments).

Note 6

- Amounts payable in advance of secured creditors represents outstanding employee entitlements. These figures do not include any entitlement to retrenchment should employees be terminated due to redundancy.

Note 7

- The Administrators expect unsecured creditor claims may exceed the amount claimed in the Company's records after accounting for various claims including:
 - Lease break fees;
 - Customers whose orders the Company did not complete; and
 - Receipt of invoices not previously entered into the Company's accounting system.

4. Financial Position

4.2. Historical Financial Information

Historical Financial Performance

- The table adjacent details the historical financial performance of the Company.
- The Administrators' analysis is derived from:
 - externally-prepared financial statements for the financial year ended 30 June 2016 ("FY16");
 - management accounts for FY17; and
 - management accounts for the six-month period to 31 December 2017 ("HY FY18").
- The Company has incurred losses over the previous 2.5 years approximating \$6.8 million.
- The Company's sales appear to have decreased by approximately 17 per cent from FY16 to FY17. Operating costs have decreased by 16 per cent over the corresponding period.

Historical Financial Performance

AUD \$	Actual FY16	Management Accounts FY17	Management Accounts HY FY18
Revenue	14,761,520	12,288,424	5,268,204
Cost of sales	(8,357,141)	(6,853,685)	(3,024,114)
Gross profit	6,404,379	5,434,739	2,244,090
Gross profit margin	43%	44%	43%
Other Income	233,993	25,078	8,198
Total Income	6,638,372	5,459,817	2,252,288
Operating Costs			
Administration expenses	(497,724)	(502,652)	(188,619)
Distribution expenses	(3,090,195)	(2,057,787)	(931,091)
Employee expenses	(3,640,766)	(3,282,480)	(1,398,493)
Property expenses	(2,163,345)	(2,024,901)	(827,899)
Total Operating Costs	(9,392,030)	(7,867,820)	(3,276,102)
EBIT	(2,753,658)	(2,408,003)	(1,093,814)
Depreciation and amortisation expenses	(129,446)	(100,849)	(40,114)
Finance costs	(85,259)	(117,730)	(108,681)
Loss before income tax	(2,968,363)	(2,626,582)	(1,242,608)
Income tax expense	-	-	-
Net Profit (Loss)	(2,968,363)	(2,626,582)	(1,242,608)

4. Financial Position

4.3. Historical Financial Information Continued

Historical Financial Position

- The table adjacent details the historical financial position of the Company.
- The Administrators' analysis is derived from:
 - externally-prepared financial statements as at 30 June 2016;
 - management accounts as at 30 June 2017; and
 - management accounts as at 31 January 2018.
- The Company's current asset position declined to 31 January 2018 with the receivables being the main asset to decline. This is a result of declining sales over the corresponding period and bad debt write offs.
- The Administrators note there was a discrepancy at appointment between the debtor book recorded in the Company's management accounts and the actual debtor book at 31 January 2018.
- The table adjacent shows the revised receivables figure as at 31 January 2018 after a reconciliation was conducted during the Administrators' appointment.
- The Company received financial support from its shareholders via loan accounts (see Non-Interest Bearing Liabilities) to provide financial support to the Company. The loans consisted of unpaid salary and cash injections during FY16 and FY17.

Historical Financial Position

	Financial Statements 30 June 2016	Management Accounts 30 June 2017	Management Accounts 31 January 2018
AUD\$			
Assets			
Current Assets			
Cash Assets	264	776,131	20,471
Receivables	2,203,010	1,405,137	854,404
Inventories	4,426,033	4,425,274	3,961,272
Other	14,829	36,776	-
Total Current Assets	6,644,136	6,643,318	4,836,147
Non - Current Assets			
Receivables	-	(3,624)	-
Other Financial Assets	704,691	(109,589)	-
Property, Plant and Equipment	316,491	279,838	242,267
Total Non - Current Assets	1,021,182	166,626	242,267
Total Assets	7,665,318	6,809,944	5,078,414
Liabilities			
Current Liabilities			
Payables	(9,189,102)	(3,083,203)	(2,683,098)
Interest - Bearing Liabilities	(249,552)	(958,367)	(558,692)
Current Tax Liabilities	-	1	-
Provisions	(95,470)	(187,328)	(190,720)
Total Current Liabilities	(9,534,124)	(4,228,897)	(3,432,510)
Non - Current Liabilities			
Non - Interest Bearing Liabilities	(82,818)	(622,121)	(2,402,041)
Other Loans	(623,788)	(1,856,310)	-
Total Non - Current Liabilities	(706,606)	(2,478,431)	(2,402,041)
Total Liabilities	(10,240,730)	(6,707,328)	(5,834,551)
Net Assets	(2,575,412)	102,616	(756,137)

4. Financial Position

4.4. Creditors

Secured Creditors

PPS Registered Creditors

- A summary of the status of PPS registrations against the Company is provided below:

List of PPS Registered Parties

PPS Registrations	Nature of security / relationship
Adapt-A-Lift Group Pty Ltd	Mobile equipment (forklifts)
Austral Bricks (Vic) Pty Ltd et al.	Unknown
Australia And New Zealand Banking Group Limited	Cash-backed bank guarantees/Vehicle
Border Express Pty Ltd	Unknown
Cevol Industries Pty. Limited	Withdrawn security registration
Crown Equipment Pty. Limited	Withdrawn security registration
De Lage Landen Pty Limited	Unknown
Elgas Limited	Unknown
Hanes Australia Pty Ltd	Unknown
Mpw Penrith Pty Ltd	Unknown
Pro-Pac Packaging (Aust) Pty. Limited	Withdrawn security registration
Ricoh Australia Pty Ltd	Printer
Scottish Pacific Business Finance Pty. Limited	Debtor book
The Coulson Group Proprietary Limited	Unknown
United Equipment Pty Limited	Withdrawn security registration
Westpac Banking Corporation	Unknown

- The parties marked "Unknown" have not responded to the Administrators' request for information.

Scottish Pacific (BFS) Pty Ltd ("Scottish Pacific")

- The Company granted an ALPAAP Security Interest to Scottish Pacific on 2 December 2016 in relation to the provision of a debtor factoring facility.
- Scottish Pacific have advised their outstanding debt as at the date of appointment was \$545,741.70 (excluding any ongoing interest, default charges and termination fees).

Unsecured Creditors

- A summary of the Company's current estimated unsecured creditors is provided below:

Unsecured Creditors

Creditor	RATA (\$)	Administrators Estimate (\$)
Trade and Statutory Creditors	2,681,265	2,660,369
Shareholder Loans	2,402,041	2,419,820
Total	5,083,307	5,080,189

- This amount may increase considerably in the event of a complete wind down of the Company's affairs as consequential liabilities crystallise to employees, landlords and financiers.
- Further, in a liquidation scenario, any successful preference recoveries from creditors (as discussed in section 5 will also increase the overall unsecured creditor pool).

4. Financial Position

4.5. Employee Entitlements

Employee Entitlements

- The Company employed 30 full-time employees at appointment.
- The table below summarises the outstanding employee entitlements as at the date of the Administrators' appointment:

Employee Entitlements - as at 31 January 2018

Item	Amount (\$)
Annual Leave	94,718.95
Long Service Leave	70,830.60
Superannuation	15,328.46
Total	180,878.01

- The Administrators will pay any employee entitlements accrued during their appointment.

Superannuation Obligations

- The Superannuation Guarantee (Administration) Act 1992 imposes interest and administrative charges on unpaid superannuation obligations. These can be significant where superannuation has been outstanding for an extended period.
- The total amount (inclusive of the superannuation contribution/shortfall and interest and administrative charges) becomes payable to the ATO. The ATO is then tasked to receipt and allocate any funds collected in this regard to the relevant employee superannuation funds.
- In a voluntary administration, this means the ATO is entitled to prove for the amount of outstanding superannuation in place of the employee.
- The Company's records indicate superannuation payments were up to date as at the date of the Administrators' appointment. According to the records of the Company, outstanding superannuation for the period 1 January 2018 to 31 January 2018 totals \$15,328.46.

Effect on employees - Liquidation scenario

Position as priority creditors

- Employees are afforded a priority in the winding up of a company compared to ordinary unsecured creditors. The order of priority for typical employee claims is as follows:
 - Amounts due in respect of wages, superannuation and superannuation guarantee charge outstanding as at the date of the appointment of Administrators; followed by
 - Amounts due in respect of leave of absence and other amounts due under the terms of an industrial instrument; followed by
 - Retrenchment payments including redundancy and pay in lieu of notice.
- The table below summarises the potential retrenchment entitlements that may crystallise in the event of liquidation.

Retrenchment Entitlements

Item	Amount (\$)
Pay in lieu of notice	64,483.46
Redundancy	169,058.84
Total	233,542.30

Return to employees if the Company is wound up

- Section 7 includes details of the estimated return to employee creditors if the Company is wound up and a liquidator appointed.

Government assistance available if the Company is wound up

- If there are insufficient funds available to satisfy employees entitlements from the Company's property, eligible employees may be entitled to lodge a claim for their unpaid entitlements (excluding superannuation) under the Federal Government's FEG Scheme.
- Details about FEG can be read at: <https://www.employment.gov.au/fair-entitlements-guarantee-feg>

4. Financial Position

4.5. Employee Entitlements Continued

Effect on employees – Deed of Company Arrangement scenario

- Under a DOCA scenario employees who have been terminated by the administrators will have their entitlements paid out from Deed Contributions as a priority pursuant to Schedule 8A of the Act.
- Part 4 of Schedule 8A of the Act, prescribes that the Deed Administrator must apply the property of the Company in the order of priority specified in sections 556, 560 or 561 of the Act.
- The order of property is therefore similar to that in a liquidation scenario as detailed on the previous page.
- For employees who have their employment transferred to a new entity under a sale of business agreement, their entitlements will transfer to the new entity and be paid in the normal course of business.
- Please refer to Section 6 for the full details of the DOCA.

5. Investigations, Offences and Voidable Transactions

5. Investigations, Offences and Voidable Transactions

5.1. Overview

Introduction

- Part 5.7B of the Act gives a liquidator (but not an administrator) the right to commence certain legal proceedings to recover money, property or other benefits for the benefit of the unsecured creditors of a company.
- When recovering certain antecedent transactions, namely those constituting unfair preferences, uncommercial transactions or insolvent trading, a liquidator must be satisfied and potentially demonstrate to the satisfaction of a court, that the Company was insolvent at the time of the transaction.
- In all but the clearest of cases, proving insolvency can be a relatively complex exercise, contentious and ordinarily involves a measure of time and expense. Legal advice on the merits of claims is normally required.

General and commercial considerations

- Creditors should note that recovery actions:
 - Have the potential to add to the funds available to Creditors;
 - Are usually expensive, lengthy and have unpredictable outcomes;
 - Should not be commenced unless defendants have the financial resources to satisfy any judgment; and
 - Must be funded out of the existing assets or if such assets do not exist, by Creditors or by external litigation funders (who are likely to require a significant share of the proceeds of any judgment as a condition of funding the litigation).

Work performed

- The Administrators have made enquiries into the financial affairs of the Company and related parties. In this section, we set out our preliminary views and findings regarding:
 - Offences that may have been committed;
 - The solvency position of the Company; and
 - Existence of any potential voidable transactions – including unfair preferences/loans, uncommercial transactions, arrangements to avoid employee entitlements, and unreasonable director related transactions.
- Please note that the investigations the Administrators have undertaken are only indicative of the actions that may be possible in the event of liquidation.

What is insolvency?

- Solvency is defined in s 95A of the Act as when a company is able to pay all its debts as and when they become due and payable. A company that is not solvent is insolvent.
- Whether a company is able to meet its debts as they become due is essentially a “cash flow” test rather than a “balance sheet” test (although its balance sheet is relevant).
- Consideration of the entire financial position of a company at any single point in time is required to establish if it is insolvent.
- This includes factors such as the value of the company’s assets relative to its liabilities and the nature of these assets and liabilities. Also, the extent to which cash is expected to be generated from future trading activities, or available from alternative sources is relevant to considering a company’s solvency position.

5. Investigations, Offences and Voidable Transactions

5.2. Potential Offences Committed by the Directors

Relevance of liquidation versus DOCA

- Creditors should note that voidable transactions and other actions uniquely available to a liquidator are not available if the Company executes a DOCA.

Creditors' information sheet and other explanations

- Provided at Appendix 5 is an information sheet to assist creditors in understanding potential offences under the Act, recoverable transactions, and insolvent trading.
- Creditors should read this information in conjunction with our comments in this section of the report.

Potential Offences

- Given the Company's circumstances, the Administrators consider it likely that certain contraventions of the Act may have been committed by the Directors.
- Whilst not specifically commenting on the severity of these offences, it is the Administrators' professional experience that contraventions of this nature are commonly associated with failed companies, and do not necessarily reflect any fraudulent or other criminal wrongdoing on the part of the Directors.

Care and Diligence (Section 180 of the Act)

- Section 180 of the Act requires a director or other officer of a corporation to exercise their powers and discharge their duties with the degree of care and diligence that a reasonable person would exercise if they:
 - were a director of a corporation in the corporation's circumstances; and
 - occupied the office held by, and had the same responsibilities within the corporation as, the director or officer.

Findings

- The Administrators are of the view that the Directors' may have breached Section 180 of the Act due to allowing the Company to trade whilst insolvent for a period of time. This is further discussed overleaf.

Insolvent Trading (Section 588G of the Act)

- Section 588G of the Act provides that a director has a duty to prevent insolvent trading by the Company. The Section applies if:
 - A person is a director of the Company at the time when the company incurs a debt; and
 - The company is insolvent at that time, or becomes insolvent by incurring that debt or by incurring at that time debts including that debt; and
 - at that time, there are reasonable grounds for suspecting that the company is insolvent, or would so become insolvent, as the case may be.

Findings

- The Administrators consider the Company may have traded whilst insolvent and that the Directors had reasonable grounds to suspect the Company was insolvent.
- The Administrators' investigations and findings are detailed further overleaf.

5. Investigations, Offences and Voidable Transactions

5.3. Date of Insolvency and Insolvent Trading

Date of insolvency

- In order to ascertain if there were any insolvent transactions entered into by a company, it is first necessary to determine the date a company became insolvent.
- Proving the date on which a company became insolvent is an essential element of recovery actions with respect to unfair preferences, uncommercial transactions and insolvent trading.
- Recovery actions require the liquidator to prove that the particular company was insolvent at the time of the transaction, or in the case of an insolvent trading action, when the debt was incurred.
- The summary of our findings and views on the Company's solvency position are on the following pages.

Indicators of Insolvency

- We have reviewed multiple indicators of insolvency set out in ASIC's Regulatory Guide 217 "Duty to prevent insolvent trading". The table adjacent provides the Administrators findings.
- It is clear that the Company traded at a loss for the previous 2.5 years.
- However, a key consideration is the Company's ability to source alternative funding in order to meet its commitments.

Solvency review – indicators of insolvency

Indicia of Insolvency								
Indicator	FY16	FY17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Trading losses	✓	✓	✓	✓	✓	✓	✓	✗
Insufficient cash flow	✗	✗	?	?	?	✓	✓	✓
Difficulties in selling stock or collecting debts	?	?	✓	✓	✓	✓	✓	✓
Creditors paid outside terms / special arrangements	?	?	✓	✓	✓	✓	✓	✓
Arrears of statutory liabilities	✗	✗	✗	✗	✗	✗	✗	✗
Cheques are being returned dishonoured / payments dishonoured	✗	✗	✗	✗	✗	✗	✗	✗
Legal action threatened or commenced	✗	✗	✗	✗	✗	✗	✗	✗
Inability to obtain new or alternative funding	✗	✗	✗	✗	✗	✗	✓	✓
Inability to produce accurate financial information	✗	✗	✗	✗	✗	✗	✗	✗
Resignation of directors or other senior management	✗	✗	✗	✗	✗	✗	✗	✗
The Company has defaulted, or is likely to default, on its agreements with its financier	✗	✗	✗	✗	✗	✗	✗	✗
Inability to sell surplus assets	?	?	✓	✓	✓	✓	✓	✓

Key

Item	Symbol
Indicator present	✓
Further investigation required	?
Indicator not considered present	✗

5. Investigations, Offences and Voidable Transactions

5.3. Date of Insolvency and Insolvent Trading

Summary of Key Findings

- The Administrators summarise the key findings from their investigations into the Company's solvency position as follows:

Indicators of Insolvency

Trading Losses	According to the Company's management accounts the Company incurred losses totalling approximately \$1.24 million for the 6 month period to 31 December 2017.
Insufficient Cashflow	The Company appeared to have insufficient cash commencing as early as January 2017. Ongoing funding requirements were met with regular cash injections from the Directors. The last such funding was provided in August 2017.
Difficulties in Selling Stock	The Administrators investigations reveal the Company had a large amount of slow moving and possibly obsolete stock at appointment date.
Creditors Paid Outside Terms	The Administrators are aware that the Company entered payment arrangements with at least 5 creditors commencing from around July 2017.
Financial Support from Directors	See adjacent for further detailed comments.

Findings

- The Administrators note that the Company was up to date with its statutory liability and no legal actions were threatened or commenced by any creditor.
- Based on the Administrators' investigations, it appears the Company had signs of insolvency dating back to 1 July 2017 and possibly earlier.
- A defence to an insolvent trading claim by a Liquidator includes whether the Company had the ability or expectation to access alternative funding to meet its financial commitments.
- The Administrators note that the Directors historically provided financial support to the Company.

Financial Support from Directors

- The Company's Directors provided financial support to the Company as and when needed in order to meet cashflow shortfalls.
- The table below is a summary of the financial support provided by the Directors (via shareholder loan accounts) since November 2016:

Director cash advances

Month	Cash Injection	Cash withdrawal	Net Benefit
Nov-16	750,000		750,000
Jan-17	165,000		165,000
Feb-17	20,000		20,000
Mar-17	100,000		100,000
Apr-17	200,000		200,000
May-17	330,000		330,000
Aug-17	381,509	(50,000)	331,509
Sep-17		(30,000)	(30,000)
Total	1,946,509	(80,000)	1,866,509

- Support from the Directors was provided in the form of cash injections, non-payment of Director salaries and personal payments for various company legal expenses. For the purposes of the solvency analysis, only cash injections and withdrawals have been noted above.
- The Administrators consider the last cash injection during August 2017 to likely provide the required funding for the Company's operations for approximately two months based on the monthly losses generated by the Company in the management accounts. This is further validated when reviewing the aging of creditors at the date of the Administrators appointment, showing 91% of the debts (excluding shareholder loans) were incurred from 1 November 2017 to the date of the Administrators appointed.

5. Investigations, Offences and Voidable Transactions

5.3. Date of Insolvency and Insolvent Trading continued

- Accordingly, it is likely the Company would have required another cash injection on or around 1 November 2017 in order to fund ongoing operations.
- Given no additional funds were provided, it is assumed the Directors' financial support was withdrawn around this date.

Conclusion on date of insolvency

- The Administrators' preliminary view is that the Company was likely insolvent when the Directors withdrew their financial support from the Company.
- Given the last cash injection was in August 2017, it is the Administrators' view that the Company was likely insolvent from 1 November 2017 and the Company remained insolvent up until the time of our appointment.

Preliminary view on liability for insolvent trading

- Based on our estimated date of insolvency, the potential claim for insolvent trading may be of the order of approximately \$2.0 million. This amount represents an estimate of creditors debts incurred post 1 November 2017 and remaining unpaid as at the date of appointment.
- If the Company was wound up and a liquidator appointed, further work would be performed on the solvency position of the Company to determine whether there is a benefit to creditors in pursuing the Directors for insolvent trading.
- Creditors should refer to Appendix 3 and 4 for additional information on insolvency and pursuing insolvent trading claims generally.

Directors' capacity to pay claims by a liquidator

- The Administrators have conducted investigations into the personal financial position of each director. They have not been provided with personal statements of assets and liabilities.
- In this regard, the Administrators have conducted directorship and property searches from publicly available records such as land title information and records contained at ASIC. The adjacent table summarises the information obtained:

ASIC Company Searches

Name	Current Directorships	Shareholder %
Charlotte Limb	Benbart Pty Ltd	0%
	Chiaroscuro Investments Pty Ltd	100%
	Citadel Investments Pty Ltd	0%
	Derby SRW Pty Ltd	100%
	Limb Family Foundation Pty Ltd	0%
	St. Gilles Pty Ltd	0%
	The Coulson Group Pty Ltd	0%
Vision Wholesalers Pty Ltd	0%	
Keith Wong	Tsan Mei Pty Ltd	100%
Terence Wilson	T and M Wilson Family Pty Ltd	50%

- The Administrators are unaware of the above entities' financial positions and therefore unable to determine any value they may contribute to each director.

Property Searches

Director	Property	Encumbrances
Charlotte Limb	Armadale Victoria 3143	Registered Mortgage - St George Ltd
Terence Wilson	Nil	N/A
Keith Wong	Nil	N/A

- Based on the investigations conducted to date and discussions with the Directors, it is likely that Mr Wilson and Mr Wong have limited direct assets or resources to call upon to meet an insolvent trading claim.
- The Administrators believe the position with Ms Limb is less clear. According to searches obtained Ms Limb is a co-owner of real property and thus there may be a possibility of some recovery against her.
- The Administrators are aware of a Director and Officer insurance policy ("**D&O Policy**") in place with an insured value of \$5 million. A preliminary review of the policy indicates that it is unlikely it will respond to an insolvent trading claim.
- The significant shareholder loan balances, aside from indicating the support provided by the shareholders (directors), also highlights the drain on personal funds which in turn may impact the directors ability to meet an insolvent trading claim.

5. Investigations, Offences and Voidable Transactions

5.4. *Unfair Preferences and Uncommercial Transactions*

Unfair Preference Payments

- Transactions (including a payment of money) between the Company and an unsecured creditor in the period 1 August 2017 to 1 February 2018 (i.e. six months prior to the appointment of the Administrators) may constitute an unfair preference if the Company was insolvent at the time of the transaction and the creditor received more than they would have in the winding up. A claim will be unsuccessful if the party benefiting from the transaction did not suspect and should not have suspected the Company was insolvent.
- Unfair preference payments may be voidable and recoverable by a liquidator, if appointed.
- In analysing possible unfair preference payments the Administrators have identified the Company was likely insolvent at 1 November 2017 and accordingly, transactions following this date would only be relevant.

Findings

- From the information available to the Administrators, the payments of approximately \$260,000 have been identified that may potentially be unfair preference payments. Whilst the Administrators have identified a number of payments made during the relation back period and particular, when the company was likely insolvent, those creditors who have received payments are likely:
 - to be overseas creditors;
 - not to have knowledge of the Company's insolvency; and/or
 - to raise a running account defence pursuant to Section 588FA(2) of the Act.
- The Administrators investigations into the likelihood of recovery of the potential unfair preference payments are continuing.

Uncommercial Transactions

- A transaction of a company is an uncommercial transaction of the company if, and only if, it may be expected that a reasonable person in the company's circumstances would not have entered into the transaction, having regard to:
 - the benefits (if any) to the company of entering into the transaction; and
 - the detriment to the company of entering into the transaction; and
 - the respective benefits to other parties to the transaction of entering into it; and
 - any other relevant matter.

Findings

- The Administrators preliminary investigations have not identified any uncommercial transactions.

5. Investigations, Offences and Voidable Transactions

5.5. Related Party Transactions

Related Party Transactions

- Payments to related parties may be recoverable for the benefit of creditors pursuant to section 588FB of the Act as uncommercial transactions or pursuant to section 588FDA of the Act as unreasonable director-related transactions.
- The question to be asked is whether a reasonable person in the Company's circumstances would have entered into the transactions, having regard to:
 - The benefits (if any) to the company of entering into the transactions;
 - The detriment to the company of entering into the transactions;
 - The respective benefits to other parties to the transactions of entering into the transactions; and
 - Any other relevant matter.
- For an uncommercial transaction, the Company must also be or become insolvent from the transaction.
- However, insolvency is not required to be proved with an unreasonable director-related transaction.

Findings

- The Administrators have identified transactions with related entities that are detailed in the table below.
- The amounts shown are debts owed to the Directors at the date of appointment.

Shareholder Loans

Company Name	Related Director	Amount (\$)
Derby SRW Pty Ltd	Charlotte Limb	1,670,598
Tsan Mei Pty Ltd	Keith Wong	431,435
T and M Wilson Family Pty Ltd	Terence Wilson	194,919
Total		2,296,952

Findings (cont...)

- A review of the shareholder loan accounts reveal that payments totalling \$80,000 were paid to the Directors in reduction of their shareholder loan accounts in August and September 2017. These payments may constitute an unreasonable director-related transaction.
- Further investigations into the nature of the payments and whether they are voidable is required should the Company be placed into liquidation.

5. Investigations, Offences and Voidable Transactions

5.6. Summary on Voidable Transactions

- Set out below are the Administrators' preliminary findings including a view on the likelihood of the claims being substantiated and recoverable.
- Where applicable, we have included our estimate of possible recoveries along with any other pertinent information.

Area	Our view	Comments
Unfair preferences	Possible claims	<ul style="list-style-type: none"> ■ A review of the payments made by the Company during the period leading up to appointment, taking into account the potential date of insolvency of the Company, has been undertaken. ■ Based on investigations to date, the Administrators have identified payments totalling approximately \$260,000 that are potentially unfair preference payments.
Uncommercial transactions	No claims	<ul style="list-style-type: none"> ■ No potential uncommercial transactions have been identified.
Unfair loans	No claims	<ul style="list-style-type: none"> ■ No potential unfair loans have been identified.
Unreasonable payments to directors and/or related parties	Possible claim	<ul style="list-style-type: none"> ■ A review of all payments between the Company and the Directors and their related entities has been undertaken. ■ Directors salaries appear reasonable given their role and responsibilities in the Company, and further, the Directors have outstanding salaries owed to them. ■ The Administrators have identified amounts totalling \$80,000 being paid to the Directors in August and September 2017. These may be considered unreasonable director-related transactions. Further investigation is required should the Company be placed into liquidation.
Arrangements to avoid employee entitlements	No claims	<ul style="list-style-type: none"> ■ No such arrangements have been identified.
Voidable charges	None	<ul style="list-style-type: none"> ■ No charges or registered security interests that would be void against a liquidator have been identified. However, there are yet a number of secured creditors to respond to the Administrators' request for information.

6. Proposal for a Deed of Company Arrangement

6. Proposal for a deed of company arrangement

6.1. Key Features

What is a DOCA?

- A DOCA is a formal agreement between a company, its creditors and the proponents of the DOCA.
- The proponent is an interested party who wishes to propose an alternative to creditors, usually involving a compromise of creditors' claims, as opposed to winding up the company (liquidation).
- A DOCA may:
 - Maximise the chances of the company continuing in existence; and/or
 - Result in a better return for a company's creditors than in a winding up.

Proposal for a DOCA

- A proposal for a DOCA has been received from one of the Company's Directors, Ms Limb.
- Fundamentally, the proposal provides for:
 - The transfer of the intellectual property and office and warehouse equipment to a new entity, who would effectively acquire the business;
 - Approximately 12 employees to also transfer to that new entity, together with liability for their entitlements;
 - Stock, debtors, motor vehicles and cash to remain with the Company;
 - The realisation of the Company's stock either through normal trading channels via the new entity, or other means determined by the Deed Administrators, maximising the realisation value of the stock;
 - The reduction of the unsecured creditor pool with Ms Charlotte Limb and her related entity not proving in a dividend under a DOCA; and
 - A contribution under the DOCA of \$50,000 by Ms Limb.
- A copy of the detailed DOCA proposal as submitted by Ms Limb is provided at Appendix 8.
- The proposal is discussed further adjacent and overleaf.

Involvement of New Entity

- A new corporate entity ("**New Co**") is to be established operating as a tile importer/wholesaler. It is anticipated that a new independent third party will invest and be the majority owner of that Company.
- The following assets of the Company will be transferred to New Co:
 - All unencumbered plant and equipment;
 - All intellectual property of the Company (including trade marks, customer lists, website, samples and the rights to fulfil existing orders); and
 - The right to take an assignment of any leases of the Company (if acceptable to the lessor);
- The assets not transferred to New Co that will remain with the Company includes motor vehicles, stock, debtors, and cash/cash equivalents.

Transfer of Employment

- It is anticipated that New Co will offer employment to approximately 12 current employees of the Company on the same employment terms and conditions.
- New Co will assume the liability of all transferred employees' entitlements (excluding superannuation) in the estimated amount of \$90,000.
- The positions of any employees currently employed by the Company not offered employment and transferred to New Co will be made redundant and their claims against the Company crystallised (including redundancy entitlements). The timing of any redundancies will be managed and effected by the Administrators.

Realisation of Company stock

- As detailed above, the Company will retain ownership of its stock.
- It is envisaged New Co may act as a selling agent for the Company's stock, enabling it to be sold in the normal course of trading and remit the sale proceeds, after deducting an agreed fee, to the Deed Administrators within agreed terms.
- Alternatively, certain stock will be realised by the Deed Administrators through various channels.

6. Proposal for a deed of company arrangement

6.1. Key Features continued

Realisation of Company's stock (cont...)

- All holding and selling costs associated with the Company's stock will be borne by the Company.
- The Deed Administrators will set parameters and milestones around the sale of the Company's stock. This will involve regular monitoring of ongoing sales and assessment of the options in maximising the realisable value whilst balancing the time it takes to do so.

Realisation of other assets

- The motor vehicles will be realised by the Deed Administrators as appropriate.
- The Administrators/Deed Administrators will work with the current employees and Scottish Pacific in collecting all debtors. Any surplus funds after repaying Scottish Pacific will be available for the Deed Fund.

Deed of Company Arrangement

- Key Components and terms of the DOCA are as follows:

Parties to the DOCA

- The parties to the DOCA are the Company, the current Administrators, future Deed Administrators and Ms Charlotte Limb.

Deed Administration fund

- The Deed Administration fund will comprise of:
 - Any trading surplus generated during the Administrators trading period;
 - The Deed contribution of \$50,000;
 - Net sale proceeds generated from the sale of the Company's stock; and
 - Any surplus debtors after paying out Scottish Pacific.
- Estimates of the above amounts are provided in the Estimated Return to Creditors in Section 7 of this report.

Participating creditors under the DOCA

- Ms Limb and her related entities including Derby SRW Pty Ltd who are owed \$1,670,598 will not participate in a dividend under the DOCA. These claims are subject to final review.
- All other creditors will participate.

Timing of Dividends

- The Administrators estimate sufficient funds will become available to pay a dividend to priority creditors (employee creditors) within 3 to 6 months of the execution of the DOCA. Please note, this does not include any employees who transfer to New Co. Their entitlements will be met in the normal course of business by New Co.
- The Administrators estimate sufficient funds will become available to pay a first dividend to unsecured creditors within 6 months from the execution of a DOCA. Other interim dividends may be paid progressively with the objective of paying any final dividend within 12 to 18 months from execution of the DOCA.

Releases

- Upon execution and satisfaction of all terms in the DOCA, the Company will be released from all claims of participating creditors.

Termination of the DOCA

- If the Company or the Deed Proponent do not comply with the terms of the DOCA, or the Deed Administrators form the view that they will not comply with the terms of the DOCA, the Deed Administrators may convene a meeting of the Company's creditors at which creditors may resolve to vary the DOCA, terminate the DOCA, wind up the Company or take any actions permitted under the Act.

Final DOCA terms

- The terms of the DOCA provided in this report and proposal document are indicative and in principal only. A formal DOCA document is yet to be prepared.

6. Proposal for a deed of company arrangement

6.2. Administrators' Comments

Our comments on the proposal

- Our estimate of the return to creditors of the Company is discussed separately at Section 7.
- In assessing the estimated returns, creditors should review the detailed statement, assumptions, our estimate of costs and the anticipated return compared to a liquidation scenario.
- No alternative DOCA proposal exists. Accordingly, the only other realistic option for the Company, if the present DOCA proposal (inclusive of any further amendments) was not executed, would be for the Company to be placed into liquidation.
- In assessing whether or not the DOCA proposal is in creditors' best interests, and in contrast to a liquidation, the Administrators have considered the following factors:
 - In a liquidation scenario, on a low case, the return to priority creditors could be as low as 4 cents in the dollar.
 - The DOCA offers a return to priority employee creditors of 100 cents in the dollar.
 - Unsecured creditors are expected to receive between 26 to 64 cents in the dollar under a DOCA compared to nil to 29 cents in the dollar under a liquidation;
 - Under a DOCA scenario the Company at all times retains ownership of its stock, being the largest asset of the Company. Accordingly, future contributions to the Deed Administration Fund are not solely reliant on future trading of the Company, and thus exposure to any trading risks;
 - The realisation of the stock under a DOCA is estimated to be between \$2 million and \$2.75 million. This is compared to a liquidation scenario of the stock of between \$433,500 to \$760,000.
 - The timing of Dividends under a DOCA scenario are likely to be sooner than under a liquidation scenario, which involves litigation in order to effect recoveries;
 - A DOCA provides for ongoing employment for approximately 12 employees of the Company. The estimated reduction in priority creditor claims from the transfer of employment taking place is \$230,000 which ultimately increases the return to unsecured creditors;

- As the DOCA proposal involves a new entity continuing the same business, it is expected this will assist in the collection of debtors and realisation of stock;
- The quantum of employee and ordinary unsecured creditor claims will be less than in a liquidation;
- Funds for a dividend under a liquidation predominantly include those arising from litigation, which can be uncertain, costly and take considerable time to recover. They also rely on a respondent to a claim being in a financial position to meet such a claim.

Expected chain of events

- If the proposed DOCA is approved by creditors at the forthcoming meeting, the following key events and actions can be expected to occur:
 - The DOCA will be executed by the parties subject to the deed. This is expected to occur shortly after the forthcoming meeting of creditors. At law, there is a maximum time period of 15 business days after the meeting for the DOCA to be executed. If the DOCA is not executed within this time, the Company would be placed into liquidation.
 - The Deed Administrators will proceed to implement the terms of the DOCA;
 - The Administrators/Deed Administrators will continue to trade the business for a short period of time, whilst a transition of the business is effected;
 - Once all priority costs and expenses of the Administrators and Deed Administrators are settled or sufficiently covered, a dividend process (conducted in a manner consistent with the provisions of the Act) would be undertaken, as assets are progressively realised. This would involve creditors submitting a proof of debt form to the Deed Administrators to substantiate their claim and the Deed Administrators adjudicating on these claims.
 - Options will be fully assessed and arrangements put in place for the storage, management and realisation of the assets that are retained by the Company.
 - The Deed Administrators will progress and manage realisation of the assets, and collection of the contribution, that form the Deed Fund.

7. Estimated Return to Creditors

7. Estimated return to creditors

Estimated Return to Creditors:

- The Administrators' have prepared an estimate of the potential return to creditors under both DOCA and liquidation scenarios, which is provided at Appendix 4.
- Significant work has been completed in calculating the various expected returns under the different scenarios. In this regard the Administrators' consider the following key variables and risks exist which will impact the likely return to creditors:

Variable	Range
Realisable value of inventory	\$434k to \$2.75m
Realisable value of other assets (and contribution)	\$38k to \$128k
Potential recoveries (if any) from voidable transactions	Nil to \$2.3m
Pre-appointment debtor book equity	Nil to \$222k
Crystallised employee entitlements	\$185k to \$415k
Liquidators' fees, if appointed, in conducting the liquidation including pursuing recoveries	\$400k to \$800k
Associated Legal Costs	\$30k to \$330k
Total unsecured creditor claims	\$3.7m to \$6.1m
The quantum and ability to recover claims in a liquidation	\$450k to \$2.3 million

- Please note that this is a preliminary assessment of the possible outcome available for creditors. It is subject to change and may vary considerably, and is influenced by whether the Company proceeds to liquidation or a DOCA is executed.
- Many of the above factors are difficult to predict and beyond the control of the Administrators, or any Deed Administrator or Liquidator.

- The estimated outcome for creditors, after considering the factors detailed adjacent is summarised in the following table:

Summary of Estimated Outcomes				
AUD\$	Liquidation Dividend		DOCA Dividend	
	Cents in \$	Timing	Cents in \$	Timing
Secured Creditors	100 cents	3 months	100 cents	3 months
Employee Superannuation	100 cents	3 months	100 cents	3 months
Employee Entitlements – FEG Funded	5 to 100 cents	3 to 6 months	n/a	n/a
Employee Entitlements – Not FEG Funded	0 to 100 cents	3 to 12 months	100 cents	3 to 6 months
Ordinary Unsecured Creditors	0 to 29 cents	12 to 36 months	26 to 64 cents	6 to 18 months

- The Administrators' estimates project a return of between 26 and 64 cents in the dollar for unsecured creditors under a DOCA scenario. However, creditors should note the high case under a DOCA scenario reflects management's best estimates on the realisation of the current inventory on hand.
- Whilst preliminary and subject to further determination during the DOCA or liquidation, the Administrators' analysis indicates a DOCA will result in a better return for creditors as a whole, and in particular, unsecured creditors.
- The full details of the Estimated Return to Creditors is detailed in Appendix 4.

8. Administrators' Remuneration

8. Administrators' Remuneration

Administrators Remuneration

- The Administrators' first circular to creditors indicated their intention to claim remuneration on a time basis. The firm's hourly rates as at 1 March 2017, were distributed in the Administrators' first Circular to Creditors.
- The Administrators' have incurred fees in the amount of \$217,565.50 (excluding GST) for the period 1 February 2018 to 25 February 2018.
- Pursuant to Section 449E of the Act, the Administrators' remuneration can be fixed at the Second Meeting of Creditors.
- The Administrators will only draw remuneration based on actual time incurred and as such, if a lower amount is incurred compared to that approved, then the Administrators will only draw the lower amount.

Total Remuneration

- Annexure 7 provides the Administrators' Remuneration Request Approval Report seeking approval from the Creditors of the Company for the periods, as detailed in the adjacent table.
- The amount listed for the Deed Administrators remuneration is an estimate of the total costs incurred until termination of the DOCA.
- The amount listed for Liquidators' remuneration is an interim estimate only. Further fees will likely be incurred particularly if voidable transactions and a claim for trading whilst insolvent are pursued.

Period	Amount (\$) excluding GST and Disbursements
Administrators	
1 February 2018 to 25 February 2018 – actual	217,565.50
26 February 2018 to the conclusion of the Voluntary Administration – estimate	100,000.00
Deed Administrator (if Appointed)	
From execution of the DOCA	100,000.00
Liquidator (if Appointed)	
From 8 March 2018 – interim amount	250,000.00

Administrators receipts and payments

- The receipts and payments from 1 February 2018 to 27 February 2018 are included in the Administrators Remuneration Report enclosed as Appendix 7.

9. Administrators' Opinion and Recommendation

9. Opinion and recommendation to creditors

What creditors can decide at the meeting

- At the second meeting of creditors, creditors are required to decide whether:
 - The Company should execute a DOCA
 - The administration of the Company should end, or
 - The Company should be wound up.
- In accordance with the requirements of Section 439A(4)(b) of the Corporations Act, the Administrators must provide an opinion on each of the above options, and whether the option is in the creditors' interests.

Administrators' opinion on voidable transactions

- It is the opinion of the Administrators that there are payments made by the Company, and transactions entered into, which may be voidable against any liquidator. However, on balance, these transactions have less certainty as to their recoverability and will likely lead to a lower overall return, than contributions and recoveries envisaged under a DOCA.

Administrators' summary view on the comparative benefits of the DOCA

- In summary, the comparative benefits of the DOCA proposal compared to a liquidation include the following:

i.	It allows for an orderly wind down of the Company and realisation of the assets, including the transmission of key assets which will effectively see a business in some form continue likely with new investors;
ii.	It maximises the recoverable value of stock as the opportunity will exist to realise the stock through established channels, including current customers in the ordinary course, or other means deemed appropriate;
iii.	It should also maximise the recovery value of the debtors as the continuing business will assist in their recovery;

iv.	Consideration is effectively being received for the intangible assets, as reflected in the DOCA Contribution;
v.	Value is also being received for the other plant and equipment, and motor vehicles;
vi.	Certain jobs will be saved, and liabilities assumed by another entity, with an associated saving on redundancy;
vii.	A significantly lower creditor pool due to certain related parties not participating, and the reduction in employee claims, will exist;
viii.	The dividend is not directly reliant on future trading performance, and no direct trading exposure/risk will exist;
ix.	Professional costs should be lower;
x.	Stock realisation costs should be proportionately lower with comparatively significantly higher recoveries made;
xi.	The reliance on litigation for recoveries and thus increased costs and uncertainty, as the main source of a dividend by value in a liquidation, will not exist;
xii.	Likely more timely dividends.

- In contrast, the main apparent benefit of a liquidation is the rights and recoveries uniquely available to a liquidator, and in particular the ability to pursue voidable transactions and a possible trading whilst insolvent action. However such actions and recoveries are uncertain, involve legal proceedings, require funding and can be costly and take considerable time to determine, with no certainty as to prospects and outcomes. Employees would also be able to access FEG, which is not available under a DOCA.

9. Opinion and recommendation to creditors

Administrators' opinions on the options available to creditors

1. Execution of a deed of company arrangement

- On balance, the DOCA proposal envisages a lower pool of creditors, lower costs, and a higher return for assets, with fewer variables, compared to a liquidation scenario.
- The claims of employee creditors and secured creditors should be met in full under the DOCA.
- The estimated range of a dividend for unsecured creditors under a DOCA varies from materially the same on a DOCA low case to significantly higher, when compared to the best case estimate if the Company was immediately wound up.
- **Therefore, the Administrators consider it to be in creditors' best interests for the Company to execute a DOCA.**

2. The Administration comes to an end

- If the creditors vote for this alternative, control of the Company would revert to the directors following the forthcoming meeting of creditors.
- The Company is insolvent with insufficient funds to pay the Company's debts and no confirmed prospects of obtaining external funding. **Therefore, we do not consider that it would be in the creditors' best interests for the administration to end.**

3. The Company is wound up

- **We do not consider it would be in the creditors' interests for the Company to be wound up as** the proposed DOCA should meet the claims of employee and secured creditors in full, and provide at least a materially similar or a significantly higher return for unsecured creditors than they may receive in a winding up.

Conclusion

Should there be any material change in circumstances following the issuing of this report, which in particular effect the potential outcome for creditors under the options discussed, the Administrators will update creditors before or at the second meeting of creditors. The Administrators necessarily reserve the right to change their recommendation to creditors in such circumstances.

Should creditors have any queries in relation to this report please contact the Administrators' office on (03) 9604 0600 or email coulson.tiles@fticonsulting.com

Dated 28 February 2018



Ross Blakeley
Joint and Several Administrator



Paul Allen
Joint and Several Administrator

Appendix 1 – Glossary and Terms of Reference

Glossary and terms of reference

Item	Definition
Company	Coulson Tiles Pty Ltd
Act	Corporations Act 2001 (Cth)
ALLPAP	All present and after acquired property
ASIC	Australian Securities and Investments Commission
DOCA	Deed of company arrangement
DIRRI	Declaration of independence, relevant relationships and indemnities
RATA	Report as to affairs
PPSR	Personal Property Securities Register
ATO	Australian Taxation Office (incorporating the Deputy Commissioner of Taxation, as applicable)
ERV	Estimated realisable value
NPAT	Net profit after tax
GST	Goods and Services Tax, as applicable in Australia
EBIT / EBITDA	Earnings before interest and tax / Earnings before interest, tax, depreciation and amortisation
management	The senior officers, employees and advisors of the Company
YTD	Year to date
FY16, FY17, HY18	Financial years ended/ending 30 June 2016, 30 June 2017, Half Year ended/ending 31 December 2017

Terms of reference

- This report has been prepared for the creditors of Company to assist them in evaluating their position as creditors and in deciding on the Company's future. None of the Administrators, FTI Consulting and its staff shall assume any responsibility to any third party to which this report is disclosed or otherwise made available.
- This report is based on information obtained from the Company's records, the directors and management of the Company and from our own enquiries. While we have no reason to doubt the veracity of information contained in this report, unless otherwise stated we have proceeded on the basis that the information provided and representations made to us are materially accurate, complete and reliable. We have not carried out anything in the nature of an audit, review or compilation.
- This report may contain prospective financial information, including estimated outcomes for creditors, and other forward looking information. As events and circumstances frequently do not occur as expected, there may be material differences between estimated and actual results. We take no responsibility for the achievement of any projected outcomes or events.
- We reserve the right to alter any conclusions reached on the basis of any changed or additional information which may become available to us between the date of this report and the forthcoming meeting of creditors.
- Creditors should seek their own advice if they are unsure how any matter in this report affects them.

Appendix 2 – Company Information

Appendix 2 – Company information

Statutory information

Corporate Statutory Information

Identification and Details

Legal entity name:	Coulson Tiles Pty Ltd
ACN:	004 571 528
ABN:	31 004 571 528
Status:	Registered
Registration date:	11-May-93
Registered in:	Victoria

Current Company Address

Registered office / Principal place of business: 7 Chifley Drive, Mentone, VIC 3194

Current Company Officers

Role	Name
Director and Secretary:	Mr Keith Wong
Director:	Mrs Charlotte Limb
Director:	Mr Terence Wilson

Auditor

Appointed Auditor: Harper Wootton

Current Share Capital

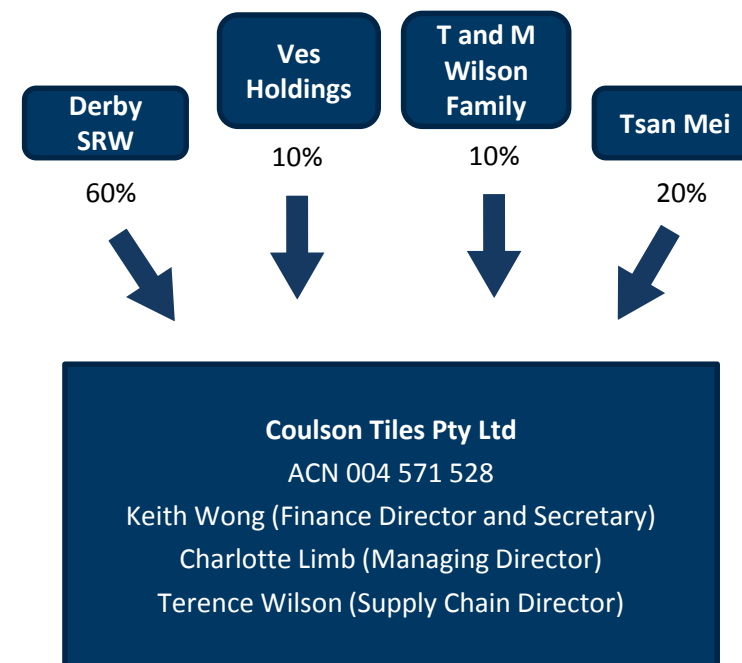
Number of issued shares:	40,000
Amount fully paid:	\$20,000.00
Class of shares:	Ordinary

Current Shareholders

Shareholder	Number of fully paid shares held
Derby SRW Pty Ltd	24,000
Ves Holdings Pty Ltd	4,000
T and M Wilson Family Pty Ltd	4,000
Tsan Mei Pty Ltd	8,000
Total	40,000

ALLPAAP Security Holders

Company	Date of Registration
Australia and New Zealand Banking Group Limited	30-Jan-12
The Coulson Group Pty Ltd	31-Mar-16
Scottish Pacific Business Finance Pty Ltd	2-Dec-16



Appendix 3 – Investigations – Analysis and Information

Appendix 3 – Investigations – analysis and information

Indicia of Insolvency

Factors to take into account

- The following are some general indicators of insolvency that are typically considered in assessing the solvency position of any company:
 - Continuing trading losses.
 - Cash flow difficulties.
 - The company experiencing difficulties selling its stock, or collecting debts owed to it.
 - Creditors not being paid on agreed trading terms and/or either placing the company on cash-on-delivery terms or requiring special payments on existing debts before they will supply further goods and services.
 - Failure to pay Commonwealth and state taxes when due (e.g. pay-as-you-go instalments are outstanding, goods and services tax (GST) is payable, or superannuation guarantee contributions are payable).
 - Cheques being returned dishonoured.
 - Legal action being threatened or commenced against the company, or judgements entered against the company in relation to outstanding debts.
 - Reaching the limits of funding facilities and inability to obtain appropriate further finance to fund operations—for example, through:
 - negotiating a new limit with current financiers; or
 - refinancing or raising money from another party.
 - Ability to produce accurate financial information on a timely basis that shows the company's trading performance and financial position or that can be used to prepare reliable financial forecasts.
 - Company directors having resigned, citing concerns about the financial position of the company or its ability to produce accurate financial information on the company's affairs.
 - Qualified audit opinions on the grounds there is uncertainty that the company can continue as a going concern.

- Qualified audit opinions on the grounds there is uncertainty that the company can continue as a going concern.
- The existence of defaults, or a likelihood to default, on agreements with financiers.
- Employees, or the company's bookkeeper, accountant or financial controller, raising concerns about the company's ability to meet, and continue to meet, its financial obligations.
- It is not certain that there are assets that can be sold in a relatively short period of time to provide funds to help meet debts owed, without affecting the company's ongoing ability to continue to trade profitably.
- Holding back cheques for payment or issuing post-dated cheques.

Source: ASIC Regulatory Guide 217 - Duty to prevent insolvent trading: Guide for directors

- ASIC's view is that these are some of the factors that a reasonable person would take into account when determining whether a company is insolvent. The list of factors is not intended to be exhaustive. There may be other factors that would indicate to a reasonable person that a company may be insolvent.

Appendix 3 – Investigations – analysis and information

Cash flow test

Solvency review – cash flow test

- The cash flow test involves assessing the Company's ability to meet its obligations as and when they fall due. There are many elements to consider and we have considered the following:
 - liquidity ratios and levels of working capital to assess – i.e. whether the Company had sufficient liquidity to meet its liabilities in the short term;
 - EBITDA and profit and loss position – i.e. to assess the Company's ability to generate sufficient cash to meet its obligations;
 - trade creditor ledgers and information (including ageing profile) – i.e. to assess whether the Company had been meeting its payments on time;
 - statutory liability position - i.e. whether the Company had been meeting its statutory liabilities;
 - sources of funding and support by financiers or related entities – i.e. to assess whether the Company had any alternative sources of funding; and
 - the existence of other indicia of insolvency.

Liquidity Ratios

- A review of key liquidity ratios based on the Company's balance sheets is provided in the table below.

	FY16	FY17	YTD18
Current Assets	6,644,136	6,643,318	4,836,147
Current Liabilities	(9,534,124)	(4,228,897)	(3,432,510)
Current Ratio	0.70	1.57	1.41
Quick Ratio	0.23	0.52	0.25

Current Ratio

- The current ratio is used to determine a company's ability to meet short term liabilities with its current assets. A ratio of less than one indicates an inability to pay current debts as and when they fall due.

- The Company has maintained a current ratio of above 1 in FY17 and YTD18 largely due to the high quantity of inventory held by the Company.

Quick Ratio

- The quick ratio is used to determine a company's ability to meet present obligations with sufficient liquid assets (cash and receivables). A ratio of less than one indicates a lack of sufficient liquid assets to cover debts as and when they fall due.
- The Company's quick asset ratio was below 1 across all the periods reviewed indicating an ongoing deficiency of liquid assets. Of note, is the decline in the ratio from FY17 to YTD18. As previously mentioned, this may be due to cash injections made by the Company's directors in FY17, which increased the Company's current assets.

Profit and Loss Review

- A company's profitability is an indicator to be considered in assessing the solvency of a company.
- A high level analysis of the Company's performance is provided in the table below:

Historical Financial Performance

AUD \$	Actual FY16	Management Accounts FY17	Management Accounts HY FY18
Revenue	14,761,520	12,288,424	5,268,204
Less: trading expenses	(17,515,178)	(14,696,427)	(6,362,018)
Earnings before interest, depreciation & tax	(2,753,658)	(2,408,003)	(1,093,814)
Depreciation and amortisation expenses	(129,446)	(100,849)	(40,114)
Finance costs	(85,259)	(117,730)	(108,681)
Loss before income tax	(2,968,363)	(2,626,582)	(1,242,609)
Income tax expense	-	-	-
Net Profit (Loss)	(2,968,363)	(2,626,582)	(1,242,608)

Appendix 3 – Investigations – analysis and information

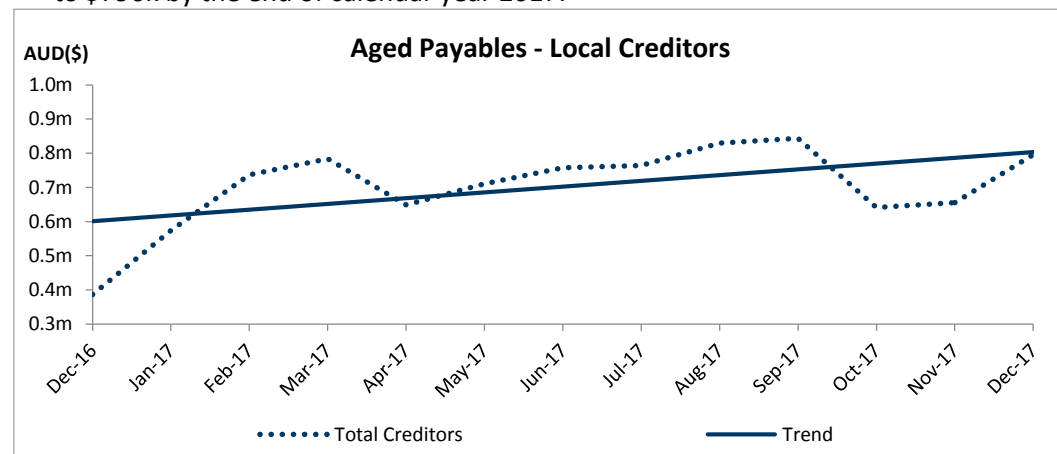
Cash flow test continued and creditor ageing analysis

Profit and Loss Review (continued)

- The Company posted net losses across the periods analysed despite maintaining constant gross profit margins indicating high expenditure in operational and financial activities relative to sales.
- Given the issues management have reported in replenishing stock, the Company has been unable to maintain its sales volumes to support the high overhead expenses incurred.
- The added costs of operating a debtor factoring facility with Scottish Pacific has placed additional strain on the Company's ability to generate profit.

Creditor ageing

- Management did not provide historical aging information for the overseas trade creditors. Thus the information below pertains to local trade creditors only.
- The graph below shows the Company's local trade creditor balances from December 2016 to December 2017.
- The trend line shows a steady increase in monthly trade creditor balances for the period 31 December 2016 to 31 December 2017 moving from approximately \$387k to \$796k by the end of calendar year 2017.



Local Creditor Ageing

	Total Creditors	Current	31-60	61-90	91+ days
Dec-16	386,690.71	292,357.73	92,731.03	110.00	1,491.95
Jan-17	574,285.42	247,920.71	209,869.27	108,709.66	7,785.78
Feb-17	737,174.02	412,207.44	187,744.08	126,962.35	10,260.15
Mar-17	783,810.21	333,810.05	291,561.62	89,317.13	69,121.41
Apr-17	648,998.74	306,895.18	190,346.00	83,858.36	67,899.20
May-17	710,963.46	290,053.72	191,845.97	84,321.49	144,742.28
Jun-17	757,383.46	384,445.42	191,279.93	42,464.30	139,193.81
Jul-17	763,849.68	328,134.16	257,291.93	67,503.48	110,920.11
Aug-17	829,746.50	298,480.39	267,749.42	110,738.93	152,777.76
Sep-17	843,413.12	331,662.18	197,563.79	121,443.25	192,743.90
Oct-17	641,224.97	275,809.78	226,772.93	26,998.92	111,643.34
Nov-17	655,928.08	325,283.25	199,891.05	72,109.95	58,643.83
Dec-17	796,015.77	307,787.30	357,028.22	60,859.59	70,340.66
Jan-18	763,017.51	278,248.21	228,753.54	207,087.48	48,928.28

- The table above shows the breakdown of creditor ageing by month for the period 31 December 2016 to 31 December 2017.
- Payment terms of 60 days are in excess of commercially acceptable terms in most industries.
- On average from December 2016 to December 2017, 22% of creditors were outstanding on terms in excess of 60 days.
- The proportion of payables outside of 60+ days grew from 0% in December 2016, hit its peak in May 2017 at 32% and was at 16% by December 2017.
- The table below shows the breakdown of overseas creditor ageing as at the date of appointment.

Overseas Creditor Ageing

	Total Creditors	Current	31-60	61-90	91+ days
Jan-18	1,933,553	1,042,867	494,348	200,106	196,231

Appendix 3 – Investigations – analysis and information

Balance sheet test

Solvency review – balance sheet test

- The Balance Sheet test for solvency compares the Company's assets to its liabilities as reported in its balance sheet. A company may be considered insolvent if its total liabilities exceed the value of its assets.
- The cash flow test of insolvency is generally viewed as the most applicable test for determining solvency. However, the balance sheet test should also be considered to provide contextual evidence for the proper application of the cash flow test.
- However, the balance sheet test does not provide any indication as to access to alternate funding such as potential advances by the Directors, which is the case in this matter.
- The Company's net assets are summarised in the table below:

	FY16	FY17	YTD18
Total Assets	7,665,318	6,809,944	5,078,414
Total Liabilities	(10,240,730)	(6,707,328)	(5,834,551)
Net Assets	(2,575,412)	102,616	(756,137)

- The Company held a positive net asset position at the end of FY17 which deteriorated by c. \$860k over the seven-month period to 31 January 2018.

Appendix 4 – Estimated Return to Creditors

Appendix 4 - Estimated return to creditors

Outcome for Creditors:

- The Administrators' have prepared an estimate of the potential return to creditors under both DOCA and liquidation scenarios, which are provided in the table adjacent.
- Please note this is a preliminary assessment of the possible outcomes available for creditors and is subject to change and may vary considerably.
- Two liquidation scenarios have been prepared. The high case reflects an asset sale of the Company's business assets to an independent third party, the full recovery of pre-appointment debtors considered to be collectable, and a successful insolvent trading claim, whilst the low case reflects an orderly wind down of the business by the Administrators, a lower collection of pre-appointment debtors and a settlement of the insolvent trading claim.
- We note that in a wind down liquidation scenario there is sufficient recoveries for only a small dividend to priority creditors which satisfies total superannuation outstanding and a notional dividend to FEG for employee leave entitlements.
- Please also note in a liquidation scenario, employees can access the FEG scheme to recover their entitlements without awaiting the outcome of the liquidation.
- The Administrators' estimates project a return of between 26 and 64 cents in the dollar for unsecured creditors under a DOCA scenario. However, creditors should note these scenarios reflect management's best estimate on the realisation of the current inventory on hand to be implemented under the DOCA which the Administrators consider reasonable.
- Whilst preliminary and subject to further determination during the DOCA or liquidation, the Administrators' analysis indicates a DOCA will result in a better return for creditors as a whole, and in particular, unsecured creditors.
- Further notes in respect of our calculations are provided on pages 58 and 60.

Estimated Outcome Statement

AUD\$	Note	Liquidation		DOCA	
		Low	High	Low	High
Non-Circulating Assets:					
Equipment and Motor Vehicles	1	38,380	78,300	24,000	48,000
Other Intellectual Property	2	0	50,000	50,000	50,000
Pre-Appointment Debtors	3	700,000	800,000	700,000	853,442
Less: Scottish Pacific Debt	3	(700,000)	(700,000)	(630,741)	(630,741)
Equity in Leased Assets	4	12,810	17,910	12,810	17,910
Total		51,190	246,210	156,069	338,611
Circulating Assets:					
Net Surplus / (Deficit) from VA Trading Period	5	25,000	150,000	50,000	200,000
Inventory	6	433,500	760,000	2,000,000	2,750,000
Total Equity		458,500	910,000	2,050,000	2,950,000
Recoveries from Voidable Transactions:					
Unfair Preference Payments	7	150,000	260,000	n/a	n/a
Unreasonable Director Related Transaction	7	0	80,000	n/a	n/a
Insolvent Trading Claim	7	300,000	2,000,000	n/a	n/a
Realisations from Voidable Transactions		450,000	2,340,000	n/a	n/a
Total Realisations		959,690	3,496,210	2,206,069	3,288,611
Professional Fees and Expenses:					
Voluntary Administration Fees	8	(300,000)	(300,000)	(300,000)	(300,000)
Deed Administrators Fees	8	n/a	n/a	(150,000)	(100,000)
Liquidators Fees - General	8	(250,000)	(500,000)	n/a	n/a
Liquidators Fees - Voidable Transactions	8	(150,000)	(300,000)	n/a	n/a
Legal Fees - General	8	(45,000)	(30,000)	(45,000)	(30,000)
Legal Fees - Voidable Transactions	8	(50,000)	(300,000)	n/a	n/a
Realisation Costs & Disbursements - VA Period	8	(100,000)	(80,000)	(100,000)	(80,000)
Realisation Costs & Disbursements - Post VA	8	(39,500)	n/a	(300,000)	(250,000)
Professional Disbursements	8	(5,000)	(2,000)	(5,000)	(2,000)
Total Professional Fees and Expenses		(939,500)	(1,512,000)	(900,000)	(762,000)
Net Funds available for Priority Creditors		20,190	1,984,210	1,306,069	2,526,611
Priority Claims to be met from Circulating Assets:					
Outstanding Superannuation	9	(15,328)	(15,328)	(15,328)	(15,328)
Employee Leave Entitlements	9	(170,000)	(170,000)	(80,000)	(80,000)
Employee Redundancy Entitlements	9	(230,000)	(230,000)	(90,000)	(90,000)
Total Priority Claims		(415,328)	(415,328)	(185,328)	(185,328)
<i>Return to Priority Creditors (cents in the \$)</i>	10	<i>5</i>	<i>100</i>	<i>100</i>	<i>100</i>
Amount Available for Unsecured Creditors		0	1,568,882	1,120,741	2,341,283
Unsecured Creditors:					
Shareholder Loan Accounts		(2,401,529)	(2,401,529)	(743,238)	(743,238)
Unsecured Creditor Claims (Known)		(2,639,529)	(2,639,529)	(2,639,529)	(2,639,529)
Director Non-Priority Employment Claims		(71,034)	(71,034)	(33,664)	(33,664)
Contingency Claims		(1,000,000)	(250,000)	(1,000,000)	(250,000)
Total Unsecured Creditor Claims	11	(6,112,092)	(5,362,092)	(4,416,432)	(3,666,432)
Estimated Return to Unsecured Creditors (cents in the \$)		0	29	26	64

Appendix 4 - Estimated return to creditors (cont'd)

Notes to the Estimated Outcome Statement:

■ Note 1 – Equipment and Motor Vehicles

- Reflects the Administrators' estimate of likely realisable value of the unencumbered motor vehicles and fixtures and fittings, discounted in the liquidation low case, whilst allowing for costs of realisation.
- In the asset sale and DOCA scenarios, it is assumed the fixtures and fittings are transferred to NewCo under the terms of the DOCA.

■ Note 2 – Other Intellectual Property (“IP”)

- Represents the Administrators' estimates for consideration payable for the transfer of the IP assets under the asset sale and DOCA scenarios.
- The Administrators' estimate under a wind down liquidation scenario is nil.

■ Note 3 – Pre-Appointment Debtors

- The Administrators' assume in liquidation scenarios a reduction in overall debtor collectability due to cessation in trading resulting in associated customer concerns regarding ongoing supply, warranty claims and other factors.
- In addition, the Administrators' anticipate Scottish Pacific increasing the quantum of their fees in response to increasing difficulty in debtor collections and a greater administrative burden should the Company proceeds into liquidation.
- Under a DOCA we anticipate no increase in Scottish Pacific's fees due to continuity of trading, however we have applied an additional bad debt provision against the debtor balance in a low case in-line with the liquidation low case.

■ Note 4 – Equity in Leased Assets

- Reflects the Administrators' estimates of equity available in the leased assets, assuming none of the leased assets are assigned under an asset sale or DOCA.

■ Note 5 – Net Surplus / (Deficit) from Trading

- Reflects the projected net outcome of trading during the Administration period, excluding professional fees and disbursements.
- The variance between liquidation and DOCA scenarios is primarily attributable to an estimated decrease in debtor collectability due to a cessation of trading should the Company proceed into liquidation.

■ Note 6 – Inventory

- The Administrators' estimate in a wind down liquidation scenario of the realisation of the inventory would be limited to its auction value, whereas an asset sale represents a slightly improved outcome based upon offers received from interested parties to date.
- Under a DOCA, the low case represents management's conservative estimated realisable value of the inventory on hand sold through a combination of the ordinary course of trading and auctioneers at the sole discretion of the Administrators. The DOCA high case represents management's estimate of realisable value primarily sold through the ordinary course of trading via NewCo's customer channels, again at the discretion of the Administrators.

■ Note 7 – Voidable transactions

- Please note, voidable transactions and other actions uniquely available to a liquidator are not available if the Company executes a DOCA.
- Based on investigations undertaken to date, the Administrators' have identified payments totalling \$260,000 from 1 November 2018 (estimated date of insolvency) that may constitute unfair preference payments. In a low case, the Administrators' have estimated approximately 60% of those potential unfair preference claims identified are commercial to pursue.
- Based on investigations undertaken to date, the Administrators have identified payments totalling \$80,000 paid to the Directors that may constitute an unreasonable director related transaction.

Appendix 4 - Estimated return to creditors (cont'd)

Notes to the Estimated Outcome Statement (cont'd):

■ Note 7 – Voidable transactions (cont'd)

- Based on our estimated date of insolvency, the potential claim for insolvent trading may be in the order of approximately \$2.0 million. In a low case, the Administrators' have assumed a settlement of the insolvent trading claim for an indicative amount of \$300k.
- Creditors should refer to Section 6 and Appendix 3 for additional information on insolvency and pursuing insolvent trading claims generally.

■ Note 8 – Professional Fees and Expenses

- Administrators' estimate and subject to creditor approval.
- The Administrators' have provided estimates of the expenses they expect to incur during the course of realising the Company's assets or pursuing voidable transaction claims under each scenario.

■ Note 9 – Employee entitlements

- Per the Company records.
- Superannuation – reflects the balance outstanding per the Company records for the period 1 January 2018 to 31 January 2018.
- Both liquidation scenarios assume all employees will be terminated and leave and redundancy entitlements will become crystallised.
- The DOCA allows for ongoing employment of some staff. The DOCA estimates leave and redundancy entitlements owing to employees terminated during the Administration period.
- Leave and redundancy entitlements have not been adjudicated upon by the Administrators and may be subject to change.

■ Note 10 – Return to Priority Creditors

- Employees may be able to claim for their entitlements under the FEG scheme. The return to creditors here will not affect employees claim under the FEG scheme.
- The FEG scheme would not be available under the DOCA scenarios.

■ Note 11 – Total Unsecured Creditor Claims

- Per the Company records.
- As mentioned earlier in this report, the terms of the DOCA include Ms Limb and her related entities not participating in any dividend to unsecured creditors .
- Unsecured claims in a liquidation scenario include employee entitlements for parties considered to be excluded employees pursuant to section 556 of the Act.



Appendix 4 - Estimated return to creditors (cont'd)

Administrators receipts and payments

- A summary of receipts and payments since the date of our appointment to 27 February 2018 is enclosed with the Remuneration Approval Report.

Impact of related entity claims on dividend prospects

- The terms of the DOCA do not allow Ms Limb and her related entities to participate in any dividend.
- The impact of Ms Limb and her related entities not participating in a dividend results in a reduction of total unsecured creditor claims of c. \$1.6m and therefore an increased cents in the dollar return to unsecured creditors in the range of 7c and 20c between the low and high cases respectively.

Estimated timing of payments to creditors

- An indicative range of the estimated timing of dividends under each option (and to each class of creditor) is set out below:
 - Secured creditors 3 months
 - Employee priority creditors 3 to 6 months
 - Ordinary unsecured creditors 12+ months
- Dividends to employees under the DOCA proposal includes outstanding superannuation and excludes leave for transferring employees, which will be paid to them in the normal course.

Appendix 5 – DIRRI

**DECLARATION OF INDEPENDENCE,
RELEVANT RELATIONSHIPS, AND INDEMNITIES (“DIRRI”)**

**COULSON TILES PTY LTD ACN (ADMINISTRATORS APPOINTED)
ACN 004 571 528 (“the Company”)**

This document requires the Practitioners appointed to an insolvent entity to make declarations as to:

- A. their independence generally;
- B. relationships, including;
 - i. the circumstances of the appointment;
 - ii. any relationships with the Insolvent and others within the previous 24 months;
 - iii. any prior professional services for the Insolvent within the previous 24 months;
 - iv. that there are no other relationships to declare; and
- C. any indemnities given, or up-front payments made to the Practitioner.

This declaration is made with respect to ourselves, our fellow Senior Managing Directors and FTI Consulting (Australia) Pty Ltd (“FTI Consulting” or “Firm”) and associated entities.

A. Independence

We, Ross Blakeley and Paul Allen of FTI Consulting have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as Joint and Several Administrators of the Company in accordance with the law and applicable professional standards. This assessment identified no real or potential risks to our independence. We are not aware of any reasons that would prevent us from accepting this appointment.

B. Declaration of Relationships

i. Circumstances of Appointment

The Company’s legal advisor, Mr Stephen Hume of K&L Gates Lawyers, contacted Mr Ross Blakeley on 8 May 2017 in relation to the Company.

A meeting was held on 10 May 2017, attended by the following parties:

- Mr Ross Blakeley (FTI)
- Mr Andrew Clowes (FTI)
- Mr Chris Nikou (K&L Gates)
- Mr Stephen Hume (K&L Gates)

- Ms Charlotte Limb (Company)
- Mr Terence Wilson (Company)
- Mr Keith Wong (Company)

The history, general position of the Company and recent and projected trading were discussed on a preliminary, high level basis. Further analysis potential initiatives that could be taken by the Company to improve its position and trading, were briefly discussed.

No follow up occurred following that meeting until Mr Ross Blakeley was contacted by telephone by two of the Company's directors, Ms Charlotte Limb and Mr Keith Wong on 21 November 2017. The initiatives taken since the initial meeting and current position of the Company were briefly discussed. It was agreed that when the Directors had prepared revised forecasts, a meeting would be arranged to discuss the Company's position and options going forward, and any potential engagement of FTI.

The following meetings and discussions then took place with the Company in the period immediately prior to our appointment as Administrators:

Date	Method	Attendees
15 December 2017	Meeting	Mr Ross Blakeley (FTI) Mr Drew Forbes (FTI) Ms Charlotte Limb (Company) Mr Terence Wilson (Company) Mr Keith Wong (Company)
18 December 2017	Meeting	Mr Drew Forbes (FTI) Mr Allan Stonehouse (FTI) Ms Charlotte Limb (Company) Mr Terence Wilson (Company) Mr Keith Wong (Company)
19 December 2017	Teleconference	Mr Drew Forbes (FTI) Mr Allan Stonehouse (FTI) Ms Charlotte Limb (Company) Mr Keith Wong (Company)
19 December 2017	Teleconference	Mr Ross Blakeley (FTI) Ms Charlotte Limb (Company)
19 December 2017	Teleconference	Mr Ross Blakeley (FTI) Ms Charlotte Limb (Company)
22 December 2018	Teleconference	Mr Ross Blakeley (FTI) Ms Charlotte Limb (Company) Mr Terence Wilson (Company) Mr Keith Wong (Company)
3 January 2018	Teleconference	Mr Ross Blakeley (FTI) Ms Charlotte Limb (Company)

8 January 2018	Teleconference	Mr Drew Forbes (FTI) Ms Charlotte Limb (Company)
10 January 2018	Teleconference	Mr Drew Forbes (FTI) Mr Allan Stonehouse (FTI) Mr Keith Wong (Company)
15 January 2018	Teleconference	Mr Ross Blakeley (FTI) Ms Charlotte Limb (Company)
17 January 2018	Teleconference	Mr Ross Blakeley (FTI) Ms Charlotte Limb (Company)
18 January 2018	Meeting	Mr Ross Blakeley (FTI) Mr Allan Stonehouse (FTI) Ms Charlotte Limb (Company) Mr Terence Wilson (Company) Mr Keith Wong (Company) Mr Stephen Hume (K&L Gates)
22 January 2018	Teleconferences	Mr Ross Blakeley (FTI) Ms Charlotte Limb (Company)
24 January 2018	Teleconference	Mr Ross Blakeley (FTI) Ms Charlotte Limb (Company)
29 January 2018	Meeting	Mr Ross Blakeley (FTI) Mr Allan Stonehouse (FTI) Ms Charlotte Limb (Company) Mr Terence Wilson (Company) Mr Keith Wong (Company) Mr Stephen Hume (K&L Gates)
29 January 2018	Teleconference	Mr Ross Blakeley (FTI) Mr Allan Stonehouse (FTI) Ms Charlotte Limb (Company) Mr Terence Wilson (Company) Mr Keith Wong (Company) Mr Stephen Hume (K&L Gates)
31 January 2018	Teleconference	Mr Ross Blakeley (FTI) Mr Drew Forbes (FTI) Mr Andrew Clowes (FTI) Mr Allan Stonehouse (FTI) Ms Charlotte Limb (Company) Mr Terence Wilson (Company) Mr Keith Wong (Company)

The purpose of the above meetings and teleconferences was to discuss, inter alia, the following:

- The current financial position of the Company;
- Potential and actual actions taken regarding operations and trading;

- Options and alternatives available, given the Company's financial circumstances;
- The potential for and the Company's progress in dealing with parties possibly interested in acquiring or investing in the Company's business;
- The Company's trading forecasts for the immediate and longer term;
- The option of, considerations and process regarding a possible voluntary administration of the Company; and
- Most recently, the requirements of planning for an appointment.

A consulting engagement whereby FTI Consulting would be retained to, inter alia, assess the Company's current financial position and projected trading performance and the options available to it in more detail was initially contemplated and agreed upon in an engagement letter dated 21 December 2017. However, this engagement did not in effect proceed.

Additional attendances outside of those listed above occurred, which were immaterial in nature and related primarily to the scheduling of meetings and teleconferences.

No remuneration has been received for any time expended by this firm in discussing the situation and options for the Company prior to 1 February 2018.

In our opinion, these meetings and conversations do not affect our independence for the following reasons:

- (a) it is normal and practically required to be approached and have discussions with a director(s) and major stakeholders preceding an appointment;
- (b) the Courts and the ARITA's Code of Professional Practice specifically recognise the need for practitioners to provide advice on the insolvency process and the options available and do not consider that such advice results in a conflict or is an impediment to accepting the appointment;
- (c) the nature of the advice provided to the Company is such that it would not be subject to review and challenge during the course of our appointment;
- (d) no specific personal advice has been given to the Directors in their capacity as Directors of the Company or in relation to their personal position;
- (e) the pre-appointment advice will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the appointment as Joint and Several Administrators of the Company in an objective and impartial manner.

Neither we nor any other Senior Managing Director of FTI Consulting or associate of FTI Consulting have provided any other information or advice to the Company or the Director prior to our appointment beyond that outlined in this DIRRI.

There are no conditions on the conduct or outcome of this administration arising from the referral of this matter to FTI Consulting, including no fees or commissions, agreements for

work in the administration, or other benefits.

ii. Relevant Relationships (excluding Professional Services to the Insolvent)

Neither we, nor any other Senior Managing Director of FTI Consulting or staff of FTI Consulting have had within the preceding 24 months, any relationship with the Company, an associate of the Company, a former insolvency practitioner appointed to the Company, or any person or entity that has security over the whole, or substantially the whole of the Company's property, except as detailed below:

Name	Nature of relationship	Reasons why not an Impediment or Conflict
Scottish Pacific Business Finance Pty Ltd (" Scottish Pacific "), holder of a registered security interest over the Company's assets.	FTI Consulting provides consultancy and business advisory services to Scottish Pacific from time to time which includes acting in receivership and investigating accountant roles, with respect to other non related entities.	The other work that FTI Consulting undertakes for Scottish Pacific will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with our appointment as Voluntary Administrators of the Company in an objective and impartial manner.
Australia and New Zealand Banking Group Limited (" ANZ "), holder of a registered security interest over the Company's assets.	FTI Consulting provides consultancy and business advisory services to ANZ from time to time which includes acting in receivership and investigating accountant roles, with respect to other non related entities.	The other work that FTI Consulting undertakes for ANZ will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with our appointment as Voluntary Administrators of the Company in an objective and impartial manner.
K&L Gates Lawyers	FTI Consulting and K&L Gates Lawyers have a professional relationship and have referred work to each other from time to time.	The volume of work is not significant to create a conflict. Neither firm is materially reliant on the work referred.

iii. Prior Professional Services to the Insolvent

Neither we, nor any other Senior Managing Director of FTI Consulting or associate of FTI Consulting have provided any professional services to the Company in the previous 24 months.

iv. No Other Relevant Relationships to Disclose

There are no other known relevant relationships, including personal, business and professional relationships, from the previous 24 months with the Company, an associate of the Company, a former insolvency practitioner appointed to the Company or any person or entity that has security over the whole or substantially the whole of the Company's property that should be disclosed.

C. Indemnities and Up-Front Payments

We have not been indemnified in relation to this administration, other than any indemnities that we may be entitled to under statute and we have not received any up-front payments in respect of our remuneration or disbursements.



Ross Andrew Blakeley
5 February 2018



Paul Anthony Allen
5 February 2018

NOTE:

1. If circumstances change, or new information is identified, we are required under the Corporations Act and the ARITA Code of Professional Practice to update this Declaration and provide a copy to creditors with our next communication as well as table a copy of any replacement declaration at the next meeting of the Insolvent's creditors.
2. Any relationships, indemnities or up-front payments disclosed in the DIRRI must not be such that the Practitioner is no longer independent. The purpose of components B and C of the DIRRI is to disclose relationships that, while they do not result in the Practitioner having a conflict of interest or duty, ensure that creditors are aware of those relationships and understand why the Practitioner nevertheless remains independent.

Appendix 6 – Information Sheet for Creditors



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- > [Regulatory resources](#)
- > [Insolvency](#)
- > [Insolvency for creditors](#)
- > [Voluntary administration: A guide for creditors](#)

Voluntary administration: A guide for creditors

If a company is in financial difficulty, it can be put into voluntary administration.

This information sheet (INFO 74) provides general information for unsecured creditors of companies in voluntary administration. It covers:

- [who is a creditor](#)
- [the purpose of voluntary administration](#)
- [the voluntary administrator's role](#)
- [effect of appointment](#)
- [voluntary administrator's liability](#)
- [creditors' meetings](#)
- [voting at a creditors' meeting](#)
- [company returned to directors](#)
- [liquidation](#)
- [deed of company arrangement](#)
- [approval of administrator's fees](#)
- [proposals to creditors without a meeting](#)
- [committee of inspection](#)
- [directors and voluntary administration](#)
- [other creditor rights](#)
- [queries and complaints](#)

Who is a creditor?

You are a creditor of a company if the company owes you money. Usually, a creditor is owed money because they have provided goods or services, or made loans to the company.

A retail customer of a company in voluntary administration may also be a creditor if they have partly or fully paid for goods or services that they have not received.

An employee owed money for unpaid wages and other entitlements is a creditor.

A person who may be owed money by the company if a certain event occurs (e.g. if they succeed in a legal claim against the company) is also a creditor, and is sometimes referred to as a 'contingent' creditor.

There are generally two categories of creditor - secured and unsecured:

- A secured creditor is someone who holds a security interest, such as a mortgage, in some or all of the company's assets, to secure a debt owed by the company. Lenders usually require a security interest in company assets when they provide a loan. Security interests over personal property other than land are registered on the Personal Property Securities Register (PPSR) if the creditor wants to ensure their security interest is enforceable and accorded priority in an insolvency. You can search the PPSR to find out if anyone holds a security interest (other than a mortgage over land) in the company's assets.
- An unsecured creditor is a creditor who does not hold a security interest in the company's assets.

Employees are a special class of unsecured creditors. Their outstanding entitlements are usually paid in priority to the claims of other unsecured creditors. If you are an employee, see [Information Sheet 75 Voluntary administration: A guide for employees](#) (INFO 75).

All references in this information sheet to 'creditors' relate to unsecured creditors unless otherwise stated.

The purpose of voluntary administration

Voluntary administration is designed to resolve a company's future direction quickly (the below table summarises the process). An independent and suitably qualified person (the voluntary administrator) takes full control of the company to try to work out a way to save either the company or its business.

If it isn't possible to save the company or its business, the aim is to administer the affairs of the company in a way that results in a better return to creditors than they would have received if the company had instead been placed straight into liquidation. A mechanism for achieving these aims is a deed of company arrangement.

A voluntary administrator is usually appointed by a company's directors, after they decide that the company is insolvent or likely to become insolvent. Less commonly, a voluntary administrator may be appointed by a liquidator, provisional liquidator, or a secured creditor.

The voluntary administration process

Step	What happens
Appointment of voluntary administrator	<p>A decision to appoint a voluntary administrator for a company can be made by:</p> <ul style="list-style-type: none"> the directors (by resolution of the board and in writing) a secured creditor (with a security interest in all or substantially all of the company's property), or a liquidator (or provisional liquidator). <p>Voluntary administration begins on the appointment of the voluntary administrator.</p>
First meeting of creditors	<p>The voluntary administrator must hold the first meeting of creditors within eight business days of being appointed, unless the court allows an extension of time.</p> <p>At least five business days notice of the meeting must be given to creditors.</p> <p>Creditors can vote at this meeting to:</p> <ul style="list-style-type: none"> replace the administrator, and/or create a committee of inspection.
Voluntary administrator's investigation and report	<p>The voluntary administrator must investigate the company's affairs and report to creditors on alternatives.</p>
Second meeting of creditors – meeting to decide company's future	<p>The voluntary administrator must hold the meeting to decide the company's future within 25 business days of being appointed (or 30 business days if the appointment is around Christmas or Easter), unless the court allows an extension of time.</p> <p>At least five business days notice of the meeting must be given to creditors.</p> <p>Creditors can decide at this meeting to:</p> <ul style="list-style-type: none"> return the company to the control of the directors accept a deed of company arrangement (the deed must be signed by the company within 15 business days following the meeting, unless the court allows an extension of time), or put the company into liquidation (this happens immediately, and the administrator becomes the liquidator).

A company in voluntary administration may also be in receivership: see [Information Sheet 54 Receivership: A guide for creditors](#) (INFO 54).

The voluntary administrator's role

After taking control of the company, the voluntary administrator investigates and reports to creditors on the company's business, property, affairs and financial circumstances, and on the three options available to creditors. These are:

- end the voluntary administration and return the company to the directors' control
- approve a deed of company arrangement through which the company will pay all or part of its debts and then be free of those debts
- wind up the company and appoint a liquidator.

The voluntary administrator must give an opinion on each option and recommend which option is in the best interests of creditors.

In doing so, the voluntary administrator tries to work out the best solution to the company's problems, assesses any proposals put forward by others for the company's future, and compares the possible outcomes of the proposals with the likely outcome in a liquidation.

A creditors' meeting is usually held about five weeks after the company goes into voluntary administration to decide on the best option for the company's future. In complex administrations, this meeting may be held later if the court consents.

The voluntary administrator has all the powers of the company and its directors. This includes the power to sell or close down the company's business or sell individual assets in the lead up to the creditors' decision on the company's future.

Another responsibility of the voluntary administrator is to report to ASIC on possible offences by people involved with the company.

At the end of their administration, the voluntary administrator must lodge a detailed account of receipts and payments (known as the 'end of administration return'). A copy of this account of receipts and payments may be obtained by searching the [ASIC registers](#) and paying the relevant fee.

Although the voluntary administrator may be appointed by the directors, they must act fairly and impartially.

Effect of appointment

The effect of the appointment of a voluntary administrator is to provide the company with breathing space while the company's future is resolved. While the company is in voluntary administration:

- unsecured creditors can't begin, continue or enforce their claims against the company without the administrator's consent or the court's permission
- owners of property (other than perishable property) used or occupied by the company, or people who lease such property to the company, can't recover their property
- except in limited circumstances, secured creditors can't enforce their security interest in the company's assets
- a court application to put the company in liquidation can't be commenced
- a creditor holding a personal guarantee from the company's director or other person can't act under the personal guarantee without the court's consent.

Voluntary administrator's liability

Any debts that arise from the voluntary administrator purchasing goods or services, or hiring, leasing, using or occupying property, are paid from the available assets of the company as costs of the voluntary administration. If there are insufficient funds available from asset sales to pay these costs, the voluntary administrator is personally liable for the shortfall. To have the benefit of this debt protection as a provider of goods or services to a company in voluntary administration, you should ensure you receive a purchase order authorised in the manner advised by the voluntary administrator.

The voluntary administrator must also decide whether to continue to use or occupy property owned by another party that is held or occupied by the company at the time of their appointment.

Within five business days after their appointment, the voluntary administrator must notify the owner of property whether they intend to continue to occupy or use the property and, if they do not intend to continue to occupy or use the property, the location of that property (if known). If the voluntary administrator decides to continue to occupy or use the property, they will be personally liable for any rent or amounts payable arising after the end of the five business days.

Creditors' meetings

Two meetings of creditors must be held during the voluntary administration.

First creditors' meeting

The voluntary administrator must hold the first creditors' meeting within eight business days after the voluntary administration begins.

At least five business days before the meeting, the voluntary administrator must notify as many creditors as practical in writing and advertise the meeting. The advertisement must appear on [ASIC's published notices website](#).

The voluntary administrator must send to creditors, with the notice of meeting, declarations about any relationships they may have, or indemnities they have been given, to allow creditors to consider the voluntary administrator's independence and make an informed decision about whether to replace them with another voluntary administrator of the creditors' choice.

The purpose of the first meeting is for creditors to decide two questions:

- whether they want to form a committee of inspection, and, if so, who will be on the committee
- whether they want the existing voluntary administrator to be removed and replaced by a voluntary administrator of their choice.

A committee of inspection may be formed to assist and advise the voluntary administrator. The committee of inspection also monitors the conduct of the voluntary administration, may approve certain steps in the administration and may give directions to the voluntary administrator. The voluntary administrator must have regard to, but is not always required to comply with, such directions.

A creditor who wishes to nominate an alternative voluntary administrator at the first meeting must approach a registered liquidator before the meeting and get a written consent from that person that they would be prepared to act as voluntary administrator. The proposed alternative administrator should give to the meeting declarations about any relationships they may have or indemnities they have been given. The voluntary administrator will only be replaced if the resolution to replace them is passed by the creditors at the meeting.

To be eligible to vote at this meeting, you must lodge details of your debt or claim with the voluntary administrator (discussed further below).

This meeting can be chaired by either the voluntary administrator or one of their senior staff.

Second creditors' meeting (to decide the company's future)

After investigating the affairs of the company and forming an opinion on each of the three options available to creditors (outlined above), including an opinion as to which option is in the best interests of creditors, the administrator must call a second creditors' meeting. At this meeting, creditors are given the opportunity to decide the company's future.

This meeting is usually held about five weeks after the company goes into voluntary administration (six weeks if the appointment is around Christmas or Easter).

However, in complex voluntary administrations, often more time is needed for the voluntary administrator to be in a position to report to creditors. In these circumstances, the court can approve an extension of time to hold the meeting.

The voluntary administrator must chair this meeting.

In preparation for the second meeting, the voluntary administrator must send creditors the following documents at least five business days before the meeting:

- a notice of meeting
- the voluntary administrator's report
- the voluntary administrator's statement.

These will be accompanied by:

- a claim form (usually a 'proof of debt' form)
- a proxy voting form.

The meeting must also be advertised on [ASIC's published notices website](#).

Either or both the first and second creditors' meeting may be held using telephone or videoconferencing facilities.

Voluntary administrator's report

You should read the voluntary administrator's report before you attend the second meeting or decide whether you want to appoint someone else to vote on your behalf at that meeting. This report must give sufficient information to explain the company's business, property, affairs and financial circumstances, to enable you to make an informed decision about the company's future.

The report should also provide an analysis of any proposals for the future of the company, including the possible outcomes, as well as a comparable estimate of what would be available for creditors in a liquidation.

Voluntary administrator's statement

The voluntary administrator's statement must include the voluntary administrator's opinion, with reasons, on each of the options available to creditors, as well as an opinion on which option the voluntary administrator believes is in the best interests of creditors. As noted above, the options are:

- end the voluntary administration and return the company to the directors' control
- approve a deed of company arrangement (if one is proposed)
- wind up the company and appoint a liquidator.

The voluntary administrator's statement must also include such other information known to the voluntary administrator that will allow you to make an informed decision about each of the options above.

The statement must also advise whether there are any voidable transactions (such as unfair preferences, unfair loans, insolvent trading, etc.) where money or property may be recoverable by a liquidator, if one were appointed.

If there are proposals for a deed of company arrangement, the voluntary administrator must provide creditors with a statement giving enough details of each proposal to enable creditors to make an informed decision. The types of proposals allowed in a deed of company arrangement are very flexible.

Typically, a proposal will provide for the company to pay all or part of its debts, possibly over time, and then be free of those debts. It will often provide for the company to continue trading. How these things will happen varies from case to case, as the terms allowed in a deed of company arrangement are also very flexible. The contents of a deed of company arrangement are discussed below.

You should insist on being provided with as much information about the terms of the proposed deed as possible before the creditors' meeting. The minimum contents of a deed of company arrangement, discussed below, provide a guide on the information you might request if it hasn't already been provided.

You should also contact the voluntary administrator before the meeting if you believe the voluntary administrator's report or statement do not contain sufficient information to enable you to make a decision about the company's future.

Voting at a creditors' meeting

To vote at any creditors' meeting you must lodge details of your debt or claim with the voluntary administrator. Usually, the voluntary administrator will provide you with a form called a 'proof of debt' to be completed and returned before the meeting.

The chairperson of the meeting decides whether or not to accept the debt or claim for voting purposes. The chairperson may decide that a creditor does not have a valid claim. In this case, they may not allow the creditor to vote at all. If the chairperson is in doubt whether to accept the debt or claim, they must mark the vote as objected to and allow the creditor to vote subject to the vote being declared invalid if the objection is sustained. This decision is only for voting purposes. It is not relevant to whether a creditor will receive a dividend.

An appeal against a decision by the chairperson to accept or reject a proof of debt or claim for voting purposes may be made to the court within 10 business days after the decision.

A secured creditor is entitled to vote for the full amount of their debt without having to deduct the value of their security interest.

Voting by proxy

You may appoint an individual as proxy to attend and vote at a meeting on your behalf. Creditors who are companies will have to nominate a person as proxy so that they can participate in the meeting. This is done using a form sent out with the notice of meeting. The completed proxy form must be provided to the voluntary administrator before the meeting.

An electronic form of proxy may be used if the liquidator allows electronic lodgement, provided there is a way to authenticate the appointment of the proxy (e.g. by scanning and emailing a signature or using a digital signature).

You can specify on the proxy form how the proxy is to vote on a particular resolution and the proxy must vote in accordance with that instruction. This is called a 'special proxy'. Alternatively, you can leave it to the proxy to decide how to vote on each of the resolutions put before the meeting. This is called a 'general proxy'.

You can appoint the chairperson to represent you either through a special or general proxy. The voluntary administrator or one of their partners or employees must not use a general proxy to vote in favour of a resolution approving payment of the voluntary administrator's fees.

Manner of voting

A vote on any resolution put to a creditors' meeting may be taken by creditors stating aloud their agreement or disagreement, or by a more formal voting procedure called a 'poll'.

If voting is by verbally signalling agreement, the resolution is passed if a majority of those present indicate agreement. It is up to the chairperson to decide if this majority has been reached.

After the vote, the chairperson must tell those present whether the resolution has been passed or lost. If the chairperson is unable to determine the outcome of a resolution on verbal agreement, they may decide to conduct a poll.

Alternatively, a poll can be demanded by the person presiding at the meeting or by a person participating and entitled to vote at the meeting. If a poll is demanded, it must be taken immediately.

The chairperson will determine how this poll is taken.

If you intend to demand that a poll be taken, you must do so before, or as soon as, the chairperson has declared the result of a vote taken by voices.

When a poll is conducted, a resolution is passed if both:

- more than half the number of creditors who are voting (in person or by proxy) vote in favour of the resolution
- those creditors who are owed more than half of the total debt owed to creditors at the meeting vote in favour of the resolution.

This is referred to as a 'majority in number and value'. If a majority in both number and value is not reached under a poll (often referred to as a deadlock), the chairperson has a casting vote.

Chairperson's casting vote

When a poll is taken and there is a deadlock, the chairperson may use their casting vote (except for resolutions to approve their remuneration) either in favour of or against the resolution. Where the resolution relates to their removal as voluntary administrator, the chairperson may only exercise the casting vote in favour of their removal. The chairperson may also decide not to use their casting vote, in which case the deadlocked resolution is not passed.

The chairperson must inform the meeting, and include in the written minutes of meeting that are lodged with ASIC, of the reasons why they exercised their casting vote in a particular way or why they chose not to use their casting vote.

If you are dissatisfied with how the chairperson exercised their casting vote or failed to use their casting vote, you may, in specified circumstances, apply to the court for a review of the chairperson's decision. The court may vary or set aside the resolution or order that the resolution is taken to have been passed.

Votes of related creditors

If directors and shareholders, their spouses and relatives and other entities controlled by them are creditors of the company, they are entitled to attend and vote at creditors' meetings, including the meeting to decide the company's future.

If a resolution is passed or defeated based on the votes of these related creditors and you are dissatisfied with the outcome, you may, in specified circumstances, apply to the court for the resolution to be set aside and/or for a fresh resolution to be voted on without related creditors being entitled to vote. Certain criteria must be met before the court will make such an order (e.g. the original result of the vote being against the interests of all or a class of creditors).

Deciding how to vote at the second meeting

How you vote at the meeting on the three possible options, including any competing proposals for a deed of company arrangement, is a commercial decision based on your assessment of the company and its future prospects, and your personal circumstances. The information provided by the voluntary administrator, including opinions expressed, will assist you. However, you are not obliged to accept the administrator's recommendation.

If you do not consider that you have been given enough information to decide how to vote, and particularly whether to vote for any deed proposal, you can ask for a resolution to be put to creditors that the meeting be adjourned (up to a maximum of 45 business days in total) and for the administrator to provide more information. You must make this request before a vote on the company's future. This resolution must be passed for the adjournment to take place.

Creditors also have the right, when a deed of company arrangement is proposed and considered at the meeting, to negotiate specific requirements into the terms of the deed – including, for example, how the deed administrator is to report to them on the progress of the deed.

Any request to vary the deed proposal to include such requirements should be made before the deed proposal is voted on.

Minutes of meeting

The chairperson must prepare minutes of each meeting and a record of those who were present at each meeting.

The minutes must be lodged with ASIC within 10 business days of the meeting. A copy of the minutes of meeting may be obtained by searching the [ASIC registers](#) and paying the relevant fee.

Company returned to directors

If the company is returned to the directors, they will be responsible for ensuring that the company pays its outstanding debts as they fall due. It is only in very rare circumstances that creditors will resolve to return the company to the control of its directors.

Liquidation

If creditors resolve that the company go into liquidation, the voluntary administrator becomes the liquidator unless creditors vote at the second meeting to appoint a different liquidator of their choice. The liquidation proceeds as a creditors' voluntary liquidation with any payments of dividends to creditors made in the order set out in the *Corporations Act 2001* (Corporations Act). To find out more, see [Information Sheet 45 Liquidation: A guide for creditors](#) (INFO 45).

Deed of company arrangement

If creditors vote for a proposal that the company enter a deed of company arrangement, the company must sign the deed within 15 business days of the creditors' meeting, unless the court allows a longer time. If this doesn't happen, the company will automatically go into liquidation, with the voluntary administrator becoming the liquidator.

The deed of company arrangement binds all unsecured creditors, even if they voted against the proposal. It also binds owners of property, those who lease property to the company and secured creditors, if they voted in favour of the deed. In certain circumstances, the court can also order that these people are bound by the deed even if they didn't vote for it. The deed of company arrangement does not prevent a creditor who holds a personal guarantee from the company's director or another person taking action under the personal guarantee to be repaid their debt.

Contents of the deed

Whatever the nature of the deed of company arrangement, it must contain certain information, including:

- the name of the deed administrator
- the property that will be used to pay creditors
- the debts covered by the deed and the extent to which those debts are released
- the order in which the available funds will be paid to creditors (the deed of company arrangement must ensure that employees have a priority in payment of outstanding employee entitlements unless the eligible employees agree by a majority in both number and value to vary this priority)
- the nature and duration of any suspension of rights against the company
- the conditions (if any) for the deed to come into operation
- the conditions (if any) for the deed to continue in operation

- the circumstances in which the deed terminates.

There are also certain terms that will be automatically included in the deed, unless the deed says they will not apply. These are called the 'prescribed provisions'. They include such matters as the powers of the deed administrator, termination of the deed and the appointment of a committee of creditors (called a 'committee of inspection').

The voluntary administrator's report should tell you which prescribed provisions are proposed to be excluded or varied, and, if varied, how.

Monitoring the deed

It is the role of the deed administrator to ensure the company (or others who have made commitments under the deed) carries through these commitments. The extent of the deed administrator's ongoing role will be set out in the deed.

Creditors can also play a role in monitoring the deed. If you are concerned that the obligations of the company (or others) under the deed are not being met, you should take this up promptly with the deed administrator. Matters that may give rise for concern include deadlines for payments or other actions promised under the deed being missed.

Creditors also have the right when a deed of company arrangement is proposed and considered at the second meeting to negotiate consequences of failure to meet such deadlines into the terms of the deed. Any request to vary the deed proposal to include such consequences should be made before the deed proposal is voted on.

A director must notify the deed administrator if they become aware that there has been, or is likely to be, a material contravention of the deed. In addition, the deed administrator must give notice to creditors as soon as practicable after becoming aware of the material contravention or if there is likely to be a material contravention of the deed.

A deed administrator must lodge with ASIC a detailed list of their receipts and payments (known as the annual administration return) annually on the anniversary of their appointment and at the end of their administration. A copy of the receipts and payments may be obtained by searching the [ASIC registers](#) and paying the relevant fee.

Note: If the deed of company arrangement commenced prior to 1 September 2017, the deed administrator will continue to lodge the six-monthly [Form 524 Presentation of accounts and statement](#) until the six-month period ending on the first anniversary of their appointment date. Thereafter, they will lodge the annual administration return.

Varying the deed

The deed administrator can call a creditors' meeting at any time to consider a proposed variation to the deed. The proposed resolutions must be set out in the notice of meeting sent to creditors.

The deed administrator must also call a meeting to consider a resolution to vary the deed if:

- the committee of inspection directs it (where there is a committee of inspection)
- creditors pass a resolution requiring the deed administrator call a meeting
- at least 25% in value of creditors direct the deed administrator to do so in writing
- less than 25% but more than 10% in value of creditors direct the deed administrator to do so in writing and they provide security for the cost of holding the meeting.

The deed administrator is not required to comply with a direction by the committee of inspection or creditors to call a meeting if that direction is not reasonable.

If the deed administrator considers the direction is not reasonable, they must notify the person or body that gave the direction and set out the reasons why it is not reasonable. In this circumstance, the deed administrator may still convene a meeting to consider varying the deed if the person or body who gave the direction agree to pay the costs of calling and holding the meeting.

Payment of dividends under a deed

The order in which creditor claims are paid depends on the terms of the deed. Sometimes the deed proposal is for creditor claims to be paid in the same priority as in a liquidation. Other times, a different priority is proposed.

The deed must ensure employee entitlements are paid in priority to other unsecured creditors unless eligible employees have agreed to vary their priority.

Before you decide how to vote at the creditors' meeting, make sure you understand how the deed will affect the priority of payment of your debt or claim.

You may wish to seek independent legal advice if the deed proposes a different priority to that in a liquidation, or if creditors approve such a deed.

Establishing your claim under a deed

How debts or claims are dealt with under a deed of company arrangement depends on the deed's terms. Sometimes the deed incorporates the Corporations Act provisions for dealing with debts or claims in a liquidation.

Before any dividend is paid to you for your debt or claim, you will need to give the deed administrator sufficient information to prove your debt. You may be required to complete a claim form (this is called a 'proof of debt' in a liquidation). You should attach copies of any relevant invoices or other supporting documents to the claim form, as your debt or claim may be rejected if there is insufficient evidence to support it.

If a creditor is a company, the claim form should be signed by a person authorised by the company to do so.

When submitting a claim, you may ask the deed administrator to acknowledge receipt of your claim and advise if any further information is needed.

If the deed administrator rejects your claim after you have taken the above steps, first contact the deed administrator. You may also wish to seek your own legal advice. This should be done promptly. Depending on the terms of the deed, you may have a limited time in which to take legal action to challenge the decision.

If you have a query about the timing of the payment, discuss this with the deed administrator.

How a deed comes to an end

A deed may come to an end because the obligations under the deed have all been fulfilled and the creditors have been paid. Alternatively, the deed may set out certain conditions where the deed will automatically terminate.

The deed may also provide that the company will go into liquidation if the deed terminates due to these conditions being met.

Another way for the deed to end is if the deed administrator calls a meeting of creditors (either on their own initiative or at the direction of creditors or the committee of inspection if one has been formed), and creditors vote to end the deed. This may occur because there has been a breach of the deed or it appears unlikely that the terms of the deed can be fulfilled.

At the same time, creditors may be asked to vote to put the company into liquidation.

The deed may also be terminated if a creditor, the company, ASIC or any other interested person applies to the court and the court is satisfied that:

- creditors were provided false and misleading information on which the decision to accept the deed proposal was made
- the voluntary administrator's report left out information that was material to the decision to accept the deed proposal
- the deed cannot proceed without undue delay or injustice
- the deed is unfair or discriminatory to the interests of one or more creditors or against the interests of creditors as a whole.

If the court terminates the deed as a result of such an application, the company automatically goes into liquidation.

Approval of administrator's fees

Both a voluntary administrator and deed administrator are entitled to be paid for the work they perform. Generally, their fees will be paid from available assets, before any payments are made to creditors. They may have also arranged for a third party to pay any shortfall in their fees if there aren't enough assets.

The fees cannot be paid until the amount has been approved by creditors, a committee of inspection or the court. Creditors, the voluntary administrator/deed administrator or ASIC can ask the court to review the amount of fees approved. Alternatively, the voluntary administrator or deed administrator may put a proposal to creditors to approve their fees without holding a meeting.

If you are asked to approve fees, either at a general meeting of creditors or at a meeting of a committee of inspection, the voluntary administrator or deed administrator must give you, at the same time as the notice of the meeting, a report that contains sufficient information for you to assess whether the fees claimed are reasonable. This report should be in simple language and set out:

- a summary description of the major tasks performed or likely to be performed

- the costs of completing those tasks and how those costs were calculated
- the periods when funds will be drawn to pay the fees
- the estimated total amount, or range of amounts, of total fees
- an explanation of the likely impact the fees will have on any dividends to creditors
- such other information that will assist in assessing the reasonableness of the fees claimed.

If you are in any doubt about how the fees were calculated, ask for more information.

Apart from fees, the voluntary administrator and deed administrator are entitled to reimbursement for out-of-pocket expenses that have arisen in carrying out their administration. This reimbursement may require creditor, committee of inspection or court approval.

For further information, see [Information Sheet 85 Approving fees: A guide for creditors](#) (INFO 85).

Proposals to creditors without a meeting

Instead of convening a creditors' meeting, the voluntary administrator or deed administrator can put proposals to creditors by giving notice in writing.

This notice must be given to each creditor who would be entitled to receive notice of a meeting and:

- include a statement of the reasons for the proposal and the likely impact the proposal will have on creditors
- invite the creditor to either:
 - vote 'yes' or 'no' for the proposal
 - object to the proposal being resolved without a meeting
- specify a reasonable time for creditors' replies to be received by the administrator.

To vote on the proposal, a creditor must lodge details of their debt or claim with the administrator and complete the voting documents provided by the administrator.

Creditors can vote 'yes' or 'no' on the proposal and/or object to the proposal being resolved without a creditors' meeting. You should return your response to the administrator within the time specified in the notice, which must be at least 15 business days after the notice is given to creditors.

A resolution is passed if the majority of creditors in number and value who responded to the notice voted 'yes' and if not more than 25% in value of the creditors who responded objected to the proposal being resolved without a creditors' meeting.

The administrator should provide creditors enough information to allow them to make an informed decision about the proposal. A creditor should contact the administrator to obtain further information if they think it necessary for them to make a decision.

The administrator must lodge with ASIC a statement about the outcome of the proposal. A copy of the outcome of the proposal may be obtained by searching the [ASIC registers](#) and paying the relevant fee.

Committee of inspection

A committee of inspection may be formed to assist and advise the voluntary administrator or deed administrator. The committee of inspection also monitors the conduct of the voluntary administrator or deed administrator, may approve certain steps in the voluntary administration or deed administration and may give directions to the voluntary administrator or deed administrator. The voluntary administrator or deed administrator must have regard to, but is not always required to comply with, such directions.

In a voluntary administration, the committee may be formed at the first creditors' meeting.

All creditors are entitled to stand for committee membership. Members appointed to the committee of inspection represent the interests of all creditors.

If a creditor is a company, the creditor can nominate, in writing, an individual to represent it on the committee.

A person can be appointed as a member of the committee of inspection:

- by resolution of creditors
- by a creditor or group of creditors owed at least 10% of the value of creditors' claims
- by an employee or group of employees owed at least 50% in value of outstanding employee entitlements.

A member of the committee of inspection must not directly or indirectly derive any profit or advantage from the external administration of the company.

A committee of inspection has various powers and functions, including to:

- approve the remuneration of the voluntary administrator or deed administrator
- direct the voluntary administrator or deed administrator to convene a meeting of creditors
- request the voluntary administrator or deed administrator to give information, provide a report or produce a document
- obtain specialist advice or assistance (with the prior approval of the voluntary administrator, deed administrator or the court) that the committee considers desirable relating to the conduct of the voluntary administration or the deed administration.

The external administrator or deed administrator is not required to comply with a direction to convene a meeting or give information if that request is not reasonable.

A committee of inspection can determine its own procedures and exercises its powers through resolutions passed at meetings of the committee. A resolution is passed by a majority in number of its members present at a meeting. The committee of inspection can only act if a majority of its members attend.

Minutes of meetings of the committee of inspection must be prepared and lodged with ASIC.

ASIC is entitled to attend a meeting of the committee of inspection.

Directors and voluntary administration

Directors cannot use their powers while the company is in voluntary administration. They must help the voluntary administrator, including providing the company's books and records, and a report about the company's business, property, affairs and financial circumstances, as well as any further information about these that the voluntary administrator reasonably requires.

If the company goes from voluntary administration into a deed of company arrangement, the directors' powers depend on the deed's terms. When the deed is completed, the directors regain full control, unless the deed provides for the company to go into liquidation on completion.

If the company goes from voluntary administration or a deed of company arrangement into liquidation, the directors cannot use their powers. If creditors resolve that the voluntary administration should end, control of the company goes back to the directors.

Other creditor rights

Request for information

Creditors can, by resolution passed at a meeting of creditors or individually, request the voluntary administrator or deed administrator to give information, provide a report or produce a document.

The voluntary administrator or deed administrator must comply with this request if:

- the information, report or document is relevant to the administration
- the voluntary administrator or deed administrator would not breach their duty if they comply with the request
- the request is reasonable.

If the voluntary administrator or deed administrator, acting in good faith, believes it is not reasonable to comply with the request they must notify the requesting party and set out their reason for believing the request is not reasonable.

The voluntary administrator or deed administrator may consider the request not reasonable if, for example, complying with the request would substantially prejudice the interests of one or more creditors, the information would otherwise be privileged from production in legal proceedings or if the administration does not have sufficient funds to pay the cost of complying with the request.

If there are insufficient funds, the voluntary administrator or deed administrator may decide to comply with the request if the requesting party agrees to pay the cost of providing the information.

Appoint a reviewing liquidator

Creditors can resolve to appoint a reviewing liquidator to carry out a review into fees and/or costs incurred by the voluntary administrator or deed administrator. In addition, one or more creditors with the agreement of the voluntary administrator or deed

administrator may appoint a reviewing liquidator.

Note: A creditor can also apply to ASIC in the approved form for it to appoint a reviewing liquidator (see Form 5605 *Application for ASIC to appoint a reviewing liquidator*).

This review is limited to:

- remuneration approved within the six months before the reviewing liquidator is appointed
- costs or expenses incurred during the 12-month period before the reviewing liquidator is appointed (unless the voluntary administrator or deed administrator agrees to a longer period).

The reviewing liquidator must be a registered liquidator. A creditor who wishes to appoint a reviewing liquidator must approach a registered liquidator to get a written consent from that person that they would be prepared to act as reviewing liquidator. The person must also make a written declaration about any relationships they or their firm may have that might affect their independence to act as reviewing liquidator.

The voluntary administrator or deed administrator, and their staff, must cooperate with the reviewing liquidator.

If creditors pass a resolution to appoint a reviewing liquidator, the reviewing liquidator's costs form part of the expenses of the external administration of the company. If one or more creditors appoint the reviewing liquidator with the consent of the voluntary administrator or deed administrator without passing a resolution, the reviewing liquidator's costs are borne by the creditor(s) appointing the reviewing liquidator.

Queries and complaints

You should first raise any queries or complaints with the voluntary administrator or deed administrator. If this fails to resolve your concerns, including any concerns about their conduct, you can lodge a report of misconduct with ASIC – see [How to complain](#).

Lodging your report of misconduct online ensures the quickest response from ASIC to your concerns.

ASIC usually does not become involved in matters of a voluntary administrator's or deed administrator's commercial judgement.

Reports of misconduct against companies and their officers can also be made to ASIC.

If you cannot report misconduct to ASIC online, you can contact us on 1300 300 630.

Where can I get more information?

For an explanation of terms used in this information sheet, see [Information Sheet 41 *Insolvency: A glossary of terms*](#) (INFO 41). For more on external administration, see the related information sheets listed in [Information Sheet 39 *Insolvency information for directors, employees, creditors and shareholders*](#) (INFO 39).

Further information is available from the [Australian Restructuring Insolvency & Turnaround Association \(ARITA\) website](#). The ARITA website also contains the [ARITA Code of Professional Practice for Insolvency Practitioners](#).

Important notice

Please note that this information sheet is a summary giving you basic information about a particular topic. It does not cover the whole of the relevant law regarding that topic, and it is not a substitute for professional advice. You should also note that because this information sheet avoids legal language wherever possible, it might include some generalisations about the application of the law. Some provisions of the law referred to have exceptions or important qualifications. In most cases your particular circumstances must be taken into account when determining how the law applies to you.

This is **Information Sheet 74 (INFO 74)** updated on 1 September 2017. Information sheets provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Appendix 7 – Remuneration Approval Report

REMUNERATION REQUEST APPROVAL REPORT

Coulson Tiles Pty Ltd (Administrators Appointed)

ACN 004 571 528

28 February 2018

FTI Consulting (Australia) Pty Limited
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PART 1: DECLARATION

This report sets out the information that the *Corporations Act 2001* (“Act”) and the 3rd Edition of the *Code of Professional Practice* published by the Australian Restructuring Insolvency & Turnaround Association (“ARITA”) requires Creditors to receive before voting on resolutions with respect to our claim for remuneration at the meeting of Creditors convened for 8 March 2018.

We have undertaken a proper assessment of the claim for remuneration as detailed in this report arising from our appointment as Administrators of Coulson Tiles Pty Ltd (Administrators Appointed) ACN 004 571 528 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 the administration.

PART 2: EXECUTIVE SUMMARY

Remuneration for which approval is sought

This report provides details of the following remuneration of which approval is sought:

To date, no remuneration has been approved and paid in this administration. This remuneration report details approval sought for the following fees:

Table 1: Remuneration for which approval is sought		
Period	Report Reference	Amount (ex. GST)
Resolution 1: 1 February 2018 to 25 February 2018 (inclusive)	Table 2	\$217,565.50
Resolution 2: 26 February 2018 to conclusion of the Voluntary Administration*	Table 3	\$100,000.00
Total		\$317,565.50
Deed of Company Arrangement		
Resolution 3: Deed Administrators remuneration from execution of the DOCA*	Table 4	\$100,000.00
Liquidation		
Resolution 4: Liquidators’ remuneration from 8 March 2018*	Table 5	\$250,000.00
Internal Disbursements		
Resolution 5: 1 February 2018 to finalisation*	Table 7&8	\$2,000.00

* Approval for the future remuneration sought is based on an estimate of the work necessary to the completion of the administration. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.

Please refer to the sections of the report detailed above for further details.

PART 3: DESCRIPTION OF WORK COMPLETED

Table 2: Resolution 1 for work completed as Voluntary Administrators from 1 February 2018 to 25 February 2018 (inclusive)					
Company	Coulson Tiles Pty Ltd (Administrators Appointed) ACN 004 571 528	From	1 February 2018	To	25 February 2018
Practitioner	Ross Blakeley, Paul Allen	Firm	FTI Consulting		
Administration Type		Voluntary Administration			
Task Area	General Description	Includes			
Assets 61.6 hours \$20,971.00	Sale of Business	<ul style="list-style-type: none"> ▪ Advertising the sale of the Company's business assets; ▪ Preparing an investment opportunity teaser; ▪ Correspondence with interested parties regarding sale of business; ▪ Providing information to interested parties; ▪ Meeting with interested parties; ▪ Reviewing the non-binding offer for the purchase of the Company's assets; and ▪ Liaising with the interested party who submitted the non-binding offer for further clarification around terms. 			
	Inventory	<ul style="list-style-type: none"> ▪ Maintain stock register and reviewing back orders; ▪ Reviewing aging of inventory and valuation methods of management; ▪ Review inventory holdings for obsolescence and slow-moving stock; ▪ Discuss stock realisation methods with management and monitor inventory holdings during Administrators' trading period; ▪ Requesting and subsequently reviewing proposals from agents for the realisation of stock; and ▪ Engaging and subsequently liaising with valuers regarding the valuation of stock. 			

Table 2: Resolution 1 for work completed as Voluntary Administrators from 1 February 2018 to 25 February 2018 (inclusive)

	Plant, Property and Equipment	<ul style="list-style-type: none"> ▪ Correspondence with equipment financiers and lessors regarding ongoing use of equipment; ▪ Assessing value of equipment and any equity applicable for encumbered equipment; and ▪ Reviewing valuation in conjunction with various options for the realisation of assets.
	Debtors	<ul style="list-style-type: none"> ▪ Review Company's debtor ledger at appointment and investigate the discrepancies between the ledger held by Scottish Pacific (BFS) Pty Ltd ("Scottish Pacific"); ▪ Liaising with management to reconcile the debtor ledger at appointment; ▪ Discuss debtor factoring process with management and the collection strategy for the pre-appointment debtor book; ▪ Review and instruct management on dealing with debtors and credit note policies; ▪ Regular telephone calls with Scottish Pacific regarding the progress of collecting the pre-appointment debtor book; ▪ Discussions with Scottish Pacific regarding a new debtor factoring facility for the Administrators' trading period; ▪ Executing an agreement with Scottish Pacific; and ▪ Reviewing the collection of post-appointment debtor receipts.
Creditors 106.4 hours \$43,466.00	Creditor Enquiries	<ul style="list-style-type: none"> ▪ Receiving and dealing with creditor queries by telephone, email and post; ▪ Maintaining register of creditor enquiries; and ▪ Liaise with creditors regarding substantiation of claims.
	Creditor meetings	<ul style="list-style-type: none"> ▪ Organising meeting notices and convening the first meeting of creditors; ▪ Preparing creditors' brief to be presented at the first meeting of creditors; ▪ Attendance at the first meeting of creditors; ▪ Preparation and lodgment of the minutes of the first meeting of creditors; ▪ Drafting circular to creditors regarding the second meeting of creditors; and

Table 2: Resolution 1 for work completed as Voluntary Administrators from 1 February 2018 to 25 February 2018 (inclusive)

		<ul style="list-style-type: none"> ▪ Lodging statutory documents pertaining to convening the second meeting of creditors.
	Creditor Reports	<ul style="list-style-type: none"> ▪ Preparing and sending the first report to creditors; ▪ Preparing Remuneration Notice and DIRRI; ▪ Prepare analysis of various scenarios on the way forward for the Company and likely financial outcome for creditors for inclusion in the report; ▪ Numerous discussions with internal staff regarding the status and outline of the report; ▪ Requesting information from Company staff for inclusion in the report; and ▪ Preparing the second report to creditors and remuneration report.
	DOCA	<ul style="list-style-type: none"> ▪ Liaising with the Director(s) regarding a potential DOCA proposal; ▪ Discussing the potential terms of a DOCA to be submitted; ▪ Assessing the outcome for creditors under the terms of a DOCA; and ▪ Considering the issues/risks around executing the DOCA under the proposed terms.
	Creditors' claims and processing proofs of debt ("PODs")	<ul style="list-style-type: none"> ▪ Reviewing the Company's creditors records; ▪ Receiving and filing PODs; ▪ Maintaining POD register; and ▪ Requesting further documentation where required to substantiate PODs.
<p>Employees 12.1 hours \$4,606.00</p>	Calculating entitlements	<ul style="list-style-type: none"> ▪ Calculating employees entitlements at appointment; ▪ Sending letters to employees regarding their pre-appointment entitlements; ▪ Liaising with key staff of the Company regarding the calculation of outstanding employee entitlements; ▪ Calculating employees' entitlements crystallized under different scenarios regarding the Company's future; ▪ Determining the options and process for transferring employees' employment under a DOCA; and

Table 2: Resolution 1 for work completed as Voluntary Administrators from 1 February 2018 to 25 February 2018 (inclusive)		
		<ul style="list-style-type: none"> ▪ Liaising with the Australian Taxation Office regarding calculation of the Superannuation Guarantee Charge.
	Employee Correspondence	<ul style="list-style-type: none"> ▪ Providing updates to employees; ▪ Attending employee meetings regarding trading on during the administration period; and ▪ Attending to ad hoc queries raised by employees.
Trade On 336.60 hours \$133,886.50	Operations	<ul style="list-style-type: none"> ▪ Attendance on site to assist with continued trading and employee queries; ▪ Attendance at management team teleconference and review of daily performance schedules and emails; ▪ Implementing trading controls including purchase order system and employee reimbursement system; ▪ Liaising with key suppliers regarding opening a new account and ongoing supply during the administration period; ▪ Review terms and conditions of suppliers and negotiate acceptable terms; ▪ Reviewing and approving purchase orders; ▪ Ongoing communication with Company management regarding day-to-day requirements, trading and payment of expenses; ▪ Communications and attending to meetings with key customers regarding their ongoing support; and ▪ Respond to ad-hoc activities during the trading of the business.
	Landlords	<ul style="list-style-type: none"> ▪ Notifying landlords of the appointment of the Administrators; ▪ Negotiating rental concessions with landlords for the administrators trading period; ▪ Reviewing lease documents and security deposits granted to landlords; and ▪ Assessing break lease and termination fees under various scenarios.

Table 2: Resolution 1 for work completed as Voluntary Administrators from 1 February 2018 to 25 February 2018 (inclusive)

	Suppliers	<ul style="list-style-type: none"> ▪ Discussions with suppliers regarding their pre-appointment debts in conjunction with requesting ongoing supply during the administration period; and ▪ Discussions with suppliers regarding the administration process.
	Daily Trading Position	<ul style="list-style-type: none"> ▪ Review bank account transactions and reconciliations prepared by management; ▪ Reviewing Company's cashflow forecasts and profit and loss in order to forecast the Administrators likely trading position; ▪ Calculating and maintaining the Administrators' daily trading position; ▪ Continually reviewing, and recalculating as necessary, the daily liability accruals incurred.
	Sales	<ul style="list-style-type: none"> ▪ Reviewing daily sales information and tracking same; ▪ Reviewing the Company's invoicing process and credit notes procedure; and ▪ Implementing procedures to adequately track the receipt of sales into multiple bank accounts and recovering cash funds from Scottish Pacific.
	Processing receipts and payments	<ul style="list-style-type: none"> ▪ Preparation and authorisation of payments for suppliers and employees; ▪ Maintenance of purchase order register; ▪ Accounting procedures including entry and authorisation of payments and receipts; and ▪ Conducting weekly bank account reconciliations.
	Financial and Banking	<ul style="list-style-type: none"> ▪ Reviewing financial information from management in respect to banking; and ▪ Liaise with directors and finance team regarding ongoing financial and banking facilities.
	Restructure	<ul style="list-style-type: none"> ▪ Discussing the Directors' restructure intentions and proposed new business model; ▪ Reviewing financial information prepared by management in respect to the proposed restructure plans;

Table 2: Resolution 1 for work completed as Voluntary Administrators from 1 February 2018 to 25 February 2018 (inclusive)		
		<ul style="list-style-type: none"> ▪ Exploring various options with the Director(s) regarding a potential DOCA to be proposed; and ▪ Assessing the alternate options for the future of the Company and the Administrators extraction under the terms of a DOCA or sale of business.
Investigation 8.2 hours \$3,412.00	Conducting investigations into affairs of the Company	<ul style="list-style-type: none"> ▪ Reviewing the Company's books and records; ▪ Investigating the causes of the Company's current financial situation; ▪ Investigating potential recoveries available to a liquidator, including unfair preferences and an insolvent trading claim, if appointed; ▪ Internal meetings regarding ongoing analysis and conclusions drawn from investigations; ▪ Reviewing Company information to assist with insolvent trading investigations; and ▪ Conducting preliminary analysis to determine the likely date of insolvency for the Company, including the review of: <ul style="list-style-type: none"> ▪ Historical financial accounts; ▪ Bank statements; ▪ Creditor communications; ▪ Legal and statutory demands; ▪ Shareholder cash injections; and ▪ Correspondence provided by the ATO.
Administration 40.8 hours \$11,224.00	Bank accounts	<ul style="list-style-type: none"> ▪ Ongoing communications with the Australian and New Zealand Bank ("ANZ") regarding the transfer of funds from the administration received into the pre-appointment bank account; ▪ Procuring and reviewing bank account statements; and ▪ Ongoing bank account reconciliations.
	Planning review	<ul style="list-style-type: none"> ▪ Numerous internal meetings concerning the status of the administration, ongoing strategic direction, stock position and sale of the business.

Table 2: Resolution 1 for work completed as Voluntary Administrators from 1 February 2018 to 25 February 2018 (inclusive)		
	General correspondence & word processing	<ul style="list-style-type: none"> ▪ Word processing including correspondence and file notes; and ▪ Preparing of file notes on internal updates / strategy planning.
	File review/checklist/document maintenance	<ul style="list-style-type: none"> ▪ Updating matter checklist; ▪ Administration review; and ▪ Document filing and maintenance.
	Statutory	<ul style="list-style-type: none"> ▪ Notifying all required statutory bodies of the appointment; ▪ Lodging necessary documents with ASIC including Form 505, DIRRI, minutes of meetings etc.; ▪ Contacting the ATO regarding the appointment and setting up a new CAC code for the administration period; and ▪ Lodging applicable advertisements on ASIC's insolvency Notices website regarding the appointment and meeting of creditors.

PART 4: DESCRIPTION OF WORK TO BE COMPLETED

Table 3: Resolution 2 for work completed as Voluntary Administrators from 26 February 2018 conclusion of the Voluntary Administration					
Company	Coulson Tiles Pty Ltd (Administrators Appointed) ACN 004 571 528	From	26 February 2018	To	Conclusion of the Voluntary Administration
Practitioner	Ross Blakeley, Paul Allen	Firm	FTI Consulting		
Administration Type		Voluntary Administration			
Task Area	General Description	Includes			
Assets 52 hours \$20,000	Debtors	<ul style="list-style-type: none"> ▪ Reviewing the collection of pre-appointment and post-appointment debtor ledgers; ▪ Assessing collection methods for remaining debtors; ▪ Communicating (written and oral) with Scottish Pacific and debtors; and ▪ Attending to claims and credits requested by debtors for stock supplied pre and post appointment. 			
	Inventory	<ul style="list-style-type: none"> ▪ Maintaining stock register and continually review value and salability; <p>If the Company is to execute a DOCA</p> <ul style="list-style-type: none"> ▪ Discussing agreement with newly incorporated company ("New Co.") regarding the sale of the Company's stock under an agency agreement; ▪ Setting reporting guidelines and trading terms between the Company and New Co; and ▪ Continually monitor slow moving and obsolete stock and assess the options for realising same. 			
	Leased Equipment and Plant, Property and Equipment	<p>If the Company is to execute a DOCA</p> <ul style="list-style-type: none"> ▪ Attending to transferring/novating current contracts with the Company to New Co, as required; and ▪ Disclaiming or sell at auction remaining equipment. 			

Table 3: Resolution 2 for work completed as Voluntary Administrators from 26 February 2018 conclusion of the Voluntary Administration

	Sale Agreement	<p>If the Company is to execute a DOCA</p> <ul style="list-style-type: none"> ▪ Instructing solicitors to prepare a sale agreement between the Company and interested parties for all unencumbered assets and intellectual property; and ▪ Executing the sale agreement.
<p>Creditors 78 hours \$30,000</p>	Creditor Enquiries	<ul style="list-style-type: none"> ▪ Receiving and dealing with creditor queries by telephone, email and post; ▪ Maintaining register of creditor enquiries; and ▪ Liaise with creditors regarding substantiation of claims.
	Second Creditor Meetings	<ul style="list-style-type: none"> ▪ Organising meeting notices and convening the second meeting of creditors; ▪ Preparing creditors' brief to be presented at the second meeting; ▪ Attendance at the second meeting of creditors; ▪ Preparation and lodgment of the minutes of the second meeting; and ▪ Lodging statutory documents pertaining to convening the second meeting of creditors.
	Processing proofs of debt ("POD")	<ul style="list-style-type: none"> ▪ Receiving and filing PODs; ▪ Maintaining POD register; and ▪ Requesting further documentation where required to substantiate PODs.
	Deed of Company Arrangement	<p>If the Company is to execute a DOCA</p> <ul style="list-style-type: none"> ▪ Liaising with Directors regarding the final terms of a Deed of Company Arrangement; ▪ Communicating with stakeholders concerning proposed DOCA; ▪ Negotiating terms of DOCA; ▪ Obtaining legal advice on DOCA terms ▪ Reviewing draft Deed; and ▪ Finalising and executing DOCA.

Table 3: Resolution 2 for work completed as Voluntary Administrators from 26 February 2018 conclusion of the Voluntary Administration

Employees 26 hours \$10,000	Calculating entitlements	<ul style="list-style-type: none"> ▪ Telephone correspondence with each individual employee who has not responded to the Administrators' letter regarding the calculation of their entitlements and obtain further information to assist with review; ▪ Liaising with key staff of the Company regarding the calculation of outstanding employee entitlements; and ▪ Liaising with the Australian Taxation Office regarding calculation of the Superannuation Guarantee Charge.
	Transfer of employment	<ul style="list-style-type: none"> ▪ Producing and circulating payment summaries for all employees for pre-appointment and post-appointment periods. <p>If the Company is to execute a DOCA</p> <ul style="list-style-type: none"> ▪ Attending to the transfer of employees' employment to New Co. as required; ▪ Manage wind down of employees not transferred to New Co. and termination of same; ▪ Calculate employees' redundancy entitlements, if applicable; and ▪ Maintain file register of employee queries.
Trade On 78 hours \$30,000	Operations	<ul style="list-style-type: none"> ▪ Liaise with staff to maintain key controls and processes to assist with the trading of the business; ▪ Attendance on site to assist with continued trading and employee queries; ▪ Review daily cash position and orders outstanding; ▪ Prepare daily cash position updates detailing cash at bank, liabilities and inventory position; ▪ Contact all suppliers to close the Administrators' trading account as required; ▪ Reviewing final accounts as received; ▪ Determining what orders can be fulfilled by the Administrators' prior to ceasing to trade; and ▪ Respond to ad-hoc activities during the trading of the business.

Table 3: Resolution 2 for work completed as Voluntary Administrators from 26 February 2018 conclusion of the Voluntary Administration

	Processing receipts and payments	<ul style="list-style-type: none"> ▪ Preparation and authorisation of payments for suppliers and employees; ▪ Maintenance of purchase order register; ▪ Accounting procedures including entry and authorisation of payments and receipts; and ▪ Conducting weekly account reconciliations.
Administration 26 hours \$10,000	Bank accounts	<ul style="list-style-type: none"> ▪ Procuring and reviewing bank account statements; and ▪ Ongoing bank account reconciliations.
	Planning review	<ul style="list-style-type: none"> ▪ Numerous internal meetings concerning the status of the administration and ongoing strategic direction, stock position and sale of the business.
	General correspondence & word processing	<ul style="list-style-type: none"> ▪ Word processing including correspondence and file notes; and ▪ Preparing of file notes on internal updates / strategy planning.
	File review/checklist/document maintenance	<ul style="list-style-type: none"> ▪ Updating matter checklist; ▪ Administration review; and ▪ Document filing and maintenance.

If Creditors resolve that the Company enter a DOCA

Table 4: Resolution 3 for work to be completed from Execution of DOCA			
Company	Coulson Tiles Pty Ltd (Administrators Appointed) ACN 004 571 528	From	Execution of DOCA
Practitioner	Ross Blakeley and Paul Allen	Firm	FTI Consulting
Administration Type		Deed Administration	
Task Area	General Description	Includes	
Assets 104 hours \$40,000	Assets not subject to Deed of Company Arrangement	<ul style="list-style-type: none"> ▪ Reviewing and assessing realisation of Company assets not sold or assigned/novated to New Co. 	
	Debtors	<ul style="list-style-type: none"> ▪ Reviewing and assessing the collection of pre-appointment and post-appointment debtor ledgers; ▪ Communicating (written and oral) with Scottish Pacific and debtors; and ▪ Attending to claims and credits requested by debtors for stock supplied pre and post appointment. 	
	Deed contributions	<ul style="list-style-type: none"> ▪ Collecting any Deed contributions or proceeds from the sale of the Company's equipment as applicable (excluding stock). 	
	Inventory	<ul style="list-style-type: none"> ▪ Reviewing and monitoring sales of the Company's inventory by New Co; ▪ Reconciling inventory listings; and ▪ Reviewing stock realisation options for slow moving and obsolete stock. 	
Creditors 39 hours \$15,000	Creditor Enquiries	<ul style="list-style-type: none"> ▪ Receiving creditor enquiries; and ▪ Responding to creditor enquiries by telephone, email, facsimile and post. 	
	Deed of Company Arrangement ("DOCA")	<ul style="list-style-type: none"> ▪ Supervising the completion of the terms of the executed DOCA and report on progress to creditors. 	
	Creditor Meetings (if applicable)	<ul style="list-style-type: none"> ▪ Preparing meeting notices, proxies and advertisements; ▪ Distributing meeting notices and proxies; ▪ Preparing agenda and other documents for meeting; 	

Table 4: Resolution 3 for work to be completed from Execution of DOCA		
		<ul style="list-style-type: none"> ▪ Preparing lodgement of meeting minutes with ASIC; and ▪ Responding to queries arising from meeting.
Employees 26 hours \$10,000	Calculating entitlements	<ul style="list-style-type: none"> ▪ Attending to the transfer of employment for certain employees to New Co. under terms of the DOCA; ▪ Terminate employees that are not transferred to New Co.; ▪ Calculating employees' entitlements crystallized for employees that are terminated; and ▪ Liaising with the Australian Taxation Office regarding calculation of the Superannuation Guarantee Charge.
	Employee Correspondence	<ul style="list-style-type: none"> ▪ Sending out updates to employees; and ▪ Attending to ad hoc queries raised by employees.
Trade on 26 hours \$10,000	Operations	<ul style="list-style-type: none"> ▪ Attending site to assist with finalising the Administrators/Deed Administrators trading; ▪ Reviewing daily cash position and orders outstanding; ▪ Preparing daily cash position updates detailing cash at bank, liabilities and inventory position; ▪ Contact all suppliers to close the Administrators'/Deed Administrators' trading account as required; ▪ Reviewing final accounts as received; ▪ Determining what orders can be fulfilled by the Deed Administrators' prior to ceasing to trade; and ▪ Respond to ad-hoc activities during the trading of the business.
	Processing receipts and payments	<ul style="list-style-type: none"> ▪ Preparation and authorisation of payments for suppliers and employees; ▪ Maintenance of purchase order register; ▪ Accounting procedures including entry and authorisation of payments and receipts; and ▪ Conducting weekly account reconciliations.
Dividend 39 hours \$15,000	Processing proofs of debt ("POD")	<ul style="list-style-type: none"> ▪ Communicating with creditors inviting them to lodge PODs; ▪ Issuing, receiving and filing PODs; ▪ Reviewing, consideration and adjudication of PODs; ▪ Maintaining POD register;

Table 4: Resolution 3 for work to be completed from Execution of DOCA		
		<ul style="list-style-type: none"> ▪ Communicating with creditors seeking further information; and ▪ Advising creditors of POD adjudication.
	Dividend Procedures	<ul style="list-style-type: none"> ▪ Communicating with creditors concerning declaration of dividend; ▪ Advertising intention to declare dividend; ▪ Preparing and finalising dividend calculation; ▪ Maintaining dividend file and register; ▪ Obtaining ATO clearance to allow dividend payment; ▪ Advertising dividend declaration; and ▪ Paying dividend to creditors and associated correspondence.
Administration 26 hours \$10,000	ASIC Lodgments	<ul style="list-style-type: none"> ▪ Preparing and lodging necessary forms with ASIC (505, 524 etc); and ▪ General communications with ASIC.
	ATO Lodgements	<ul style="list-style-type: none"> ▪ Preparing and submitting BAS to the ATO.
	Planning Review	<ul style="list-style-type: none"> ▪ Ad hoc meetings concerning the status of the administration.
	Storage of Books and Records	<ul style="list-style-type: none"> ▪ Organising and storage of book and records.
	General correspondence & word processing	<ul style="list-style-type: none"> ▪ Receiving, reviewing and preparing general correspondence; ▪ Word processing including correspondence, file notes, agendas and minutes; and ▪ Care and maintenance of the file.
	File review/checklist/document maintenance	<ul style="list-style-type: none"> ▪ Administration review; ▪ Document filing and maintenance; ▪ File reviews; and ▪ Updating checklist.
	Bank accounts	<ul style="list-style-type: none"> ▪ Bank account reconciliations; ▪ Procuring and reviewing bank account statements; and ▪ Communications concerning bank account transactions.

If Creditors resolve that the Company be Wound Up

Table 5: Resolution 4 for work to be completed from the appointment of a liquidator			
Company	Coulson Tiles Pty Ltd (Administrators Appointed) ACN 004 571 528	From	9 March 2018
Practitioner	Ross Blakeley, Paul Allen	Firm	FTI Consulting
Administration Type		Liquidation	
Task Area	General Description	Includes	
Assets 162.5 hours \$62,500	Sale of Business Assets	<ul style="list-style-type: none"> ▪ Contacting interested parties regarding their interest in purchasing the Company's assets; ▪ Receiving offers from interest parties for the purchase of assets and negotiate terms; ▪ Potentially completing sale of business and/or assets; ▪ Executing sale of assets; and ▪ Liaising with purchaser and legal advisors regarding any potential post-settlement issues relating to the sale of the business and/or assets. 	
	Leased Assets and Plant, Property and Equipment	<ul style="list-style-type: none"> ▪ Liaising with lessors as required regarding assets not included in the sale of the Company's business; and ▪ Dealing with any assets excluded from the sale; ▪ Reviewing equity position of all leased equipment; and ▪ Determining whether equipment can be sold/transferred to an interested party or disclaimed or sell at auction. 	
	Inventory	<ul style="list-style-type: none"> ▪ Assessing the options for continuing to sell down stock under normal trading; ▪ Engaging valuers and auctioneers to provide options as to the realisation of stock; and ▪ Liaising with interest parties regarding the sale of all or large majority of stock on hand. 	
Creditors	Creditor Enquires	<ul style="list-style-type: none"> ▪ Receiving creditor enquiries; ▪ Maintaining register of creditor enquiries; and 	

Table 5: Resolution 4 for work to be completed from the appointment of a liquidator		
97.5 hours \$37,500		<ul style="list-style-type: none"> Responding to creditor enquiries by telephone, email, facsimile and post.
	Second Meeting of Creditors	<ul style="list-style-type: none"> Preparing minutes for the second meeting of creditors; Lodging minutes of the meeting with ASIC; and Corresponding with creditors regarding any queries raised at the second meeting of creditors.
	Committee of Inspection (if appointed)	<ul style="list-style-type: none"> Convening meetings; Corresponding with committee of inspection members and considering views regarding the liquidation; and Providing updates to committee of inspection.
	Meetings of Creditors (as required)	<ul style="list-style-type: none"> Preparing circulars to creditors; Convening meetings of creditors as required; Holding meetings of creditors; and Lodging minutes of meetings of creditors.
Employees 65 Hours \$25,000	Employee enquiries	<ul style="list-style-type: none"> Receiving employee enquiries; Maintaining register of employee enquiries; and Responding to employee enquiries by telephone, email, facsimile and post.
	Fair Entitlements Guarantee ("FEG") scheme (if applicable)	<ul style="list-style-type: none"> Corresponding with employees regarding submitting FEG claims; Communicating with the Department of Employment regarding calculation of FEG claims; Liaising with employees regarding any supporting documentation required for FEG claims; and Investigating discrepancies.
	Calculating entitlements	<ul style="list-style-type: none"> Liaising with the ATO regarding calculation of the SGC; Investigating the Company's records regarding outstanding superannuation; and Liaising with employees regarding any claims not covered by the FEG scheme and investigating same.
	Employee dividend (if applicable)	<ul style="list-style-type: none"> Communications with employees; Communications with ATO concerning SGC proof of debt;

Table 5: Resolution 4 for work to be completed from the appointment of a liquidator

		<ul style="list-style-type: none"> ▪ Adjudicating claims; ▪ Calculating dividend rate; ▪ Preparing dividend file; ▪ Distributing dividend payments; ▪ Preparing PAYG Payment Summaries in relation to dividend; and ▪ Remitting PAYG from dividend to the ATO.
Trade On 97.5 Hours \$37,500	Operations	<ul style="list-style-type: none"> ▪ Liaising with staff to maintain key controls and processes to assist with a managed wind down of the business; ▪ Attending site to assist with winding down and finalise trading; ▪ Reviewing daily cash position and orders outstanding; ▪ Preparing daily cash position updates detailing cash at bank, liabilities and inventory position; ▪ Contacting all suppliers to close the Administrators’/Liquidators’ trading account as required; ▪ Reviewing final accounts as received; ▪ Determining what orders can be fulfilled by the Liquidators’ prior to ceasing to trade; and ▪ Responding to ad-hoc activities during the trading of the business.
	Processing receipts and payments	<ul style="list-style-type: none"> ▪ Preparing and authorising payments for suppliers and employees; ▪ Maintenance of purchase order register; ▪ Accounting procedures including entry and authorisation of payments and receipts; and ▪ Conducting weekly account reconciliations.
Investigations 162.5 Hours \$62,500	Potential Antecedent Transaction Recoveries and Insolvent Trading Claim	<ul style="list-style-type: none"> ▪ Analysing specific transactions warranting further investigation; ▪ Investigate potential unfair preference payment claims; ▪ Reviewing the Company’s records regarding potential claims;

Table 5: Resolution 4 for work to be completed from the appointment of a liquidator

		<ul style="list-style-type: none"> ▪ Reviewing Company’s electronic records in relation to potential claims; ▪ Communications with directors and/or officers concerning company information; ▪ Issuing demands against parties who received unfair preference payments and pursuing repayment of same; ▪ Preparing solvency report; ▪ Assessing and if applicable engage solicitors regarding potential insolvent trading claim; ▪ Reviewing correspondence with respondents in relation to any claims made; ▪ Investigating any allegations made by respondents; ▪ Issuing proceedings if required; ▪ Attending Court if required; and ▪ Attending mediation proceedings if required.
	Reporting to ASIC	<ul style="list-style-type: none"> ▪ Further investigating the Company’s affairs and preparing and lodging statutory investigation report pursuant to Section 533 of the Act with ASIC; ▪ Preparing supplementary statutory investigation report to ASIC (if required); ▪ Requesting funding from ASIC if required; and ▪ Communications with ASIC concerning investigations.
Administration 65 Hours \$25,000	General correspondence & word processing	<ul style="list-style-type: none"> ▪ Word processing including correspondence and file notes; ▪ Telephone calls relating to the administration; and ▪ Responding to enquires relating to the administration.
	File review/checklist/document maintenance	<ul style="list-style-type: none"> ▪ Administration review; ▪ Document filing and maintenance; and ▪ Updating checklist.
	Bank Accounts	<ul style="list-style-type: none"> ▪ Bank account reconciliations; ▪ Procuring and reviewing bank statements; and ▪ Communications concerning bank account transactions.
	ASIC Lodgments	<ul style="list-style-type: none"> ▪ Preparing and lodging necessary forms with ASIC; and

Table 5: Resolution 4 for work to be completed from the appointment of a liquidator

		<ul style="list-style-type: none"> ▪ General communications with ASIC.
	ATO lodgments	<ul style="list-style-type: none"> ▪ Preparing and submitting BAS statements; ▪ Preparing and submitting annual PAYG report to the ATO; and ▪ Preparing any income tax returns required by the ATO.
	Planning review	<ul style="list-style-type: none"> ▪ Ad hoc meetings concerning the status of the administration.
	Finalisation	<ul style="list-style-type: none"> ▪ Convening a final meeting of creditors; ▪ Preparing a final report to creditors; ▪ Holding a final meeting of creditors; ▪ Preparing and lodging minutes of a final meeting of creditors; ▪ Cancelling ABN/GST/PAYG registrations; ▪ Completing finalisation statutory lodgments; and ▪ Completing checklists.

PART 5: CALCULATION OF REMUNERATION

Resolution 1: Remuneration from 1 February 2018 to 25 February 2018 (inclusive)

Table 6: Calculation of remuneration from 1 February 2018 to 25 February 2018

Appointor/Position	Rate/hour (excl. GST) (\$)	Hours	Total (excl. GST) (\$)	Task Area											
				Assets		Employees		Creditors		Investigation		Operations/Trade on		Statutory/Admin	
				(\$)	Hours	(\$)	Hours	(\$)	Hours	(\$)	Hours	(\$)	Hours	(\$)	Hours
Ross Blakeley - Administrator	625	52.5	32,812.50	-	-	2,500.00	4.0	9,375.00	15.0	-	-	20,937.50	33.5	-	-
Paul Allen - Administrator	580	32.8	19,024.00	2,320.00	4.0	-	-	3,248.00	5.6	2,320.00	4.0	10,440.00	18.0	696.00	1.2
Senior Director	570	59.7	34,029.00	4,959.00	8.7	-	-	4,389.00	7.7	-	-	24,681.00	43.3	-	-
Senior Consultant II	440	92.6	40,744.00	-	-	-	-	8,844.00	20.1	-	-	31,900.00	72.5	-	-
Senior Consultant I	380	23.9	9,082.00	-	-	-	-	7,486.00	19.7	-	-	1,596.00	4.2	-	-
Associate II	280	139.1	38,948.00	13,692.00	48.9	-	-	2,324.00	8.3	-	-	19,684.00	70.3	3,248.00	11.6
Associate I	260	165.1	42,926.00	-	-	2,106.00	8.1	7,800.00	30.0	1,092.00	4.2	24,648.00	94.8	7,280.00	28.0
TOTAL		565.7	217,565.50	20,971.00	61.6	4,606.00	12.1	43,466.00	106.4	3,412.00	8.2	133,886.50	336.6	11,224.00	40.8
GST			21,756.55												
TOTAL (including GST)			239,322.05												
Average hourly rate (excl. GST)			384.60	340.44		380.66		408.52		416.10		397.76		275.10	

PART 6: STATEMENT OF REMUNERATION CLAIM

The Act requires our remuneration to be determined before it can be drawn. The determination must be made by creditors at a Meeting of Creditors, by a Committee of Inspection or by the Court.

At the meeting of creditors, we will ask creditors to determine our remuneration by passing the following resolutions:

Resolution 1: Remuneration from 1 February 2018 to 25 February 2018 (inclusive)

“The remuneration of the Administrators of Coulson Tiles Pty Ltd (Administrators Appointed) ACN 004 571 528 and staff for the period 1 February 2018 to 25 February 2018 (inclusive) be determined in the amount of \$217,565.50 plus GST and that the Administrators be authorised to draw same. That remuneration having been calculated in accordance with the hourly rates applicable to the grades or classifications set out in the FTI Consulting Schedule of Standard Rates dated 1 March 2017 and time actually incurred”.

FTI Consulting Schedule of Corporate Rates issued 1 March 2017 appears at Schedule 1.

Resolution 2: Remuneration from 26 February to the Conclusion of the Voluntary Administration (inclusive)

“The remuneration of the Administrators of Coulson Tiles Pty Ltd ACN 004 571 528 and staff for the period from 26 February 2018 to the conclusion of the Voluntary Administration, be determined in accordance with the hourly rates applicable to the grades or classifications set out in the FTI Consulting Schedule of Standard Rates dated 1 March 2017 and time actually incurred up to the amount of \$100,000 plus GST and that the Administrators be authorised to draw same”.

FTI Consulting Schedule of Corporate Rates issued 1 March 2017 appears at Schedule 1.

Resolution 3: Remuneration from the date of the Execution of the Deed – Deed of Company Arrangement Scenario

The remuneration of the Deed Administrators of Coulson Tiles Pty Ltd ACN 004 571 528 and staff from the date of the execution of the Deed, be determined in accordance with the hourly rates applicable to the grades or classifications set out in the FTI Consulting Schedule of Standard Rates dated 1 March 2017 and time actually incurred up to the amount of \$100,000 plus GST and that the Deed Administrators be authorised to draw same”.

FTI Consulting Schedule of Corporate Rates issued 1 March 2017 appears at Schedule 1.

Resolution 4: Remuneration from 8 March 2018 (inclusive) – Liquidation Scenario

“The remuneration of the Liquidators of Coulson Tiles Pty Ltd ACN 004 571 528 and staff from 8 March 2018, be determined in accordance with the hourly rates applicable to the grades or classifications set out in the FTI Consulting Schedule of Standard Rates dated 1 March 2017 and time actually incurred up to the amount of \$250,000 plus GST and that the Liquidators be authorised to draw same”.

FTI Consulting Schedule of Corporate Rates issued 1 March 2017 appears at Schedule 1.

PART 7: DISBURSEMENTS

Explanatory note on disbursements

The following disbursements have been incurred in the administration to our firm for the period from 1 February 2018 to 25 February 2018. Where amounts have been paid to my firm for externally provided services and costs, those payments are reimbursement of costs previously paid by our firm, either due to a lack of funds in the administration at the time the payment was due, or the direct invoicing of our firm by the supplier. Where payments to third parties are paid directly from the administration bank account, they are only included in the attached listing of receipts and payments.

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 and search fees - these are recovered at cost.
- Internal disbursements such as photocopying, printing and postage. These disbursements, if charged to the Administration, would generally be charged at cost; though some expenses such as telephone calls, photocopying and printing may be charged at a rate which recoups both variable and fixed costs. The recovery of these costs must be on a reasonable commercial basis.

Table 7: Disbursements as at 25 February 2018

Type	Rate	Amount (excl. GST)
Professional		\$0.00
Sub-total		\$0.00
Non-professional		
1. External		
Taxi	N/A	\$18.80
Searches	N/A	\$17.16
Parking	N/A	\$91.19
Lodgements	N/A	\$4.55
Sub-total		\$131.70
2. Internal		
	Cents per km method (per	
Mileage	ATO rates)	\$131.54
Printing	0.50 / 1	\$194.00
Sub-total		\$325.54
Non-professional		\$457.24
Grand Total		\$457.24

We have undertaken a proper assessment of disbursements incurred during this administration in accordance with the law and applicable professional standards. We are satisfied that the disbursements incurred are necessary and proper.

Please note that creditor approval for external disbursements is not required. However external disbursements must be fully disclosed and a full explanation given to creditors. Creditors have the right to question the incurring of the external disbursements and can challenge external disbursements in Court.

Creditor approval is required for internal disbursements. At the meeting of creditors, we will ask creditors to determine our internal disbursements by passing the following resolution:

Resolution 5: Internal disbursements for the period 1 February 2018 to finalisation (inclusive)

“That the internal disbursements claimed by my firm from 1 February 2018, calculated at the rates detailed in the Remuneration Approval Notice, are approved up to a capped amount of \$2,000 exclusive of GST, and that the Administrators, Deed Administrators or Liquidator can draw the disbursements from available funds as incurred or as fund become available”.

Future internal disbursements provided by FTI Consulting will be charged to the administration on the following basis:

Table 8: Future internal disbursements

Assets	Rate (excl. GST)
Advertising and search fees	At cost
Couriers and deliveries	At cost
Postage	At cost
Printing and photocopying	Per Page \$0.50 (b/w) \$1.00 (colour)
Facsimile	Per Page \$1.50 (local) \$4.50 (international)
Storage of records (including boxes)	At cost
Staff Travel - mileage	Cents per km method (per ATO rates)

PART 8: REPORT ON PROGRESS OF THE EXTERNAL ADMINISTRATION

The progress of the external administration is detailed in the Second Report to Creditors which accompanies this report.

PART 9: SUMMARY OF RECEIPTS AND PAYMENTS

Below I provide a summary of the Administrators' receipts and payments for the period 1 February 2018 to 27 February 2018:

Table 9: Receipts and Payments	
Receipts	\$
Trading Receipts	62,601.93
Scottish Pacific Debtors	26,516.86
Trade Finance	175,000.00
Total Receipts	264,118.79
Payments	\$
Employee Reimbursements	(7,212.26)
Freight Outwards	(6,474.61)
Motor Vehicle Expenses	(826.00)
Rent & Rates	(22,000.00)
Subcontractors	(2,440.90)
Sundry Trading Expenses	(3,795.00)
Telephone & Fax	(1,020.00)
Wages & Salaries	(122,698.97)
Total Payments	(166,467.74)
Net Receipts and Payments	97,651.05

If any large or exceptional receipts and payments are received or made after this report is prepared but before the meeting at which this claim for remuneration will be considered, additional information will be provided at the meeting.

PART 10: INFORMATION SHEETS ON REMUNERATION APPROVAL

ARITA has produced an information sheet entitled "*Creditor Information Sheet: Approving remuneration in external administrations*" which can be downloaded from the ARITA web site <http://www.arita.com.au/>. ASIC has also produced a series of information sheets about insolvency which includes "*Information Sheet 85 Approving Fees: A Guide to creditors*". Those information sheets can be downloaded from the ASIC web site www.asic.gov.au/insolvencyinfosheets.

PART 11: QUERIES

If you have any queries or require any further information concerning my claim for remuneration, please contact the Administrators office on (03) 9604 0600 or email coulson.tiles@fticonsulting.com.

Yours faithfully
Coulson Tiles Pty Ltd
(Administrators Appointed)



Ross Blakeley
Administrator



Paul Allen
Administrator

Enc.

Schedule 1: Schedule of Rates

FTI Consulting Standard Rates effective 1 March 2017 (excluding GST)

Typical classification	All Offices \$/hour	General guide to classifications
Senior Managing Director	625	Registered/Official Liquidator and/or Trustee, with specialist skills and extensive experience in all forms of insolvency administrations. Alternatively, has proven leadership experience in business or industry, bringing specialist expertise and knowledge to the administration.
Managing Director	580	Specialist skills brought to the administration. Extensive experience in managing large, complex engagements at a very senior level over many years. Can deputise for the appointee. May also be a Registered/Official Liquidator and/or Trustee. Alternatively, has extensive leadership/senior management experience in business or industry.
Senior Director	570	Extensive experience in managing large, complex engagements at a very senior level over many years. Can deputise for the appointee, where required. May also be a Registered/Official Liquidator and/or Trustee or have experience sufficient to support an application to become registered. Alternatively, has significant senior management experience in business or industry, with specialist skills and/or qualifications.
Director	510	Significant experience across all types of administrations. Strong technical and commercial skills. Has primary conduct of small to large administrations, controlling a team of professionals. Answerable to the appointee, but otherwise responsible for all aspects of the administration. Alternatively, has significant senior management experience in business or industry, with specialist skills and/or qualifications.
Senior Consultant 2	440	Typically an ARITA professional member. Well developed technical and commercial skills. Has experience in complex matters and has conduct of small to medium administrations, supervising a small team of professionals. Assists planning and control of medium to larger administrations.
Senior Consultant 1	380	Assists with the planning and control of small to medium administrations. May have the conduct of minor administrations. Can supervise staff. Has experience performing more difficult tasks on larger administrations.
Consultant 2	360	Typically ICAA qualified (or similar). Required to control the tasks on small administrations and is responsible for assisting with tasks on medium to large administrations.
Consultant 1	315	Qualified accountant with several years experience. Required to assist with day-to-day tasks under the supervision of senior staff.
Associate 2	280	Typically a qualified accountant. Required to assist with day-to-day tasks under the supervision of senior staff.
Associate 1	260	Typically a university undergraduate or graduate. Required to assist with day-to-day tasks under the supervision of senior staff.
Junior Associate	185	Undergraduate in the latter stage of their university degree.

FTI Consulting Standard Rates effective 1 March 2017
(excluding GST)

Typical classification	All Offices \$/hour	General guide to classifications
Administration 2	185	Well developed administrative skills with significant experience supporting professional staff, including superior knowledge of software packages, personal assistance work and/or office management. May also have appropriate bookkeeping or similar skills.
Junior Accountant	155	Undergraduate in the early stage of their university degree.
Administration 1	155	Has appropriate skills and experience to support professional staff in an administrative capacity.

Appendix 8 – DOCA Proposal

COULSON TILES PTY LTD (ADMINISTRATORS APPOINTED)
ACN 004 571 528

DEED OF COMPANY ARRANGEMENT PROPOSAL

KEY TERMS AND GENERAL PROVISIONS

1. The proposer of the Deed of the Company Arrangement ("DOCA") is Charlotte Limb ("Deed Proponent").
2. The DOCA is intended to be a realisation DOCA, allowing for the orderly wind down and realisation of the Company's assets in a manner that maximises the recovery value of the Company's assets. The Company will otherwise cease to trade except for the purpose of realising the assets that exist as at the date of the execution of the DOCA that will form the Deed Fund, and making distributions to the participating creditors in accordance with the terms of the DOCA.
3. Ross Andrew Blakeley and Paul Anthony Allen will be the joint and several administrators of the DOCA.
4. Participating creditors include all employees and unsecured creditors with claims against the Company that existed or arose upon the appointment of the Voluntary Administrators as at 1 February 2018, and shall be bound by the DOCA.
5. Participating creditors bound by the DOCA shall be subject to a moratorium on action against the Company during the period of the DOCA and shall accept their entitlements under the DOCA in full and final satisfaction and complete discharge of all debts or claims which they have against the Company.
6. The Deed Proponent and any related entity will not make any claim in respect of any amount owed by the Company to them, under the DOCA.
7. The Deed Proponent will also contribute \$50,000 ("Contribution") to the Deed Fund.
8. In consideration of not making any claim under the DOCA, the Contribution and other obligations hereunder, and subject to the consent of relevant security holders, all assets not subject to a direct encumbrance ("Transferring Assets") of the Company with the exclusion of motor vehicles, surplus debtors (after repayment of Scottish Pacific), cash and cash equivalents, and stock ("Retained Assets") and books and records, will be transferred to a new entity nominated by the Deed Proponent ("Recipient Entity").
9. The Recipient Entity may take an assignment of any assets subject to a direct encumbrance, such as a lease, subject to the Administrators/Deed Administrators being satisfied that no equity exists in such assets and the relevant financier/lessor consenting to such an assignment on agreed terms.
10. Upon execution of the DOCA, the control of the Company including the Retained Assets remains with Deed Administrators.
11. A Deed Fund will be created and will comprise the proceeds from the realisation of the Retained Assets, the Contribution, and any surplus available from the Voluntary Administration period. The Deed Fund will be controlled by the Deed Administrators. All costs associated with the Administration and DOCA will be paid from the Deed Fund, with any surplus available for participating creditors distributed in accordance with the terms of the DOCA.
12. The Deed Proponent or any associated entity, cannot receive any additional consideration from the Recipient Entity in consideration for the Transferring Assets to the Recipient Entity, other than the issuing of shares in the Recipient Entity. If any additional consideration is paid, it will be assigned by the Deed Proponent and contributed to the Deed Fund.
13. The Recipient Entity may offer employment to certain of the existing Company employees ("Continuing Employees") on terms and conditions no worse than currently exist with the Company. The Recipient Entity will adopt liability for the Continuing Employees accrued leave entitlements, and recognise the original date of commencement of employment with the Company as the deemed date of commencement with the Recipient entity.
14. All other employee claims, including superannuation, will remain the liability of the Company and be a participating creditor under the DOCA.
15. The Deed Proponent shall procure the Recipient Entity to grant security over the Transferring Assets to the Company, until such time as the obligations of the Deed Proponent and the Recipient Entity under this DOCA are satisfied in full. That includes granting any security interest over any of the Retained Assets that may be in the possession of the Recipient Entity.
16. The services of any employee not offered continuing employment with the Recipient Entity ("Non Continuing Employees") will be terminated as and when determined appropriate by the Administrators/Deed Administrators. All employee entitlements of Non Continuing Employees including any redundancy, together with all pre administration superannuation for both Continuing and Non Continuing Employees, will remain the liability of the Company and be treated as a priority claim in accordance with the terms of this DOCA.
17. The Deed Proponent will procure the assistance of the Recipient Entity in realising the Retained Assets, on terms agreed with the Administrators/Deed Administrators. The Administrators/Deed Administrators may alternatively deal with and realise the Retained Assets at their sole discretion.

18. The Deed Proponent will procure the Recipient Entity to accept liability for any goods and services ordered by the Administrator/Deed Administrator pre the transfer date of the Transferring Assets, that are supplied or delivered after that date.
19. The DOCA will be wholly effectuated and terminate if the Company meets its obligations and a final dividend (if any) is paid to unsecured creditors, and all necessary terms and administrative matters associated with the DOCA as determined at the discretion of the Deed Administrators, have been addressed and satisfied.
20. If for any reason the Company or the Deed Proponent do not comply, or the Deed Administrators form the view that they will not comply, with the terms of the DOCA, the Deed Administrators may convene a meeting of the Company's creditors at which creditors may resolve to vary the DOCA, terminate the DOCA, wind up the Company in insolvency or take any other action permitted under the Corporations Act 2001 (Cth).
21. The Deed Administrators may, to the maximum extent permitted by law, extend any requirement on a party to the DOCA for a period of up to 30 days.
22. Upon the DOCA being wholly effectuated, control of the Company reverts to its directors.
23. Nothing in this document compromises the rights of any party which is a secured party (as that term is defined in the Personal Property Securities Act 2009 (Cth)) of the Company.
24. The Deed Proponent agrees to execute any document which the Administrators or Deed Administrators reasonably require them to execute to give effect to the transactions described in this document and further agree to provide such documents to the Administrators or Deed Administrators to hold in escrow.
25. To the extent that the Administrators are party to any agreement, they are party to such agreement solely in their capacity as administrators of the Company and as agents for the Company. Despite any other clause of this document and to the maximum extent permitted by law, the Administrators will not be personally liable on any basis and the Deed Proponent agrees that the Administrators will not incur any liability or be required to perform any obligation under or in connection with this document.
26. The Deed Administrators shall not be liable for any of the debts or other obligations of the Company, whatsoever, following execution of the Deed.
27. The Deed Proponent and Recipient Entity will provide any information and assistance reasonably requested by the Deed Administrators in order to bring the Deed into effect or to monitor performance of the Deed, including access to the Recipient Entity's staff and books and records.
28. If necessary, the Deed Administrators and the Recipient Entity shall enter to any agreement deemed necessary and reasonable to give effect to the transfer of the Transferring Assets to the Recipient Entity, having regard to any terms of the DOCA and rights of security holders.
29. The issuing or transfer of shares or other securities in the Company will also not be permitted during the term of the DOCA, without the approval of the Deed Administrator.
30. Pursuant to section 444A(5) of the Corporations Act 2001, the terms of the Deed are taken to include the Prescribed Provisions as provided in Schedule 8A of the Corporations Regulations, together with any other priorities, rights and obligations prescribed under the Corporations Act, including those of the Administrators and Deed Administrators, unless otherwise specifically provided for in the Deed.
31. The Deed Administrators may, at their sole discretion, waive any term, condition or obligation under the Deed should it be determined by them that the overall impact of that waiver would not be material to creditors' interests under the Deed.
32. Subject to the priorities and rights of any secured creditor, the Deed Fund shall be distributed as follows:-
 - i. First, in meeting the costs of the Administration and Deed of Company Arrangement, including all fees, expenses and liabilities of the Administrators and Deed Administrators;
 - ii. Second, in meeting employee priority claims of Non Continuing Employees, outstanding superannuation and any other employee claims not adopted by the Recipient Entity;
 - iii. Thirdly, in settlement of participating unsecured creditor claims pari passu.
33. Distributions shall be made to participating unsecured creditors from the Deed Fund as and when the Deed Administrators deem appropriate and possible, but only once all employee entitlements and any other priority claims have been met, and only after the claims of the secured creditors have been met or their consent otherwise obtained.



Charlotte Limb
Director/Proponent
28 February 2018