

18 June 2018

CIRCULAR TO CREDITORS

SURFSTITCH HOLDINGS PTY LIMITED (SUBJECT TO DEED OF COMPANY ARRANGEMENT) ACN 601 114 603 ('THE COMPANY')

Dear Sir/Madam

On 18 April 2018, SurfStitch Holdings Pty Limited ("**SHPL**") and SurfStitch Group Limited ("**SGL**") both executed separate Deed of Company Arrangements ("**DOCA**") and John Park, Quentin Olde and myself, Joseph Hansell were appointed Deed Administrators.

PAYMENT OF DIVIDEND TO PRIORITY AND ORDINARY CREDITORS

The Deed Administrators have adjudicated on all priority and unsecured claims and will declare a dividend representing 100 cents in the dollar prior to 6 July 2018.

DEED ADMINISTRATORS' REMAINING TASKS

Following the distribution to priority and ordinary creditors of SHPL, the Deed Administrators are required to;

- distribute the SHPL surplus funds to admitted claims of SGL; and,
- provide Alceon Retail Holdco Pty Ltd the list of admitted SGL Subordinate Claimants and SGL Shareholders, including their proportionate entitlements, for purposes of issuing the Convertible Notes.

The Deed Administrators of SHPL and SGL will correspond directly with the SGL Subordinate Claimants and SGL Shareholders with respect to this process in due course.

MEETING OF CREDITORS

Prior to the distribution, a Meeting of Creditors of the Company will be held at FTI Consulting, Level 15, 50 Pitt Street, Sydney NSW 2000, on 3 July 2018 at 10:00am. Formal notice of the meeting accompanies this Circular. Registration for the meeting will commence at 9:45am.

At the meeting, the Company's creditors will be asked to consider, and if thought fit, approve the additional remuneration and internal disbursements of the former Voluntary Administrators and

Deed Administrators. Further information in respect of the approvals sought are detailed in the ***attached** Remuneration Approval Report.

Also enclosed is an Appointment of Proxy Form. If you intend to appoint another person to act on your behalf at the meeting, or you are a corporate creditor, you are required to complete and return the enclosed proxy form appointing your representative to FTI Consulting by email to *Paris.Parasadi@fticonsulting.com* or by facsimile on (07) 3225 4999 no later than 4:00pm on 28 June 2018.

If you are representing a Company, please ensure that either the proxy is executed pursuant to Section 127 of the Act or your representative is appointed pursuant to Section 250D of the Act, otherwise you will not be entitled to vote at the meeting.

Should you require any further information in relation to the contents of this circular, please contact Paris Parasadi on (07) 3225 4900 or *surfstitch_enquiries@fticonsulting.com*.

Yours faithfully
FTI Consulting



Joseph Hansell
Deed Administrator

Encs.

Our Ref: PYP_457365.0004r1.doc

Corporations Act 2001 (Cth)

NOTICE OF MEETING OF CREDITORS

**SURFSTITCH HOLDINGS PTY LIMITED (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 601 114 603
(the Company)**

NOTICE IS HEREBY GIVEN that the first meeting of creditors of the Company will be held on 3 July 2018 at Level 15, 50 Pitt Street, Sydney NSW 2000. Registration for all creditors will open at 9:45 am with the meeting commencing at 10:00 am.

AGENDA

1. To consider, and if thought fit, approve the additional remuneration of the former Voluntary Administrators for the period 24 August 2017 to 11 March 2018 and for the period 4 April 2018 to 18 April 2018.
2. To consider, and if thought fit, approve the additional remuneration of Deed Administrators for the period 19 April 2018 to conclusion of the Deed of Company Arrangement.
3. Any other business properly brought before the meeting.

Creditors wishing to vote at the meeting, who will not be attending in person or are a company, must complete and return a Proxy Form by no later than 4.00pm on the last business day prior to the meeting, by email to Paris.Parasadi@fticonsulting.com or by facsimile on (07) 3225 4999. A form of proxy is ***attached**.

Telephone facilities will be made available during the meeting. Should you wish to attend the meeting by telephone, please confirm your intentions to do so in writing by email to Paris.Parasadi@fticonsulting.com.

Dated this 18 day of June 2018



Joseph Hansell
Deed Administrator

APPOINTMENT OF PROXY	Corporations Regulations 5.6.29
SurfStitch Holdings Pty Limited (Subject to Deed of Company Arrangement) ACN 601 114 603 (the Company)	

A. Insert Full Name and Contact Details (please print)

Given Name Surname

Company Name Telephone Number

Address

B. Appointment of a Proxy (please complete)

I/We, a creditor of the Company appoint:

_____ of _____

as my/our proxy, or in his/her absence _____, to vote at the meeting of creditors to be held on **3 July 2018 at Level 15, 50 Pitt Street, Sydney NSW 2000 at 10:00am** or at any adjournment of that meeting.

C. Voting by Your Proxy

Option 1: If appointed as a general proxy, as he/she determines on my/our behalf.

AND/OR

Option 2: If appointed as a special proxy for some or all resolutions, specifically in the manner set out below (**please tick**).

Resolution	Manner of Voting (Please specify by tick)		
	For	Against	Abstain
1 The remuneration of the former Voluntary Administrators of SurfStitch Holdings Pty Limited (Subject to Deed of Company Arrangement) ACN 601 114 603 for the period 24 August 2017 to 11 March 2018 (inclusive) be calculated on a time basis at the hourly rates set out in the Schedules of FTI Consulting Standard Rates effective 1 March 2017 (incorporating Australian and US rates), and is determined and approved for payment in the additional amount of \$1,930.60 plus GST and the Former Voluntary Administrators can draw the remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 The remuneration of the former Voluntary Administrators of SurfStitch Holdings Pty Limited (Subject to Deed of Company Arrangement) ACN 601 114 603 for the period 4 April 2018 to 18 April 2018 (inclusive) be calculated on a time basis at the hourly rates set out in the Schedule of FTI Consulting Standard Rates effective 1 March 2017, and is determined and approved for payment in the additional amount of \$66,397.30 plus GST and the Former Voluntary Administrators can draw the remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 The future remuneration of the Deed Administrators of SurfStitch Holdings Pty Limited (Subject to Deed of Company Arrangement) ACN 601 114 603 from 19 April 2018 to the Conclusion of the DOCA (inclusive) is determined and further approved for payment at a sum equal to the cost of time incurred by the Deed Administrators and staff of FTI Consulting, calculated at the hourly rates set out in the Schedules of FTI Consulting Standard Rates effective 1 March 2017, and is determined and approved for payment in the additional amount of \$50,000.00 plus GST and the Deed Administrators can draw the remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

D. Signature Section (in accordance with Sections 82A, 127 or 250D of the Corporations Act 2001 (Cth))

Signature of individual or person authorised by corporate resolution to represent corporation

Print Name:

The common seal was affixed hereto in the presence of:

Director

Director/Company Secretary

Dated this day of

CERTIFICATE OF WITNESS

Please Note: This certificate is to be completed only where the person giving the proxy is blind or incapable of writing. The signature of the creditor is not to be attested by the person nominated as proxy. I, _____ of _____ certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him before he attached his signature or mark to the instrument.

Signature of witness: _____

18 JUNE 2018

REMUNERATION APPROVAL REPORT

SURFSTITCH HOLDINGS PTY LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
ACN 601 114 603

Introduction

Information included in report

This remuneration approval report provides you with the information the *Corporations Act 2001* (the **Act**) and the Code of Professional Practice published by the Australian Restructuring Insolvency and Turnaround Association (**ARITA**) requires creditors to receive, to make an informed decision regarding the approval of our remuneration and the cost of our internal disbursements, for undertaking the Administration of SurfStitch Holdings Pty Limited (Subject to Deed of Company Arrangement) ACN 601 114 603.

This report has the following information included:

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Part 1: Declaration

We, John Park, Quentin Olde and Joseph Hansell of FTI Consulting have undertaken a proper assessment of the claims for remuneration and payment of our internal disbursements for the appointment as Administrators of SurfStitch Holdings Pty Limited (Subject to Deed of Company Arrangement) ACN 601 114 603 in accordance with the law and applicable professional standards. We are satisfied the remuneration claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of this appointment and further, the disbursements claimed are necessary and proper.

Part 2: Executive Summary

Remuneration previously approved by Creditors

The amount of remuneration previously fixed in this external administration is \$2,195,293.50 (excluding GST) as summarised in Table 1 below.

Table 1: Remuneration previously approved		
Period	Status	Amount (excluding GST)
Voluntary Administration		
24 August 2017 to 11 March 2018 (inclusive)	Approved and drawn	\$1,872,293.50
12 March 2018 to 3 April 2018 (inclusive)	Approved and drawn	\$175,000.00
4 April 2018 to the Execution of the DOCA (inclusive)	Approved and drawn	\$50,000.00
Total		\$2,097,293.50
Deed of Company Arrangement		
19 April 2018 to the Conclusion of the DOCA (inclusive)	Approved but not yet drawn	\$98,000.00
Total		\$98,000.00

Remuneration for which approval is sought

Detailed in the Table 2 is a summary of the additional remuneration sought totaling \$66,397.30 (excluding GST) in relation to the former Voluntary Administration as well as a further \$50,000.00 (excluding GST) in relation to the Deed Administration of the Company.

Table 2: Remuneration for which approval is sought				
Period	Report Reference	Amount previously approved (excluding GST)	Additional remuneration sought (excluding GST)	Total remuneration for the period after additional resolutions (excluding GST)
Voluntary Administration				
Resolution 1: 4 April 2018 to 18 April 2018 (Execution of the DOCA) (inclusive)	Schedule 1	\$50,000.00	\$66,397.30	\$116,397.30
Total		\$50,000.00	\$66,397.30	\$116,397.30
Deed of Company Arrangement				
Resolution 2: 19 April 2018 to the Conclusion of the DOCA (inclusive)*	Schedule 2	\$98,000.00	\$50,000.00	\$148,000.00
Total		\$98,000.00	\$50,000.00	\$148,000.00

* Approval for the future remuneration sought is based on an estimate of the work necessary to complete the administration. Should additional work beyond what is contemplated be necessary, further approval may be sought from creditors. If a lesser amount is incurred, we will limit our remuneration to the lesser amount.

Please refer to the Report Reference column in Table 2 for full details of the calculation and composition of the remuneration and approval sought.

Internal Disbursements previously approved by Creditors

The amount of internal disbursements fixed in this external administration is \$6,914.00 (excluding GST) as summarised in Table 3 below.

Table 3: Internal disbursements previously approved		
Period	Status	Amount (excluding GST)
Voluntary Administration		
24 August 2017 to 11 March 2018 (inclusive)	Approved and drawn	\$3,914.92
12 March 2018 to 4 April 2018 (Inclusive)	Approved and drawn	\$1,000.00*
Total		\$4,914.92
Deed of Company Arrangement		
19 April 2018 to the Conclusion of the DOCA (inclusive)	Approved but not yet Drawn	\$2,000.00
Total		\$2,000.00

* Internal disbursement incurred for the period totalled \$382.16 which have been drawn.

Part 3: Remuneration

Remuneration claim resolutions

We will be seeking approval of the following resolutions to approve our remuneration. Details to support these resolutions are shown immediately below the resolutions and in the schedules to this report.

Resolution 1: Remuneration from 4 April 2018 to 18 April 2018 (inclusive)

The remuneration of the former Voluntary Administrators of SurfStitch Holdings Pty Limited (Subject to Deed of Company Arrangement) ACN 601 114 603 for the period 4 April 2018 to 18 April 2018 (inclusive) be calculated on a time basis at the hourly rates set out in the Schedule of FTI Consulting Standard Rates effective 1 March 2017, and is determined and approved for payment in the additional amount of \$66,397.30 plus GST and the former Voluntary Administrators can draw the remuneration.

Resolution 2: Remuneration from 19 April 2018 to the Conclusion of the DOCA

The remuneration of the Deed Administrators of SurfStitch Holdings Pty Limited (Subject to Deed of Company Arrangement) ACN 601 114 603 from 19 April 2018 to the Conclusion of the DOCA (inclusive) is determined and further approved for payment at a sum equal to the cost of time incurred by the Deed Administrators and staff of FTI Consulting, calculated at the hourly rates set out in the Schedules of FTI Consulting Standard Rates effective 1 March 2017, and is determined and approved for payment in the additional amount of \$50,000.00 plus GST and the Deed Administrators can draw the remuneration.

Remuneration is calculated in accordance with the hourly rates applicable to the grades or classifications set out in the FTI Consulting Schedule of Standard Rates which appear at Schedule 3 to this report.

At this stage, based on the information presently available to us, we consider it may not be necessary to convene a further meeting of creditors to seek further approval from creditors. However, the position may change depending on the progress of the external administration and the issues that may arise.

Details to support resolutions

The basis of calculating the remuneration claims are summarised below and the details of the major tasks performed and the costs associated with each of those major tasks are contained in Schedule 1 and Schedule 2.

Resolution 1: Remuneration from 4 April 2018 to 18 April 2018 (inclusive)

Table 4 sets out the total time charged to each major task area by staff members who worked on the Administration for the period 4 April 2018 to 18 April 2018 (inclusive). Incorporated in these figures is the unapproved remuneration totaling \$66,397.30 which is the amount sought in Resolution 1 claim. The detailed descriptions of the unapproved time charged broken down by the tasks performed within each task area, are contained in Schedule 1. Details of the tasks performed for the previously approved remuneration claim for this period can be found in the previous Remuneration Approval Report dated 16 March 2018.

Resolution 2: Remuneration from 19 April 2018 to the Conclusion of the DOCA (inclusive)

Table 5 sets out time charged to each major task area by staff members who worked on the Deed Administration for the period 4 April 2018 to 10 June 2018 (inclusive). We have also included Table 6 which sets out the estimated remuneration for the period 11 June 2018 to the Conclusion of the Deed Administration (inclusive) which is the basis of the Resolution 2 claim. More detailed descriptions of the tasks performed within each task area, matching the amounts in Table 5 and Table 6 are contained in Schedule 2.

Table 4: Total time charged to each major task area for the period 4 April 2018 to 18 April 2018.

Employee	Position	Rate/hour excl GST \$	Total actual hours	Total (excl GST) \$	Task Area				
					Assets \$	Creditors \$	Employees \$	Trade On \$	Administration \$
Joanne Dunn	Senior Managing Director	625.00	7.00	4,375.00	0.00	2,812.50	0.00	0.00	1,562.50
Joseph Hansell	Senior Managing Director	625.00	16.20	10,125.00	0.00	3,500.00	250.00	0.00	6,375.00
Quentin Olde	Senior Managing Director	625.00	9.60	6,000.00	0.00	2,375.00	0.00	0.00	3,625.00
Matthew Glennon	Senior Director	570.00	19.00	10,830.00	798.00	6,327.00	3,363.00	0.00	342.00
Preeti Inchody	Senior Director	570.00	75.60	43,092.00	31,692.00	11,400.00	0.00	0.00	0.00
Renee Lobb	Senior Director	570.00	8.50	4,845.00	0.00	4,845.00	0.00	0.00	0.00
Simon Skelton	Senior Director	570.00	9.20	5,244.00	1,026.00	2,166.00	0.00	570.00	1,482.00
Jonathan Chee	Senior Consultant 1	510.00	11.20	5,712.00	0.00	5,559.00	0.00	0.00	153.00
Paris Parasadi	Senior Consultant 1	440.00	20.80	9,152.00	0.00	3,344.00	1,408.00	0.00	4,400.00
Deirdre Bryant	Consultant 2	360.00	4.80	1,728.00	0.00	0.00	0.00	0.00	1,728.00
Samantha Rieger	Associate 2	280.00	47.20	13,216.00	9,996.00	1,064.00	0.00	644.00	1,512.00
Henry Lister	Associate 1	260.00	6.60	1,716.00	0.00	1,118.00	0.00	0.00	598.00
Lachlan Bowness	Associate 1	260.00	0.80	208.00	0.00	0.00	0.00	0.00	208.00
Ashleigh Ubank	Administration 2	185.00	0.50	92.50	0.00	0.00	0.00	0.00	92.50
Jessica Earnshaw	Administration 1	155.00	0.40	62.00	0.00	0.00	0.00	0.00	62.00
Total			237.40	116,397.50*	43,512.00	44,510.50	5,021.00	1,214.00	22,140.00
GST				11,639.75					
Total (including GST)				128,037.25					
Average hourly rate (excluding GST)				490.30	460.44	530.52	528.53	367.88	479.22

*Creditors previously approved \$50,000.00 (excluding GST) leaving an unapproved amount sought in Resolution 1 of \$66,397.50 (excluding GST).

Table 5: Time charged to each major task area for the period 19 April 2018 to 10 June 2018

Employee	Position	Rate/hour excl GST \$	Total actual hours	Total (excl GST) \$	Task Area					
					Assets \$	Creditors \$	Employees \$	Trade On \$	Dividend \$	Administration \$
John Park	Senior Managing Director	625.00	0.40	250.00	0.00	62.50	0.00	62.50	0.00	125.00
Joseph Hansell	Senior Managing Director	625.00	28.00	17,500.00	0.00	7,375.00	6,312.50	1,062.50	1,562.50	1,187.50
Quentin Olde	Senior Managing Director	625.00	0.60	375.00	0.00	375.00	0.00	0.00	0.00	0.00
Matthew Glennon	Senior Director	570.00	6.30	3,591.00	228.00	1,197.00	1,311.00	0.00	0.00	855.00
Preeti Inchody	Senior Director	570.00	3.20	1,824.00	1,824.00	0.00	0.00	0.00	0.00	0.00
Simon Skelton	Senior Director	570.00	44.90	25,593.00	11,115.00	1,197.00	0.00	4,446.00	4,560.00	4,275.00
Jonathan Chee	Senior Consultant 2	510.00	0.20	102.00	0.00	0.00	0.00	0.00	0.00	102.00
Paris Parasadi	Senior Consultant 2	440.00	57.40	25,256.00	0.00	5,192.00	6,556.00	0.00	1,232.00	12,276.00
Alan Issaia	Consultant 2	360.00	11.00	3,960.00	3,960.00	0.00	0.00	0.00	0.00	0.00
Deirdre Bryant	Consultant 2	360.00	7.90	2,844.00	0.00	0.00	0.00	0.00	0.00	2,844.00
Samantha Rieger	Associate 2	280.00	16.70	4,676.00	476.00	672.00	0.00	1,708.00	0.00	1,820.00
Lachlan Bowness	Associate 1	260.00	7.70	2,002.00	0.00	1,170.00	520.00	0.00	0.00	312.00
Ashleigh Ubank	Administration 2	185.00	0.50	92.50	0.00	0.00	0.00	0.00	0.00	92.50
Carly Drew	Administration 2	185.00	0.20	37.00	0.00	0.00	0.00	0.00	0.00	37.00
Tanya Kratz	Administration 2	185.00	0.80	148.00	0.00	0.00	0.00	0.00	0.00	148.00
Cristina Mangraviti	Administration 1	155.00	0.30	46.50	0.00	0.00	0.00	0.00	0.00	46.50
Jessica Earnshaw	Administration 1	155.00	1.40	217.00	0.00	0.00	0.00	0.00	0.00	217.00
Total			187.50	88,514.00	17,603.00	17,240.50	14,699.50	7,279.00	7,354.50	24,337.50
GST				8,851.40						
Total (including GST)				97,365.40						
Average hourly rate (excluding GST)				472.07	491.70	487.02	501.69	463.63	552.97	419.61

Table 6: Approximate breakdown of additional remuneration sought for period 11 June 2018 to the Conclusion of the DOCA (inclusive) per major task area:

\$	Total	Task Area						
		Assets	Creditors	Employees	Trade on	Investigation	Dividend	Administration
Total (est)	50,000	2,000	10,000	5,000	2,000	-	15,000	16,000
GST	5,000	200	1,000	500	200	-	1,500	1,600
Total (incl GST)	55,000	2,200	11,000	5,500	2,200	-	16,500	17,600

Total remuneration reconciliation

At this point in time, we estimate that the total remuneration for this external administration will be \$2,311,690.80 (excluding GST). This includes the current approval amount being sought of \$116,397.30 (excluding GST) and the previously approved remuneration amount of \$2,195,293.50 (excluding GST).

The total aggregate amount of the remuneration for which approval is sought differs to the remuneration provided in our previous Report to Creditors dated 16 March 2018 which estimated a cost in undertaking the Administration of SurfStitch Holdings Pty Limited to be \$2,195,293.50 (exclusive of GST). The increase in remuneration beyond the previously approved amounts is primarily due to the following matters:

- Additional work required in adjudicating the claims of priority and ordinary creditors;
- Dealing with the pre and post-settlement matters for the sale of SurfStitch Pty Ltd; and
- The need to convene an additional meeting of creditors.

Comparison between current and previous remuneration approvals

4 April 2018 to 18 April 2018 (Execution of DOCA)

At the creditors meeting on 4 April 2018, creditors approved our prospective remuneration of \$50,000.00 (excluding GST) for the period 4 April 2018 to 18 April 2018. To date, this amount has been drawn as our remuneration. However, our remuneration incurred for this period has exceeded this cap by \$66,397.30 (excluding GST) and accordingly we are now seeking approval for this amount.

In the following table we compare, on a task basis, our estimate from our report dated 16 March 2018 for the period 4 April 2018 to 18 April 2018 to our actual costs and provide an explanation for the difference in cost.

Table 7: Comparison between current and previous remuneration approval for the period 4 April 2018 to 18 April 2018

Task	Estimate (excl GST) \$	Actual (excl GST) \$	Reasons for differences
Assets	0.00	43,512.00	Additional involvement in the sale of business transaction to Alceon
Creditors	17,500.00	44,510.50	Liaising with creditors after the second meeting.
Employees	5,000.00	5,021.00	N/A
Trade On	15,000.00	1,214.00	Significantly less work in respect of the Trade on of the business was required
Administration	12,500.00	22,140.00	Administrative tasks relating to the drafting and signing of the DOCA
Total	50,000.00	116,397.30	

19 April 2018 (Execution of DOCA) to Conclusion of the Conclusion DOCA

At the creditors meeting on 4 April 2018, creditors approved our prospective remuneration of \$98,000.00 (excluding GST) for the period of the Execution of the DOCA to the Conclusion of the DOCA. To date, we have not drawn remuneration from this approval. However, we expect our remuneration for this period will exceed this cap by \$50,000.00 (excluding GST) and accordingly we are now seeking approval for this amount.

In the following table we compare, on a task basis, our estimate from our report dated 16 March 2018 for the period 19 April 2018 to the Conclusion of the DOCA to our estimated costs and provide an explanation for the difference in cost.

Table 8: Comparison between current and previous remuneration approval for the period 19 April 2018 to the Conclusion of the DOCA

Task	Previous Estimate (excl GST) \$	Current Estimate (excl GST) \$	Reasons for differences
Assets	0.00	20,000.00	Additional work required in dealing with pre and post-settlement matters for the sale of SurfStitch Pty Ltd
Creditors	18,000.00	27,000.00	Additional work required in relation to adjudication of claims tasks after
Employees	20,000.00	20,000.00	N/A
Trade On	0.00	10,000.00	Work associated with handover of operations
Dividend	30,000.00	22,000.00	N/A
Administration	30,000.00	49,000.00	Work expected in providing a list of subordinate claimants to Alceon. Other administrative tasks required throughout the duration of the DOCA (which could be up to three (3) years.)
Total	98,000.00	148,000.00	

We have provided an explanation of tasks remaining to be completed, including our estimated costs to complete those tasks, to support our current remuneration approval request, at Part 3 of the report and in Schedule 2.

In preparing this remuneration approval report, we have made our best estimate at what we believe the Deed Administration will cost to complete and we do not anticipate that we will have to ask creditors to approve any further remuneration. However, should the Deed Administration not proceed as expected, we will advise creditors and we may seek approval of further remuneration and provide details on why the remuneration has changed.

Likely impact on dividends

The Act sets the order for payment of claims against the Company and it provides for remuneration of the Administrators and Deed Administrators to be paid in priority to other claims. This ensures when there are sufficient funds, the Administrators receive payment for the work done to recover assets, investigate the Company's affairs, report to creditors and ASIC and distribute any available funds.

The quantum of dividend previously announced to creditors of SurfStitch Holdings Pty Limited (Subject to Deed of Company Arrangement) will not be impacted by the additional remuneration approvals sought in this Report. Priority and Unsecured Creditors will still receive a dividend distribution of 100 cents in the dollar previously estimated.

The additional remuneration approval claimed will however reduce the funds available to SurfStitch Group Limited (Subject to Deed of Company Arrangement).

Part 4: Disbursements

Explanatory note on disbursements

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** - these are recovered at cost. Examples of externally provided non-professional costs are travel, accommodation and search fees.
- **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. Details of the basis of recovery of each of these costs is discussed below.

Internal disbursements not charged at cost must be approved by creditors before we can draw the cost of those disbursements from this external administration.

Creditor approval is not required in relation to externally provided professional and non-professional costs or disbursements charged at cost. Where payments to third parties have been made from the bank account of the external administration, those payments are disclosed in the summary of receipts and payments. Creditors have the right to question the incurring of the disbursements and can challenge disbursements in Court.

Disbursements incurred by the Deed Administrators

We note creditors have previously approved our internal disbursements of the Deed Administrators in the amount of \$2,000.00. To date we have not drawn any of this amount.

The following disbursements have been incurred by the external administration to FTI Consulting during the period 18 April 2018 to 12 June 2018. Where an amount has been paid to FTI Consulting as reimbursement of externally provided services and costs, such payment is on account of an amount previously paid by FTI Consulting either due to a lack of funds in the external administration at the time the payment was due, or pursuant to the invoicing of FTI Consulting directly by the supplier. All of the paid items summarised below appear in the receipts and payments listing which is included as **Schedule 4** of this Report.

Table 9: Disbursements incurred from 18 April 2018 to 10 June 2018

Disbursements claimed	Basis of charge excl GST \$	Amount excl GST \$
Externally provided non-professional services		
Third Party Storage Costs	At cost	34.50
Teleconference Facility	At Cost	10.23
Sub-Total		44.73
Internal Disbursements		
Advertising and search fees	At cost	10.00
Postage	At cost	24.28
Printing & photocopying	\$0.09 per unit of time charged	130.04
Telephone Charges	\$0.10 per unit of time charged	140.60
Sub-Total		304.92
Total		349.65

Future basis of internal disbursements

Future internal disbursements will be charged to the administration based on the Schedule of Brisbane FTI Consulting Internal Disbursement Rates as shown in Table 9 below.

Table 10: Schedule of FTI Consulting Internal Disbursement Rates

Disbursement	Note	Rate (exclusive of GST) \$
Advertising and search fees		At cost
Courier		At cost
Postage		At cost
Printing and photocopying	Per page	0.50 (black and white) 1.00 (colour)
Facsimile	Per page	1.50 (local) 4.50 (international)
Storage and storage recall		At cost
Staff travel – mileage	ATO rates	Cents per km method
Other staff travel/out of pockets		At cost

Part 5: Summary of Receipts and Payments

A summary of receipts and payments to and from the bank account for the Administration for the period 24 August 2017 to 12 June 2018 appears at **Schedule 4**.

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 6: Queries

If you have any queries or require any further information concerning our claim for remuneration please contact Paris Parasadi on (07) 3225 4927 or via email on Paris.Parasadi@fticonsulting.com.

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

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

Yours faithfully
SurfStitch Holdings Pty Limited (Subject to Deed of Company Arrangement)



Joseph Hansell
Deed Administrator

Schedule 1: Table of Major Tasks for Resolution 1

Table 11 provides a description of the additional work undertaken in each major task area for the period 4 April 2018 to 18 April 2018 (inclusive). Creditors are advised the tasks described below are additional work to those of the same period disclosed in the previous Remuneration Approval Report dated 16 March 2018.

Table 11: Additional work undertaken for the period 4 April 2018 to 18 April 2018 (inclusive)

Task Area	General Description	Includes
Assets 63.59 hours \$26,241.30	DOCA Proposals for sale of subsidiary business	<ul style="list-style-type: none"> ▪ Reviewing mechanics of the convertible note ▪ Finalising Share Purchase Agreement, Convertible Note and Constitution ▪ Coordination and oversight of completion of SSAU sale ▪ Announcement in relation to SSAU sale. ▪ Attending to post-closing of SSAU sale matters
Creditors 35.00 hours \$19,434.00	Creditor enquiries	<ul style="list-style-type: none"> ▪ Receiving creditor enquiries ▪ Maintaining register of creditor enquiries ▪ Responding to creditor enquiries by telephone, email, facsimile and post
	Creditor reports & circulars	<ul style="list-style-type: none"> ▪ Circular to Creditors regarding Execution of DOCA
	Processing proofs of debt (PODs) not relating to a dividend	<ul style="list-style-type: none"> ▪ Maintaining and Updating POD register
	Deed of Company Arrangement (DOCA)	<ul style="list-style-type: none"> ▪ Communications with stakeholders concerning proposed DOCA ▪ Obtaining legal advice on DOCA terms ▪ Finalising and executing DOCA
	Creditor Meetings	<ul style="list-style-type: none"> ▪ Lodgement of meeting minutes with ASIC ▪ Drafting and finalising minutes of meeting ▪ Review recording of meeting to ensure accuracy of minutes
Employees 9.50 hours \$5,021.00	Employee enquiries	<ul style="list-style-type: none"> ▪ Receiving employee enquiries ▪ Calculation of termination payments ▪ Terminating employees ▪ Liaising with terminated employees ▪ Maintaining register of employee enquiries ▪ Responding to employee enquiries by telephone, email, facsimile and post ▪ Communications with employees concerning entitlements and options

Trade On 2.90 hours \$986.00	Trade On Management	<ul style="list-style-type: none"> ▪ Liaising with management regarding handover in preparation of termination of various staff ▪ Payroll functions
	Processing receipts and payments	<ul style="list-style-type: none"> ▪ Accounting procedures including entry of payments and receipts
Administration 33.00 hours \$14,715.00	General	<ul style="list-style-type: none"> ▪ Word processing including correspondence, file notes, agendas and minutes ▪ 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 ▪ Updating checklist
	Bank accounts	<ul style="list-style-type: none"> ▪ Bank account reconciliations ▪ Procuring and reviewing bank account statements
	ASIC lodgements	<ul style="list-style-type: none"> ▪ Preparation and lodging necessary forms with ASIC
	ATO lodgements	<ul style="list-style-type: none"> ▪ Preparation and submission of BAS
	Planning review	<ul style="list-style-type: none"> ▪ Ad hoc meetings concerning the status of the administration
	Finalisation	<ul style="list-style-type: none"> ▪ Completing checklists

Schedule 2: Table of Major Tasks for Resolution 2

Table 12(a) provide a description of work undertaken in each major task area for the period from 19 April 2018 to 10 June 2018

Table 12(b) provides a description of the work expected to be undertaken in each major task area for the period from 11 June 2018 to the Conclusion of the DOCA.

Table 12(a): Work undertaken for the period from 19 April 2018 to the 10 June 2018

Task Area	General Description	Includes
Assets 35.80 Hours \$17,603.00	Sale of subsidiary business	<ul style="list-style-type: none"> ▪ Liaising with solicitors regarding execution sale of business documents ▪ Discussions with management and staff in respect of post-sale matters ▪ Internal meetings to discuss completing statement documents ▪ Liaise with key staff and management in respect of completion statement ▪ Liaise with WBC regarding Deeds of Release and variation ▪ Resolving terms of securities for the termination and assignment deeds ▪ Follow up execution of Deed and Service of Deed on Alceon and WBC
Creditors 35.40 Hours \$17,240.50	Creditor enquiries	<ul style="list-style-type: none"> ▪ Receiving creditor enquiries ▪ Maintaining register of creditor enquiries ▪ Responding to creditor enquiries by telephone, email, facsimile and post
	Secured Creditor Reporting	<ul style="list-style-type: none"> ▪ Reporting to secured creditor ▪ Responding to queries raised by secured creditor ▪ Undertaking any requirements under the DOCA pertaining to the secured creditor
	Creditor reports & circulars	<ul style="list-style-type: none"> ▪ Interim report to creditors ▪ Ad hoc circulars to creditors
	Processing proofs of debt (PODs) not relating to a dividend	<ul style="list-style-type: none"> ▪ Issuing, receiving and filing PODs ▪ Adjudication on PODs ▪ Maintaining POD register
	Deed of Company Arrangement (DOCA)	<ul style="list-style-type: none"> ▪ Communications with stakeholders concerning proposed DOCA ▪ Liaising with DOCA proponents ▪ Monitoring adherence to DOCA terms

		<ul style="list-style-type: none"> ▪ Attending to any matters required under the DOCA
	Creditor Meetings	<ul style="list-style-type: none"> ▪ Preparation of meeting notices, proxies and advertisements ▪ Distribution of meeting notices & proxies ▪ Preparation of agenda and other documents for meeting ▪ Preparation & lodgement of meeting minutes with ASIC ▪ Responding to queries arising from meeting
Employees 29.30 Hours \$14,699.50	Employee enquiries	<ul style="list-style-type: none"> ▪ Receiving employee enquiries ▪ Maintaining register of employee enquiries ▪ Responding to employee enquiries by telephone, email, facsimile and post ▪ Communications with employees concerning entitlements and options ▪ Communications with employees concerning disputed entitlements
	Calculating entitlements	<ul style="list-style-type: none"> ▪ Reviewing employee files and company books and records ▪ Reconciling superannuation accounts and entitlement balances ▪ Determining employee entitlements
	Employee dividend	<ul style="list-style-type: none"> ▪ Communications with employees ▪ Communications with ATO concerning SGC proof of debt ▪ Calculating dividend rate ▪ Preparing dividend file ▪ Receiving PODs ▪ Adjudicating on PODs ▪ Preparing for distribution ▪ Preparation and distribution of payment summaries ▪ Remitting PAYG to the ATO
Trade On 15.70 Hours \$7,279.50	Trade On Management	<ul style="list-style-type: none"> ▪ Communications with managers and staff ▪ Liaising with management regarding handover in preparation of termination of various staff ▪ Payroll functions ▪ Communications with OSR concerning payroll tax issues ▪ Preparation and lodgement of final Payroll Tax Returns

		<ul style="list-style-type: none"> ▪ Liaising with Workcover QLD regarding termination of employees ▪ Calculating and completing final Declaration of Wages form ▪ Closure of trading accounts as appropriate
	Processing receipts and payments	<ul style="list-style-type: none"> ▪ Accounting procedures including entry of payments and receipts
Dividend 13.30 Hours \$7,354.50	Processing proofs of debt (PODs)	<ul style="list-style-type: none"> ▪ Communications with creditors inviting them to lodge PODs ▪ Receiving PODs ▪ Review, consideration and adjudication of PODs ▪ Maintaining POD register ▪ Communications with creditors seeking further information ▪ Advising creditors of POD adjudication
	Dividend procedures	<ul style="list-style-type: none"> ▪ Communications with creditors concerning declaration of dividend ▪ Advertising intention to declare dividend ▪ Maintaining dividend file & register ▪ Advertising of dividend declaration ▪ Paying dividend to creditors and associated correspondence
Administration 58.00 Hours \$24,337.50	Appointment	<ul style="list-style-type: none"> ▪ Receiving appointment documents ▪ Advising third parties of appointment including ATO, OSR and utilities
	General	<ul style="list-style-type: none"> ▪ Word processing including correspondence, file notes, agendas and minutes ▪ 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 ▪ Updating checklist
	Bank accounts	<ul style="list-style-type: none"> ▪ Opening and/or closing bank accounts ▪ Bank account reconciliations ▪ Procuring and reviewing bank account statements
	ASIC lodgements	<ul style="list-style-type: none"> ▪ Preparation and lodging necessary forms with ASIC (505, 524 etc) ▪ General communications with ASIC

	ATO lodgements	<ul style="list-style-type: none"> ▪ Notification of appointment ▪ Preparation and submission of BAS
	Other lodgements	<ul style="list-style-type: none"> ▪ Communication with ASX concerning ASX announcements
	Planning review	<ul style="list-style-type: none"> ▪ Weekly meeting to discuss the status of the administration ▪ Ad hoc meetings concerning the status of the administration
	Finalisation	<ul style="list-style-type: none"> ▪ Communication with ATO concerning finalisation ▪ Finalising WIP ▪ Completing checklists

Table 12(b): Work to be undertaken for the period from 11 June 2018 to the Conclusion of the DOCA

Task Area	General Description	Includes
Assets \$2,000.00	Sale of subsidiary business	<ul style="list-style-type: none"> ▪ Attending to post-settlement matters
Creditors \$10,000.00	Creditor enquiries	<ul style="list-style-type: none"> ▪ Receiving creditor enquiries ▪ Maintaining register of creditor enquiries ▪ Responding to creditor enquiries by telephone, email, facsimile and post
	Creditor reports & circulars	<ul style="list-style-type: none"> ▪ Interim report to creditors ▪ Ad hoc circulars to creditors
	Deed of Company Arrangement (DOCA)	<ul style="list-style-type: none"> ▪ Communications with stakeholders concerning executed DOCA ▪ Liaising with DOCA proponents ▪ Monitoring adherence to DOCA terms ▪ Attending to matters required under the DOCA
	Creditor Meetings	<ul style="list-style-type: none"> ▪ Preparation of meeting notices, proxies and advertisements ▪ Distribution of meeting notices & proxies ▪ Preparation of agenda and other documents for meeting ▪ Preparation & lodgement of meeting minutes with ASIC ▪ Responding to queries arising from meeting

Employees \$5,000.00	Employee enquiries	<ul style="list-style-type: none"> ▪ Receiving employee enquiries ▪ Maintaining register of employee enquiries ▪ Responding to employee enquiries by telephone, email, facsimile and post ▪ Receive queries from employees concerning distribution of entitlements ▪ Receive queries from employees concerning PAYG Payment Summaries
	Calculating entitlements	<ul style="list-style-type: none"> ▪ Finalising employee entitlement calculations ▪ Reconciling superannuation accounts
	Employee dividend	<ul style="list-style-type: none"> ▪ Communications with employees ▪ Communications with ATO concerning Superannuation payments ▪ Finalising dividend documents ▪ Preparing for distribution ▪ Preparation and distribution of payment summaries ▪ Remitting PAYG to the ATO
Trade On \$2,000.00	Trade On Management	<ul style="list-style-type: none"> ▪ Finalisation of Trade On processes
Dividend \$15,000.00	Processing proofs of debt (PODs)	<ul style="list-style-type: none"> ▪ Receiving and filing amended PODs ▪ Finalisation of POD Adjudication ▪ Updating and maintaining POD register in preparation of dividend procedures ▪ Communications with creditors seeking further information ▪ Advising creditors of POD adjudication
	Dividend procedures	<ul style="list-style-type: none"> ▪ Communications with creditors concerning declaration of dividend ▪ Maintaining dividend file & register ▪ Advertising of dividend declaration ▪ Paying dividend to creditors and associated correspondence
Administration \$25,485.50	General	<ul style="list-style-type: none"> ▪ Word processing including correspondence, file notes, agendas and minutes ▪ Care and maintenance of the file
	SGL Subordinate Claimants	<ul style="list-style-type: none"> ▪ Settling list of subordinate claimants to be provided to Alceon under SHPL DOCA

	File review/checklist/document maintenance	<ul style="list-style-type: none"> ▪ Administration review ▪ Document filing and maintenance ▪ File reviews ▪ Updating checklist
	Bank accounts	<ul style="list-style-type: none"> ▪ Closing bank accounts ▪ Bank account reconciliations ▪ Procuring and reviewing bank account statements
	ASIC lodgements	<ul style="list-style-type: none"> ▪ Preparation and lodging necessary forms with ASIC (505, 524 etc) ▪ General communications with ASIC
	ATO lodgements	<ul style="list-style-type: none"> ▪ Notification of appointment ▪ Preparation and submission of BAS
	Other lodgements	<ul style="list-style-type: none"> ▪ Communication with ASX concerning ASX announcements
	Planning review	<ul style="list-style-type: none"> ▪ Weekly meeting to discuss the status of the administration ▪ Ad hoc meetings concerning the status of the administration
	Finalisation	<ul style="list-style-type: none"> ▪ Communication with ATO concerning finalisation ▪ Finalising WIP ▪ Completing checklists

Schedule 3: FTI Consulting Schedules of Rates

FTI Consulting – Corporate Finance & Restructuring Standard Rates effective 1 March 2017 (excluding GST)		
Typical classification	All Australian 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.
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.

The FTI Consulting Standard Rates above apply to the Corporate Finance & Restructuring practice and are subject to review at 1 January each year.

Schedule 4: Statement of receipts and payments from 24 August 2017 to 12 June 2018

SHPL - Receipts and Payments for the period 24 August 2017 to 12 June 2018	
Description	\$
Receipts	
Bank Charges Reversed	105.32
Cash at Bank at Appointment	172,095.48
Interest Income	27,142.00
Other Income	2,111.68
Proceeds from Sale of Magic Seaweed	1,846,660.45
Proceeds from Sale of SurfDome Shop Ltd	12,009,345.83
Trademark Asset	1.0
PAYG Withheld	333,338.00
Repayment of Loans from Subsidiaries	7,006.94
Reimbursement of Legal Fees	82,970.20
Total Receipts	14,480,776.90
Payments	
Advertising	(30,316.00)
Agent's Fees	(1,725.01)
Allowances: Car Park	(259.61)
Allowances: Mileage	(177.41)
Allowances: Mobile Phone	(3,139.03)
Appointee Fees	(2,306,986.55)
Appointee Disbursements	(38,427.05)
ASIC Annual Review Fee	(577.00)
Bank Charges	(221.24)
Corporate Domains	(1,289.64)
Credit Card Payments	(5,554.79)
Foreign Agent Charges	(4,497.76)
Freight	(16.94)
GST Paid	(23,900.00)
IT Services	(73,093.89)
Legal Fees & Disbursements	(925,041.61)
Loans to Subsidiaries	(4,980,930.40)
Meeting Expenses	(1,929.00)
PAYG Paid	(210,907.00)
Payroll Tax	(44,476.93)
Payroll Processing	(612.39)
Printing & Stationery	(3,449.00)
Staff reimbursement	(10,915.55)
Stamp Duty	(232.29)
Subcontractors	(19,933.55)
Sundry Expenses	(798.52)
Superannuation	(88,979.80)
Trademark Maintenance	(6,821.94)
Wages & Salaries	(966,436.42)
WorkCover Premium	(4,645.96)
Total Payments	(9,756,292.28)
Cash at Bank as at 12 June 2018	4,724,484.62



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About FTI Consulting

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organisations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. FTI Consulting professionals, who are located in all major business centers throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management and restructuring. More information can be found at www.fticonsulting.com.