5 September 2022

Collection House Limited (Administrators Appointed)
ACN 010 230 716
(“the Company”)

Report to creditors – Section 75-225 of the Insolvency Practice Rules (Corporations) 2016

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1. About this report: a guide for creditors

1.1. Purpose of this report

- We are required to prepare this report under the Corporations Act 2001 and provide creditors with information about the Company's business, property, affairs and financial circumstances.
- This report contains the information we 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.
- This report and its attachments contain details about the forthcoming second meeting of creditors to be held on **13 September 2022** and 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.
- All details, forms and instructions relating to the meeting have been included with the covering letter and other documents attached to this report.

1.2. Second meeting of creditors

- The Administrators are required under law to convene a second meeting of creditors, at which time creditors will vote on the future of the Company.
- As mentioned above, the second meeting of creditors will be held on **Tuesday, 13 September 2022** using virtual meeting facilities at 1:00PM (AEST).
- Should you wish to attend the second meeting of creditors, please complete and return the relevant forms outlined below, to our office by no later than **1:00PM (AEST) Monday, 12 September 2022**.
- Meeting forms are also available to download from the FTI Consulting Creditor Portal: www.fticonsulting.com/creditors/collection-house-limited

1.3. How to participate in the meeting

PLEASE READ CAREFULLY

- In order to attend the meeting, you must complete and return the below forms via email to CollectionHouse@fticonsulting.com by no later than **1:00PM (AEST) Monday, 12 September 2022**.

1. Meeting Registration Form

You must complete this online form if you wish to attend the meeting of creditors, and vote at the meetings:

Link to meeting registration form: **bit.ly/collectionhousemeeting**

A creditor unique identifier will also be provided to be used for voting at the meeting.

2. Proxy Form

You must complete this form if you wish to appoint another person to attend the meeting on your behalf (corporate creditors must complete this form).

Non-individual creditors (corporate, trusts, etc.) who want to be represented must appoint an individual to act on its behalf by executing a proxy form.

Individuals may choose to appoint a proxy/representative to vote on their behalf by executing a proxy form.

3. Proof of Debt Form

You must complete this form in order to vote at the meeting.
This form is required to register your claim against the Company for voting purposes only (if not submitted already).

Documents to substantiate your claim (e.g. invoices) must also be provided.

1.4. Key messages and recommendations

- Ben Campbell, Kelly-Anne Trenfield and I, John Park were appointed Voluntary Administrators of the Company on 29 June 2022.
- Our preliminary investigations indicate the Company was likely insolvent from at least April 2022 and remained so until the time of our appointment.
- Our investigations also indicate there may be transactions which a Liquidator could pursue which might result in recoveries for the benefit of creditors.
- **In our opinion it is in the creditors' best interests for the Company to enter into a DOCA.**
- The DOCA is summarised at Section 7 of this report.
- An eligible employee meeting is being held prior to the second meeting of creditors for employees to consider the proposed DOCA. Eligible employee creditors have received a separate notice for that meeting.
- Section 2.2 of this report summarises the items considered to be the most important for creditors.

1.5. Questions and help

Please contact us on (07) 3225 4900 or CollectionHouse@FTIConsulting.com if you are unsure about any of the matters raised in this report or the impact any decision about the Company's future may have on you. Our postal address is:

Collection House Limited (Administrators Appointed)
C/- FTI Consulting
GPO Box 3127
Brisbane QLD 4001

2. Key messages

2.1. Overview of administration strategy

Administrators' strategy and major actions

Strategy & trading	■ Continued to trade the Company on a business-as-usual basis in pursuit of a sale or recapitalisation of the business	■ Planning and engagement with key stakeholders, including Management and Clients	■ Obtained funding from Westpac to ensure continue trading of the Company with minimal business disruption	■ Conducted a campaign to sell the business or recapitalise the Company, and progressed negotiations with numerous interested parties	■ Liaised with interested parties regarding final round offers. Considered the impact on stakeholders and agreed documentation with Credit Corp
Statutory matters & investigations	■ Attended to all required statutory obligations and requirements	■ Undertook preliminary investigations into the performance and position of the Company leading up to our appointment	■ Formed a preliminary opinion on the existence of voidable transactions and other potential claims or breaches of the Act	■ Formed a preliminary opinion on the date of insolvency and events leading up to insolvency	■ Three (3) separate applications to Court for approval of the Administration Funding and the extensions of the convening period
Stakeholders	■ Engagement with employees, customers, and trade suppliers ■ Circular and correspondence to over 600 employees, creditors and suppliers	■ Facilitated first meeting of creditors via electronic facilities.	■ Dealings with regulatory authorities, including ASIC, ASX, ATO and ACCC	■ Calculated outstanding entitlements for over 460 employees and former employees	■ Preparation of this report pursuant to section 75-225 of the IPR

2.2. Key messages for creditors

Set out below is a summary of the key messages and recommendations 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
Explanations for the Company's difficulties	Our investigations have identified the following reasons for the Company's failure: ■ Suffered trading difficulties and continued losses through COVID-19 pandemic; ■ Debt collection referrals from clients significantly decreased from 2020 as a result of the pandemic; ■ An inability to raise further capital via equity markets throughout 2022; ■ Certain fixed costs were unable to be reduced in line with reduced revenue; and ■ Increased dependence on external financial facilities to continue to operate the business.	Section 4.10
Administrators' actions and strategy	Our actions and strategy for the administration has been: ■ Establish an in-depth understanding of the business and continued to trade as "business-as-usual"; ■ Ensure clear and consistent communication with key stakeholders, including Management, Senior Lenders, employees and clients regarding the ongoing trade of the business and sale/recapitalisation campaign; ■ Engaged in a campaign in relation to the sale of the business or recapitalisation of the Company; and ■ Liaised with 50 interested parties, assessing offers received and progressed negotiations.	Section 5.1
Estimated date of insolvency	Our preliminary view is the Company was likely insolvent from at least April 2022 and remained so up until the time of our appointment on 29 June 2022.	Section 6.2.1
Voidable transactions	We consider there may be transactions which a liquidator could pursue which might result in property or money being recovered for the benefit of creditors. These include unfair preferences to up to eight (8) creditors estimated total of c.$1.4M.	Section 6.4
Offences by directors	Based on our investigations to date, although the Company had likely traded whilst it was insolvent, we do not consider the Directors have committed a breach of section 588G of the Act on the basis they are able to rely on the Safe harbour provisions pursuant to section 588GA of the Act. No other offences which may have been committed by the Directors have been identified.	Section 6.4

<table>
<tr><th>Key areas</th><th>Commentary</th><th>Analysis</th></tr>
<tr><td>Liability for insolvent trading</td><td>Based on the estimated date of insolvency and the potential defences available to the Directors, there is unlikely to be any claim for insolvent trading against the Directors.</td><td>Section 6.3.3</td></tr>
<tr><td>Proposal for a deed of company arrangement</td><td>A proposal for a DOCA has been received from Credit Corp. The DOCA provides for
■ Payment of an $11M Contribution;
■ Transfer of 100% of shares in the Company to Credit Corp;
■ Provision of interim funding to enable ongoing operations of the Company; and
■ Creation of a Creditors' Trust to enable the transfer of shares in the Company and make distributions.</td><td>Section 7</td></tr>
<tr><td>Estimated outcome for creditors</td><td>The estimates shown are based on the information presently available, our view of the Company's estimated realisable value of assets and estimated claims of creditors:
<table>
<tr><th></th><th>Liquidation</th><th>DOCA</th><th>DOCA Timing of payments</th></tr>
<tr><td>■ Secured creditor</td><td>See below</td><td>5 - 22 c/$</td><td>3-6 months</td></tr>
<tr><td>■ Priority employee claims</td><td>Nil</td><td>100 c/$</td><td>Within 3 months</td></tr>
<tr><td>■ Small Claim Creditors</td><td>Nil</td><td>50 c/$</td><td>3-6 months</td></tr>
<tr><td>■ Unsecured creditors</td><td>Nil</td><td>3 - 8 c/$</td><td>3-6 months</td></tr>
</table>
The key factors and variables impacting the estimated return to creditors in a DOCA scenario include:
■ the operation and performance of the business to completion;
■ the timing for completion to occur; and,
■ the level of creditor claims.
At this stage, we do not have sufficient available information to appropriately estimate the return to secured creditors in a liquidation. It is dependent on the realisation of assets subject to their securities. We do however consider it is likely to be significantly less than the estimated return to secured creditors in a DOCA.</td><td>Section 8</td></tr>
<tr><td>Remuneration</td><td>Under section 449E of the Act, the remuneration of the Administrators (and either the Deed Administrators and Trustees 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.</td><td>Appendix 8</td></tr>
</table>

3. Recommendation on the Company’s future

In our opinion it is in the creditors’ interests the Company execute a DOCA in line with the terms proposed by Credit Corp. Details regarding the estimated return to creditors and other information about what creditors can decide at the meeting are provided at Sections 8 and 9 of this report.

Options available to creditors	Option 1: Execute a DOCA	Option 2: Administration ends	Option 3: Liquidation
Description	■ Whether it would be in the creditors’ interests for the Company to execute a DOCA	■ Whether it would be in the creditors’ interests for the administration to end	■ Whether it would be in the creditors’ interests for the Company to be wound up
Key factors to consider	■ On balance, there is greater certainty under the DOCA proposal compared to a liquidation scenario ■ The DOCA provides for the continued operation of the Company ■ It is likely all classes of creditors will potentially receive a return under the DOCA proposal compared to only secured creditors receiving a return if the Company was immediately wound up	■ The Company is insolvent with no cash to pay all due debts and no confirmed prospects of obtaining external funding	■ A liquidation would likely result in a cessation of trade and wind down of operations ■ The proposed DOCA will likely provide a higher cents in the dollar return for secured creditors than they may receive in an immediate winding up ■ The proposed DOCA will likely provide a return for all other classes of creditors as opposed to receiving no return in an immediate winding up
Our opinion	■ **Is in the creditors’ interests the Company execute a DOCA in line with the terms proposed**	■ **Not** in the creditors’ interests the administration should end	■ **Not** in the creditors’ interests the Company be wound up
Recommended option	**Recommended**	Not recommended	Not recommended
Potential to adjourn the meeting to a future date	■ Creditors may wish to adjourn the second meeting for up to 45 business days ■ It is a matter for creditors to decide if they wish to adjourn the meeting		

4. Background information

4.1. Appointment of Administrators

- On 29 June 2022, Ben Campbell, Kelly-Anne Trenfield and I, John Park were appointed joint and several Voluntary Administrators of Collection House Limited (Administrators Appointed) in accordance with a resolution passed at a meeting of the Company's Directors pursuant to section 436A of the Act.
- In a voluntary administration, the Administrators take control of a company and its affairs, superseding the powers of the directors and officers to make decisions and perform management functions.
- We also have a duty to conduct preliminary investigations into the Company's business, property, affairs and financial circumstances.

4.2. Outcome of the first meeting of creditors

- The first meeting of creditors was held on 11 July 2022 to consider the formation of a committee of inspection and whether or not to appoint different persons to be the Administrators of the Company.
- No committee of inspection was formed and there were no nominations to replace us as Administrators.

4.3. Administrators' prior involvement and independence

- In accordance with section 436DA of the Act, we provided employees and creditors with a DIRRI in our first circular on 1 July 2022. This DIRRI included the circumstances which led to our appointment as Administrators.
- A copy of our DIRRI was tabled at the first meeting of creditors held on 11 July 2022 and is available on FTI Consulting's Creditors Portal www.fticonsulting.com/creditors/collection-house-limited.

  There is no change to our assessment regarding our independence or to the information provided in the DIRRI.

4.4. Extensions of the convening period

- Section 439A of the Act requires an administrator to hold the second meeting of creditors within five (5) days after the end of the 20-business day convening period unless the convening period is extended by the Court.
- We applied to Court on two occasions for extensions of the convening period.
- Given the high volume of interest from parties in acquiring the Company and/or its business, the Administrators applied for the first extension to the convening period. The application was heard on 19 July 2022 and orders were made to extend the convening period to 26 August 2022.
- The extension provided the Administrators with additional time to undertake a thorough campaign for the sale of business or recapitalisation of the Company and substantially progress negotiations.

- Despite best efforts, it was not possible to obtain final binding agreements and have sufficient time to report to creditors before 26 August 2022. Accordingly, the Administrators applied for a second extension of the convening period. The application was heard on 24 August 2022 and orders were made to further extend the convening period to no later than 30 September 2022.

4.5. Administrators' announcements on the Australian Securities Exchange

The following announcements were made on the ASX during the period of the administration:

Date	Headline
30 June 2022	Suspension from quotation
30 June 2022 | 1 July 2022	Collection House Limited enters voluntary administration
8 July 2022	Commencement of sale and/or recapitalisation process
21 July 2022	Extension of convening period
29 July 2022	Update to shareholders
29 August 2022	Binding Agreement for Transfer of Shares

These announcements directly on the ASX website: https://www2.asx.com.au/markets/company/clh

4.6. Company information and historical performance

Appendix 2 includes statutory information regarding the Company. **Appendix 3** provides a summary of the Company's historical performance and our preliminary analysis and comments regarding the existence and form of financial statements prepared by the Company.

4.7. History of the Company and events leading to our appointment

- The Company was incorporated on 16 April 1981 and provides debt collection and receivables management services in Australia, New Zealand and the Philippines.
- The Company is the parent entity of the Collection House Group of entities as summarised in **Appendix 2.**
- At the time of our appointment, the Group employed 675 people, with 499 of those being employed in Australia across Queensland, New South Wales and Victoria (459 were employed by the Company). We understand the Group also had 176 employees in New Zealand and the Philippines.
- The Group's revenue is primarily derived through two (2) segments:
  - Collection Services; and
  - Purchased Debt Ledgers.

Our initial observations of the operations of the Company are:

- The revenue is primarily derived from the banking, finance and insurance sectors along with government-based agencies. The majority of clients significantly reduced debt collection enforcement during the pandemic.

- Borrowing facilities were primarily provided by the Senior Lenders under secured term facilities.
- The Company held various PDL assets, the majority of which were sold during the past two (2) years, the proceeds of which were used for reduction of senior debt.

4.8. Timeline of events leading up to appointment

Date	Event
Pre Feb-20	Based on the outcomes from the Financial Services Royal Commission and feedback from stakeholders, the Company undertook and implemented a review of its operating model and collection strategies. A change in organisational culture was emphasised due to negative media reporting on collection policies. Following bushfires across Queensland and New South Wales, lower repossession volumes and referral rates were experienced for a 12-month period, impacting the Company's EBITDA.
14-Feb-20	Voluntary suspension of securities on the ASX whilst considering carrying value of PDL assets and implications on the Company's senior lending arrangements. Negotiations for a standstill agreement with Senior Lenders commenced. The Company engaged external advisors.
Mar-20	COVID-19 restrictions commence across Australia.
1-Apr-20	Directors commenced Safe Harbour checklist.
May - Dec-20	The Company engaged corporate advisors, Flagstaff Partners, to conduct a process for the sale of the Group's PDL assets. The process was part of a debt reduction strategy agreed with the Company's Senior Lenders. Certain PDL assets were sold to Credit Corp for an upfront purchase price of c.$160M. Proceeds of the transaction were applied in reduction of the Senior Lenders' facilities from c.$197.2M to c.$60M and a refinance of the remainder by the Senior Lenders was agreed. This sale also provided the Company with a funding facility of $10M which was repaid from FY21 tax return proceeds. Due to fundamental changes to the nature of the business, the Company implements a first stage of cost reduction programs, generating annualised savings of c.$9M.
31-Dec-20	The temporary insolvency protections provided to financially distressed businesses, by Coronavirus Economic Recovery Response Package Omnibus Act 2020 (Cth) ends.
Feb-21	COVID-19 lockdowns continue to impact revenue projections at the beginning of calendar 2021. The Company obtained a formal waiver of lending covenants from Senior Lenders.
20-Apr-21	COVID-19 lockdowns continue to impact revenue projections. Attempted occupancy cost reductions did not eventuate due to difficulties in the Brisbane sub-leasing market.
Aug-21	New Zealand enters lockdown with all banking clients placing debt collection activities on hold.
1-Sep-21	Negotiations commenced to recapitalise the business with a range of counterparties, including private equity. The Company implements a further stage of costs reduction initiatives forecasting a positive impact on FY23 EBIT of $21M.
Nov-21	The Directors acknowledged the need to consider a voluntary administration process should the Company's situation further deteriorate.
Dec-21	Management continue to actively progress a recapitalisation of the Company through a variety of strategies including public markets recapitalisation, refinancing of existing debt and privatisation alternatives.

Date	Event
	The Company's legal advisors, Clayton Utz, on behalf of their client, the Company, engage FTI Consulting to undertake contingency planning for a potential formal restructure via Voluntary Administration.
Jan-22	Refinancing negotiations with preferred private equity counterparty are unsuccessful.
Feb-22	Company enters binding agreement to sell its New Zealand PDL asset to Credit Corp. As part of the transaction, Credit Corp acquired the Senior Lenders' debt (excluding Facility C) and agreed to release the Company from c.$52M of debt at completion. The Company simultaneously entered into an amended arrangement with Senior Lenders to limit further recourse on $6M of senior debt against the recoverable value of the Company's shareholding in Volt.
26-Apr-22	Completion of the New Zealand PDL asset sale to Credit Corp.
1-May-22	The Company continued to operate with negative operating cashflow as it pursued capital raising solutions. These initiatives were ultimately unsuccessful as a result of a range of factors including general capital market conditions, the challenges associated with the Company's negative operating cashflow position and an inability to resolve material costs issues including the Brisbane lease costs.
29-Jun-22	It was resolved the Company is insolvent or is likely to become insolvent at some future time and John Park, Ben Campbell and Kelly-Anne Trenfield were appointed as Joint and Several Voluntary Administrators of the Company.

4.9. Directors' explanation for the Company's difficulties

The Directors of the Company have indicated to us the current circumstances faced by the Company are a result of the following:

- Ongoing trading difficulties through the COVID-19 pandemic, and the consequential inability to adequately recapitalise the Company for the future when conditions began to normalise;
- Clients elected to significantly reduce or delay debt collection referral volumes, while imposing a range of customer contact restrictions;
- Following completion of a series of PDL asset and other non-core asset sales, the Company was unable to find strategic investors willing to participate in the proposed capital raise;
- Without such support, the Company's ECM advisors indicated any proposed capital markets transaction would not be considered. Attempts to identify new investors to support an ECM transaction became increasingly difficult as global equity market conditions deteriorated during May and June 2022;
- The Company's inability to acquire alternate debt financing arrangements; and
- Whilst a number of parties were interested in supporting the Company:
  - the uncertainty around returning the Company to a self-funding position after client-imposed restrictions from COVID-19 and the recent flooding events; and
  - aspects of the Company's overhead cost structure (particularly occupation costs) remained significant impediments to negotiating acceptable terms of a financing arrangement.

4.10. Administrators’ observations of the Company’s difficulties

From our investigations to date, we largely concur with the Directors’ stated reasons for the Company’s failure and in addition, note the following reasons:

- Sustained decline in revenue from continuing operations from FY20, namely:
  - Declining revenue during FY20 was a consequence of several natural disasters which occurred in the Company’s region of operations, combined with the onset of the COVID-19 induced economic restrictions; and,
  - COVID-19 continually impacted the operation of the Company during FY21 and FY22 as prolonged lockdowns, and a reluctance by clients to enforce collection policies contributed to a further decrease in revenue.
- The Company’s overhead costs were not able to be reduced in-line with the impact of declining revenue. In particular its leasing obligations, were a substantial burden on the Company’s trading performance; and,
- The Company struggled to secure investor support or alternate funding arrangements to meet short and long-term working capital requirements due to the uncertainty surrounding the Company’s future performance in the post COVID-19 environment and its ability to address its overhead cost base.

4.11. Opinion about books and records

Section 286(1) of the Act requires a company to keep written financial records which correctly record and explain its transactions and financial position and performance and would enable true and fair financial statements to be prepared and audited.

In considering compliance with this section, since our appointment we have:

- reviewed various financial reports to help us understand the Company’s asset and liability position;
- reviewed various correspondence and documents relevant to the financial position and performance of the Company;
- undertaken investigations and reviews incorporating financial records and data; and
- discussed the Company’s finance function, processes and record keeping practices with its Directors and Management.

In our view, as of the date of our appointment, the financial records of the Company appear to have been maintained in accordance with section 286 of the Act.

4.12. Outstanding winding up applications

The following searches were conducted following our appointment:

- ASIC Company register;
- ASIC Insolvency Notices website; and
- State court websites.

These searches confirmed no winding up applications or legal actions against the Company. Further, a review of Company records and enquiries made with the Company’s legal representatives did not identify any outstanding winding up applications or statutory demands issued against the Company.

5. Strategy and financial position

5.1. Actions and strategy to date

On our appointment we elected to continue to operate "business as usual" whilst progressing the below key strategies and actions:

5.1.1. Trading

- Continued to operate the business on a "business-as-usual" basis to assess options available for either a sale or recapitalisation. Details of the Transaction Process is provided in Section 5.2.
- Notified all suppliers and applicable statutory bodies of our appointment.
- Secured interim funding and support from Westpac to continue operations and to undertake the Transaction Process.
- Opened new accounts with the Company's suppliers as required for ongoing trade during the voluntary administration.
- Setup trading protocols and a purchase order system with the Company's procurement and accounts payable team.
- Communicated extensively with the Company's suppliers (and internal procurement team) concerning supply, orders and account balances.
- Frequent communication with the Company's key clients to advise of our appointment, outline the general process of a voluntary administration and to discuss the Company's ongoing service provision during the voluntary administration.
- Engage with the Company's insurance broker and secure ongoing cover for the insurance period up to April 2023, and for the purpose of the voluntary administration.
- Prepared a cash flow forecast and closely monitored cash position throughout the administration.

5.1.2. Funding agreement

The Administrators entered into an agreement with Westpac on 7 July 2022 to provide funding the voluntary administration. The funding agreement enabled us to:

- Continue to trade the business whilst we undertook the sale and recapitalisation campaign process for the Company; and
- Continue the employment of the Company's workforce.

On 8 July 2022, the Supreme Court of Queensland made orders to:

- Confirm the Administrators were justified and otherwise acting reasonably in entering into the funding agreement and drawing down funds; and,
- Limit the personal liability of the Administrators.

These orders were made pursuant to section 90-15 of Schedule 2 and section 447A of the Act. A copy of the application and court orders are available on the FTI Consulting Creditors Portal.

At the date of this report, we have fully drawn the $4.2M funding provided under the agreement.

5.1.3. Employees

- Wrote to all employees advising of their position as creditors of the Company.
- Conducted virtual town hall meetings with Company staff to address any employee queries.
- Liaised directly with various employees regarding specific issues and queries.
- Reviewed Company records to quantify employee entitlements and notified employees regarding same.
- Instructing legal advisors to review and amend template employment agreements to ensure appropriate for hiring requirements during voluntary administration.
- Amendments to further employment contract templates to facilitate hires during voluntary administration.
- Worked closely with Management and payroll staff to ensure processing of staff onboarding and cessations.
- Attended regular Management meetings on operational issues.

5.1.4. Premises/landlords

- Negotiated an alternate leasing arrangement with Growthpoint Properties Australia in relation to the premises at Skyring Terrace, Brisbane.
- Liaised with landlords concerning the Administrators’ intention to vacate premises and to give notice of the Company’s intention not to exercise property rights for the premises located at:
    - Australia Square, Sydney;
    - Pirie Street, Adelaide; and
    - Oxford Street, Sydney.

5.1.5. Court applications - extensions of convening period

- As detailed in Section 4.4 if this report, we obtained two (2) extensions to the convening period. The second order extended the convening period to no later than 30 September 2022.
- A copy of the applications and court orders are available on the FTI Consulting Creditors Portal. If any creditors have any questions about the implications of the court applications or would like further information, please contact us.

5.1.6. Investigations

- Conducted and reviewed searches in relation to the Company and its Directors.
- Obtained relevant books and records of the Company.
- Organised access to and backup of ERP system and the Company’s data centre.
- Reviewed and analysed the Company’s financial books and records.
- Engaged with key Management in relation to the Company’s historical background.

- Reviewed all available books and records and other information concerning the Company to form a preliminary view on any potential breaches of the Act or potential voidable transactions where money or property may be recoverable for the benefit of creditors.

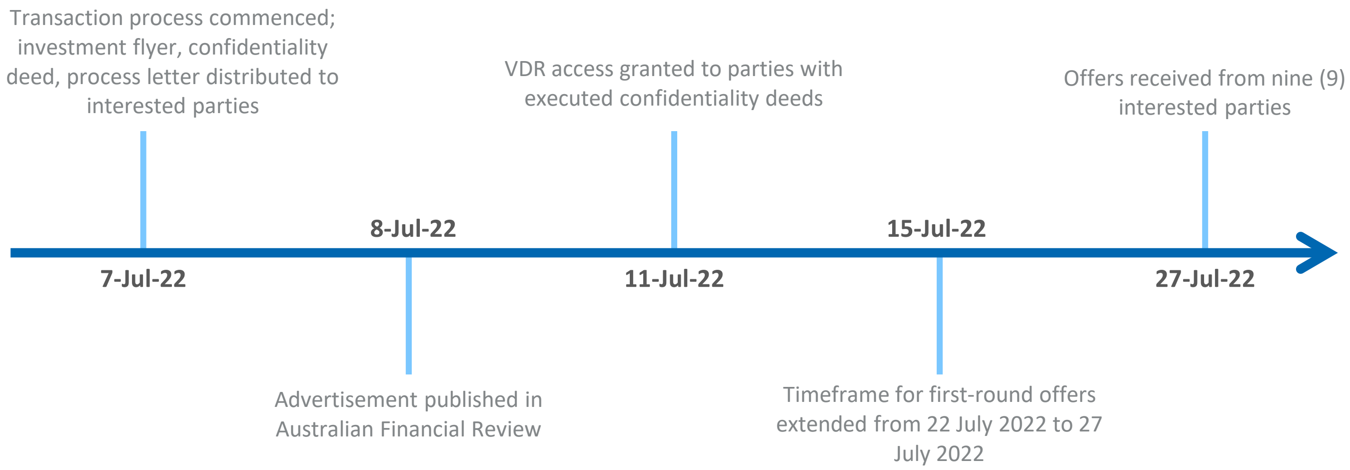
5.1.7. Statutory

- Notified applicable statutory and government bodies of our appointment.
- Prepared and issued our Initial Information for Creditors and Suppliers, which included our DIRRI.
- Held the first meeting of creditors of the Company.
- Prepared and attended to lodgement of required ASIC forms.
- Prepared this report pursuant to section 75-225 of the IPR.
- Obtained legal advice regarding reporting relief to companies in voluntary administration and surviving obligations concerning certain notifications.
- Sought and obtained an order from the court to enter into a funding agreement with the Company's lender, Westpac.

5.2. Sale and recapitalisation campaign

Following our appointment, the Administrators commenced a campaign for the sale and/or recapitalisation of the Company. Below is a timeline of key milestones throughout the Transaction Process:

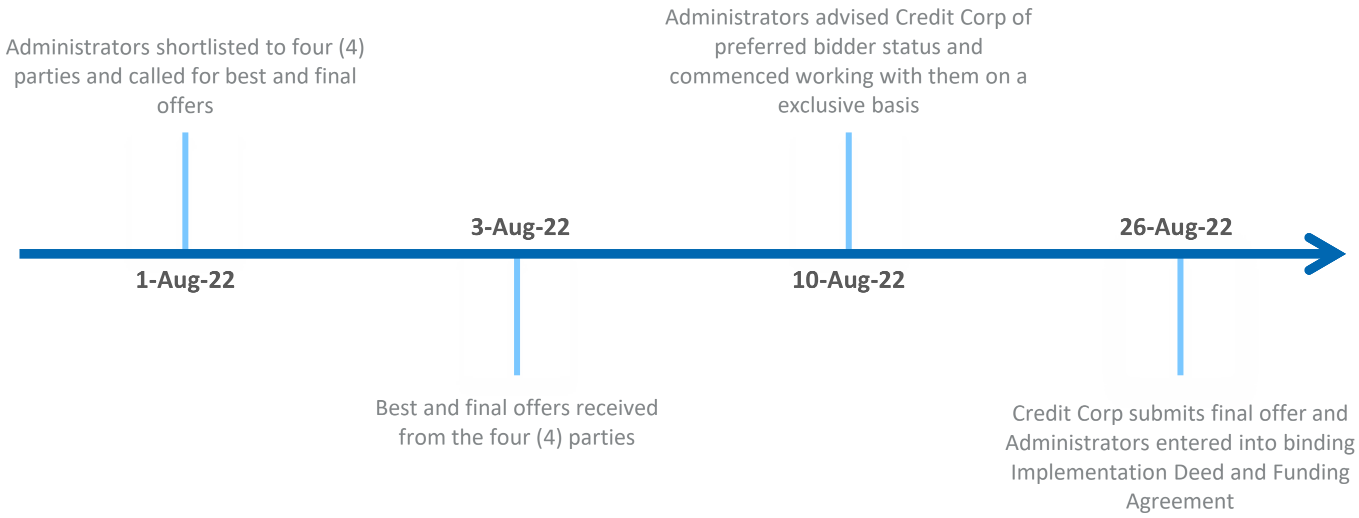
First round offers



- On commencement of the Transaction Process the Administrators called for offers for the sale and/or recapitalisation of the Company. Offers were initially due by 22 July 2022 which was later extended to 27 July 2022.

- The Administrators undertook the following tasks up to the first-round offer date:
  - Engaged with 50 initial interested parties and provided details of the Transaction Process, investment flyer, a confidentiality deed and invited expressions of interest to be involved in the Transaction Process
  - Entered into confidentiality deeds and granted 26 parties access to a VDR from 11 July 2022, which contained information about the business and financial position of the Company
  - Worked with the Company’s Management team to collate financial information and data for the VDR including a Management presentation, detailed 3 year forecast and short-term cash flow;
  - Actively responded to interested parties’ queries through the VDR; and,
  - Conducted nine (9) management presentations with the Company’s Executive Leadership Team.
- By 27 July 2022, the Administrators received nine (9) offers for either the transfer of shares in the Company, sale of the assets of the Company or sale of shares of certain subsidiaries of the Company.

Final round offers



- After assessing the first round offers, the Administrators invited four (4) bidders to submit best and final offers by 3 August 2022.
- The four (4) bidders submitted best and final offers on 3 August 2022. The Administrators assessed the offers and considered the following:
  - Potential returns to creditors, including priority employee claims, Secured Lenders’ claims and unsecured creditors;
  - The time to complete each proposed transaction and the operational funding available as part of the offers;
  - The conditions attached to the offers and the ability to satisfy the conditions;
  - The ability of each party to complete the transaction; and
  - Other commercial considerations relevant for the ongoing viability of the business.
- From our assessment, Credit Corp was selected as the preferred bidder and exclusivity was provided to Credit Corp to undertake its confirmatory due diligence which commenced on 10 August 2022.

Credit Corp binding proposal

On 26 August 2022 Credit Corp submitted its final offer, through a DOCA proposal for the transfer of all shares in the Company. The Administrators and Credit Corp entered into binding Implementation Deed and Funding Agreement to set out the timing and obligations of the DOCA proposal.

The key features of the Credit Corp DOCA proposal are provided in Section 7 of this report and a copy of the DOCA proposal is attached as **Appendix 9**. A summary of the transaction follows:

- Transfer of 100% of shares in the Company to Credit Corp, with the Deed Administrators to transfer shares with leave of the Court pursuant to section 444GA(1)(b) of the Act.
- At Completion, which occurs at the time the shares are transferred to Credit Corp and liabilities are transferred to the Creditors' Trust, Credit Corp will pay $11M to comprise the Creditors' Trust Fund to be available for distribution to creditors.
- Credit Corp will assume entitlements of all current employees of the Company and its subsidiaries.
- Credit Corp has provided working capital up to the amount of $2.2M to the Administrators and Deed Administrators for the operations of the Company up to completion.
- The Credit Corp DOCA proposal is subject to the following conditions:
    - The making of an order by the Court pursuant to section 444GA(1)(b) of the Act to transfer all shares in the Company to Credit Corp, and the consequent transfer of the shares. Further detail on the court application under section 444GA is outlined at **Section 7.8** of this report;
    - ASIC provision of relief pursuant to section 606 of the Act;
    - Release by Westpac of all security granted to it by the Company and any subsidiaries;
    - Payment of the $11M Deed Fund by Credit Corp;
    - Repayment of the Interim Funding provided by Credit Corp to the Deed Administrators;
    - Execution of the Creditors' Trust Deed; and
    - Termination by the Administrators of the Pre-Administration Contracts or notification the counterparties to such contracts have been notified the Company will cease to comply with, and will not perform its obligations under, and treat the Pre-Administration Contracts as being at an end.
- The timeframe for completion of the transaction is subject to the timing of satisfaction of the above conditions. We anticipate completion occurring by 30 September 2022, however this is subject to creditors' approval at the second meeting of creditors and the timing of receipt of ASIC relief and Court approval.
- The Administrators entered into a binding Implementation Deed and Funding Agreement to set out the timing and obligations of the transaction.
- Details of the estimated return to creditors under the Credit Corp DOCA proposal are provided in Section 8 of this report.

5.3. Company's financial position at appointment

5.3.1. Report on Company Activities and Property Part A by the Directors

Immediately after appointment, we requested the Directors of the Company provide a statement regarding the Company's business, property, affairs and financial circumstances in the form of a ROCAP.

A ROCAP is primarily comprised of two (2) parts being:

1. Part A – a form which details the Company's assets and liabilities
2. Part B – a questionnaire about the Company's history, operations, books and records.

Part A of the ROCAP is lodged with ASIC and is publicly available for viewing, whereas Part B is a confidential document for the use of the Administrators in performing their duties.

We received ROCAP Part A's from each of the Company's Directors which disclosed the same information and estimated realisable values for the Company's assets.

A summary of the ROCAP Part A information is provided at **Appendix 4** along with the Administrators' comments.

5.3.2. Report on Company Activities and Property Part B by the Directors

Immediately after appointment, we requested the Directors complete a questionnaire regarding the Company's history, operations and books and records in the form of a ROCAP Part B.

We received ROCAP Part B's from each of the Company's Directors which disclosed the same information regarding the Company's operations, history and books and records.

5.3.3. Related party creditors and debtors

At the time the Directors prepared their ROCAP, June 2022 month-end accounting transactions had not been finalised. Accordingly, the Directors referred to May 2022 figures in their ROCAP. Our investigations however refer to intercompany balances at June 2022, which in some instances differ markedly due to year-end procedures.

The table below summarises the differences between the Directors' ROCAP figures, which were post-tax balances at 31 May 2022, with the pre and post-tax balances at 30 June 2022.

Related party balances				
($)	**Notes**	**Directors' ROCAP May 22 ($)**	**Pre-tax balance June 22 ($)**	**Post-tax balance June 22 ($)**
Related party creditors				
CHIBI	1	1,330,776	(929,754)	(929,754)
CLH Legal	2	(22,528,025)	(34,667,429)	(21,497,057)
Lion Finance NZ	3	802,495	(4,399,777)	(4,399,777)
RMNZ	4	(757,629)	(4,393,582)	(4,393,582)
Total related party creditors				**(31,220,170)**
Related party debtors				
CLHNZ	5	(5,268,780)	1,893,509	1,893,509
Safe Horizons	6	(869,189)	437,806	306,708
Lion Finance	7	93,911,670	(14,616,494)	84,791,754
Midstate	8	5,705,521	7,210,776	5,515,081
ThinkMe	9	3,419,244	4,855,368	3,620,183
CLAD	10	175,609	237,705	255,768
Total related party debtors				**96,383,003**

We comment as follows:

- It is a common occurrence in corporate groups, particularly when consolidated for tax purposes, to operate intercompany loan accounts without formalised loan documentation. The pre-tax balances include intercompany loans, accounts payable, and accounts receivable balances between the Company and its related entities.
- The Company and its subsidiaries are part of a tax consolidated group for both GST and income tax. The Company reports and remits the entirety of the Group's GST and income tax liabilities to the ATO. The various intercompany accounts then reflect the amount each subsidiary owes to the Company in respect of tax liabilities. The tax liabilities are accounted for separately.
- The tax liabilities owed by the subsidiaries to the Company are representative of the net DTA from the perspective of the Company. We consider however, from the perspective of the subsidiaries, these liabilities are genuinely owed to the Company and may be used by the Company to offset a related entity claims against the Company or for the purposes of POD adjudication. Hence, we have recorded both pre and post-tax balances in the table above.
- From our review of the loan accounts, it appears the underlying transactions were incurred in the usual course of business and hence the intercompany creditors are outstanding and the intercompany debtors are valid debts owing to the Company.
- The collectability of these debtors in the event of liquidation would be dependent upon the value of assets held by the relevant subsidiaries.
- In the event of liquidation, the intercompany creditors would rank as ordinary unsecured creditors. In addition, these creditors are entitled to submit a POD and vote at the second meeting of creditors.

Relationship between each party and the Company

1. *CHIBI*

CHIBI is the Philippines subsidiary of the Company offering debt collection services and receivables management to the Company and third parties. The Company's use of CHIBI for these services is recorded by means of an intercompany loan. The Company provides group services to CHIBI and funds working capital on an intermittent basis. As it appears the debt owed to CHIBI was validly incurred, in the event CHIBI submits a POD at the second meeting of creditors, it will be accepted for voting purposes in the amount of c.$0.9M.

2. *CLH Legal*

CLH Legal is a subsidiary of the Company providing legal services in litigation, debt recovery, insolvency and property law. The Company utilises CLH Legal for professional services, and a retainer agreement is in place to regulate this service. The cost of these services is recorded by means of an intercompany loan. The balance of the loan is offset by regular funding provided by the Company to CLH Legal. The Company also charges CLH Legal for use of group resources.

It appears the debt to CLH Legal was validly incurred. CLH Legal has submitted a POD in the amount of c.$21.5M. After conducting an adjudication process, it is our intention to accept the POD in full for voting purposes at the second meeting of creditors.

3. *Lion Finance NZ*

Lion Finance NZ is a New Zealand based subsidiary undertaking recoveries of purchased debt. Lion Finance NZ utilises group resources and provides working capital to the Company on a regular basis.

As it appears the debt to Lion Finance NZ was validly incurred, in the event Lion Finance NZ submits a POD at the second meeting of creditors, it will be accepted for voting purposes in the amount of c.$4.4M.

4. *RMNZ*

RMNZ is a New Zealand subsidiary with operations in commercial debt collection, receivables management and services and purchased debt. RMNZ provided the Company with working capital on an intermittent basis and the Company charged RMNZ for use of group resources. As it appears the debt owed to RMNZ was validly incurred, in the event RMNZ submits a POD at the second meeting of creditors, it will be accepted for voting purposes in the amount of c.$4.4M.

5. *CLHNZ*

CLHNZ operates as the ultimate holding company of Lion Finance NZ and provides receivables management and commercial debt collection services to the Company and third parties, for a fee. Funds were regularly transferred between the entities for working capital. These transfers were partially offset by the Company charging CLHNZ for use of group resources.

A review of the unaudited management accounts of CLHNZ at 30 June 2022 indicates it has nominal net assets of c.$0.1M after adjusting to exclude intercompany and taxation accounts. Prior to this adjustment, CLHNZ has negative net assets of c.$6.9M. This indicates CLHNZ may not have sufficient assets to repay all of its liabilities. We have assumed no ERV as it appears unlikely the debt of c.$1.9M owed to the Company is recoverable.

6. *Safe Horizons*

Safe Horizons (formerly Cashflow Accelerator Pty Ltd) is an Australian subsidiary providing credit management training and financial hardship services to third parties. The Company charges Safe Horizons for the use of group resources and provides working capital on an intermittent basis.

A review of the unaudited management accounts of Safe Horizons at 30 June 2022 demonstrates it has negative net assets of c.$0.3M. This indicates Safe Horizons may not have sufficient assets to repay all of its liabilities. We have assumed no ERV as it appears unlikely the debt of c.$0.3M owed to the Company is recoverable.

7. *Lion Finance*

Lion Finance is an Australian subsidiary which purchases debt ledgers from credit providers, manages and recovers the purchased debt. The Company is owed c.$84.8M by Lion Finance, mostly incurred by way of an intercompany tax provision.

A review of the unaudited management accounts of Lion Finance at 30 June 2022 indicates it has nominal net assets of c.$0.2M after adjusting to exclude intercompany and taxation accounts. Prior to this adjustment Lion Finance has negative net assets of c.$73.2M. This indicates Lion Finance may not have sufficient assets to repay all of its liabilities. We have assumed no ERV as it appears unlikely the debt of c.$84.8M owed to the Company is recoverable.

8. *Midstate*

Midstate is an Australian subsidiary which provides commercial debt collection services and receivables management and services. The Company provided funding to Midstate to cover operational costs and other corporate costs incurred by the Company on behalf of Midstate.

A review of the unaudited management accounts of Midstate as at 30 June 2022 demonstrates it has negative net assets of c.$4.5M. This indicates Midstate may not have sufficient assets to repay all of its liabilities. We have assumed no ERV as it appears unlikely the debt of c.$5.5M owed to the Company is recoverable.

9. *ThinkMe*

ThinkMe is an Australian subsidiary providing both credit and credit assistance services. The Company incurred operational costs and other corporate costs on behalf of ThinkMe.

A review of the unaudited management accounts of ThinkMe as at 30 June 2022 demonstrates it has negative net assets of c.$2.9M. This indicates it may not have sufficient assets to repay all of its liabilities. We have assumed no ERV as it appears unlikely the debt of c.$3.6M owed to the Company is recoverable.

10. *CLAD*

CLAD is an Australian subsidiary, providing training in financial services and leadership, including internal certificate training in the debt collection industry. The Company is owed c.$0.26M by CLAD for use of group resources, generally in respect of CLAD’s wages and operating costs.

A review of the unaudited management accounts of CLAD as at 30 June 2022 indicates it has net assets of c.$0.44M, where the majority of its assets are comprised of cash and receivables. In the event of a liquidation there may be potential recoveries of monies owed by CLAD. It should be noted however, as an Australian subsidiary of the Company, CLAD guarantees the Company’s secured banking facilities, which would rank above this claim in a liquidation.

6. Investigations, offences and voidable transactions

6.1. Overview – voidable transactions and insolvency

6.1.1. Duty to investigate

The law requires us to investigate and specify whether there appears to be any voidable transactions in respect of which money, property or other benefits may be recoverable by a liquidator under Part 5.7B of the Act.

We have sought to ascertain whether the Company was insolvent at any point in time prior to our appointment as Administrators, to determine a point in time from which these provisions may apply.

6.1.2. Relevance of liquidation versus DOCA

Voidable transactions and other actions a liquidator can take are not available if the Company executes a DOCA.

As a result, creditors have to assess the advantages to them of a DOCA (and any benefits which may be available to them in this scenario), compared to the likely return in a liquidation (and any recoveries which may be available where a liquidator is appointed).

To help creditors, where a DOCA is proposed, the Estimated return to creditors in Section 8 of this report will include a comparison between liquidation and the DOCA, highlighting the differences in estimated recoveries, outcomes and timing differences.

6.1.3. Work performed

We have made enquiries into the financial affairs of the Company. In this section, we set out our preliminary views and findings about:

- Offences which may have been committed.
- The solvency position of the Company.
- Existence of voidable transactions – including unfair preferences and loans, uncommercial transactions, arrangements to avoid employee entitlements, and unreasonable director related transactions.
- Charges which may be voidable.
- Whether there is the prospect of a claim for insolvent trading.

Please note the investigations we have undertaken are only indicative of the actions which may be possible in the event of liquidation.

6.2. General information and considerations

6.2.1. 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 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.

6.2.2. What is insolvency?

Solvency is defined in section 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 which 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 a company’s balance sheet position is still relevant).

Consideration of the entire financial position of a company is required to establish if it is insolvent at a particular date. 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.

6.2.3. General and commercial considerations

Proving insolvency is often a complex exercise and usually involves considerable time and expense in thoroughly investigating all aspects of claims. Legal advice on the merits of claims is generally required.

Typically, insolvent trading claims are defended and directors may seek to rely on the statutory defences available to them.

Legal proceedings are often necessary for liquidators to pursue claims. This adds to the time and costs involved in pursuing claims. There is also inherent uncertainty involved with any litigation. As a result, commercial considerations are relevant, including whether the amount of the claim is large enough to pursue on a cost and risk/benefit basis.

The capacity of a party to pay any successful claim to a liquidator is also a relevant consideration in determining whether pursuing an action is likely to be in the interest of creditors.

Liquidators may not have funds to pursue actions. At other times, the liquidator may view the risks/benefits of pursuing an action not to be in the interest of creditors (for example, in cases where pursuing an action would use up the available cash/assets when otherwise a small dividend to creditors could be paid). In these circumstances, it is possible a creditor or a litigation funder may wish to fund an action to pursue a claim. This typically occurs only when there is a very strong case and high prospect of success.

6.2.4. Creditors’ information sheet and other explanations

Provided at **Appendix 6** 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.

6.3. Insolvency and liability for insolvent trading

6.3.1. Summary of findings

We summarise the key findings from our investigations into the Company’s solvency position as follows:

- The Company has been operating at a loss for at least the last three (3) financial years;
- The Company had a net asset deficiency and current ratio (excluding tax assets) below one (1) since FY20;
- The Company was able to obtain sufficient ongoing funding through asset sales and short term funding secured by its investment in Volt to fund the operating losses and working capital requirements of the Company;
- As previously discussed, the Company’s decrease in revenue is primarily attributed to a combination of debt collection enforcement being placed on hold during the pandemic, and its clients’ lack of appetite to collect outstanding debtors during the period;
- The majority of the Company’s current assets are associated with deferred tax income, which is unable to be readily utilised to service current liabilities;
- Since 2020, the Company had been actively pursuing options to restructure the Company by selling down trading assets, in particular its PDLs;
- The Company entered into one (1) payment arrangement with the Queensland SRO on 21 December 2021. Additionally, our investigations have identified the Company negotiated payment terms with at least two (2) other creditors;
- Suppliers and statutory liabilities were increasing from April 2022. Accounts payable in April 2022 was c.39% over 60 days which indicates debts were not being paid within trading terms;
- Prior to our appointment, the Company attempted to renegotiate lease terms with landlords to reduce overhead costs in line with the reduced revenue and operational requirements of its business but was ultimately unsuccessful in its negotiations.

6.3.2. Estimated date of insolvency

Our preliminary view is the Company became insolvent from at least April 2022.

The primary reasons for our views are set out below:

- The Company made significant trading losses from FY20 onwards, primarily precipitating from COVID-induced restrictions impacting its core business model.
- In late 2021 and early 2022, the Company was able to arrange ongoing short-term working capital funding from its existing lenders and other sources which allowed access to ongoing financial support to fund the operating losses of the Company, however was unable to obtain longer term financial support from its lenders and/or shareholders.

- The Company was actively taking steps to reduce overhead costs including working with the landlords to renegotiate lease terms and/or sublease unused leased floorspace throughout 2022. The Company faced significant difficulties in its attempts to reduce lease costs due to a slow leasing market and lease costs well in excess of current market levels. The Company's inability to reduce its cost base contributed to the Company's insolvency.
- Further, in attempts to reduce the Company's borrowings as agreed with its lenders, the Company entered into a number of asset sale transactions in the period between 2020 and 2022, the most significant being:
  - 2020 PDL Sale;
  - NZ PDL Transaction; and
  - Balbec Transaction.
- We also understand the Company had been in exclusive negotiations with a private equity firm from December 2021 to late January 2022 with the aim of recapitalising and privatising the Company. Although the Administrators are not privy to the specifics of the terms offered, it is our understanding this transaction was expected to have alleviated the Company's liquidity issues over the medium to longer term. However, in or around late January 2022/early February 2022, the exclusive negotiations with the private equity firm ceased.
- On 21 February 2022, the Company entered into the NZ PDL Transaction which settled on 26 April 2022. As part of this transaction, the Company negotiated the assignment and ultimate forgiveness of c.$52M in secured debt and obtained short term working capital funding. At this point, the Company had no further available PDL assets to dispose of and had only limited funding available to service its liabilities as and when they fell due.
- Following completion of the NZ PDL Transaction, the Company re-engaged with interested parties to explore opportunities for further funding and/or recapitalisation of the Group, however was not able to implement a transaction in the timeframe required given its limited liquidity and ongoing cash burn.
- Until April 2022, the Company was able to service debts by relying upon asset sales and facility drawdowns. Once the Company had no further assets available for sale and continued to generate significant operating losses, the balance of debts in arrears increased markedly, as evidenced by the May and June 2022 aged payables balances.

6.3.3. Preliminary view on liability for insolvent trading

From our preliminary investigations the Company appears to have become insolvent from April 2022. However, we consider it unlikely the Directors would be liable for any insolvent trading claim on the basis of potential defences available to the Directors as will be discussed in Section 6.3.4 of this report.

In the event of a liquidation, further work would be performed regarding the solvency position of the Company to confirm our preliminary investigations which would likely involve a public examination of the Directors and Officers of the Company.

Nevertheless, we note it is unlikely the outcome of such investigations would materially alter the position of the defences available to the Directors, nor the commerciality of pursuing any such claims (given the costs which would be necessitated in this avenue of inquiry).

Creditors should refer to **Appendix 6** for additional information regarding insolvency and pursuing insolvent trading claims generally.

6.3.4. Safe harbour

Directors have a duty to prevent a company trading whilst insolvent and are personally liable for the debts the company incurs when there were reasonable grounds to suspect the company was insolvent.

Directors can, however, be availed of personal liability for insolvent trading if the company is undertaking a restructuring plan which is reasonably likely to result in a better outcome than immediately placing the company into external administration. This process and protection is referred to as safe harbour.

The eligibility requirements for safe harbour protection and our preliminary view on whether the criteria have been met are set out in the below table:

Safe harbour eligibility criteria	**Criteria met?**	**Section Reference**
Are the Directors properly informing themselves of the Company's financial position?	Yes	588GA(2)(a)
Are the Directors taking appropriate steps to prevent any misconduct by officers or employees of the Company which could adversely affect the Company's ability to pay all its debt?	Yes	588GA(2)(b)
Are the Directors taking appropriate steps to ensure the Company is keeping appropriate financial records consistent with the size and nature of the Company?	Yes	588GA(2)(c)
Are the Directors obtaining advice from an appropriately qualified entity who was given sufficient information to give appropriate advice?	Yes	588GA(2)(d)
Are the Directors developing or implementing a plan for restructuring the Company to improve its financial position?	Yes	588GA(2)(e)
Has the Company met and continues to meet its employee entitlement obligations? This includes wages, leave entitlements and superannuation	Yes	588GA(2)(a)(l)
Has the Company complied and continues to comply with its tax reporting obligations? Includes returns, notices, statements, applications or other documents as required by taxation laws (within the meaning of the *Income Tax Assessment Act 1997* (Cth)	Yes	588GA(4)(a)(ii)

As noted on the previous page, our preliminary view is the Company was likely to have become insolvent from at least April 2022.

In terms of eligibility for safe harbour protection from insolvent trading liabilities, we understand the Directors sought to complete the safe harbour provisions checklist from as early as April 2020. Accordingly, it is possible safe harbour protection may be available from this date.

We received copies of the various safe harbour reports. Based on our preliminary review, it appears the Directors may be able to claim protection from personal liability for insolvent trading as they were actively pursuing strategies and seeking appropriate advice in relation to a restructuring plan.

6.3.5. Directors’ capacity to pay claims by a liquidator

We have requested the Directors provide a statement of their assets and liabilities to assist in our investigations. In addition, title searches and property searches using the platform RP Data have been undertaken in Australian states and territories to identify any property assets held solely or jointly by the Directors. Property searches performed on each of the Directors indicate none of the Directors hold property in Australia in their names. Furthermore, none of the three (3) Directors have provided documentation outlining their assets and liabilities.

Based on our investigations to date, we are unable to verify if the Directors would be able to meet a successful insolvent trading claim. In the event a liquidator is appointed, further investigations would be required.

We understand there was a Directors and Officers insurance policy in place, however we do not currently have sufficient information or legal advice to determine the circumstances in which it would respond.

6.4. Voidable transactions

We set out below our preliminary findings in relation to potential recoveries from voidable transactions in a liquidation scenario including our view regarding the likelihood of there being substantiated and supportable claims. Where applicable, we have included our estimate of possible recoveries along with any other pertinent information.

Further provided for in **Appendix 6** 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.

Area	Our view	Comments
Unfair preferences	Possible claims	■ We have reviewed the payments made by the Company during the period leading up to appointment, taking into account the potential date of insolvency of the Company. ■ We consider there may be up to eight (8) potentially preferential payments to creditors totalling up to c.$1.4M, but this is subject to further investigations.
Uncommercial transactions	No claims	■ We are not aware of any potential uncommercial transactions which would likely result in property being recovered for the benefit of creditors.
Unfair loans	No claims	■ We are not aware of any potential unfair loans which would likely result in property being recovered for the benefit of creditors.
Unreasonable payments to Directors	No claims	■ Our investigations to date have not found any evidence of unreasonable payments to Directors.
Related entity benefit	No claims	■ Our investigations to date have not revealed any transactions with related entities which would likely result in property being recovered for the benefit of creditors.

Area	Our view	Comments
Arrangements to avoid employee entitlements	No claims	■ Our investigations to date have not revealed the existence of any such arrangements.
Voidable charges	No claims	■ Our investigations have not revealed any charges or registered security interests which would be void against a liquidator.
Offences by Directors	No claims	■ Based on our investigations to date, although the Company had likely traded whilst it was insolvent, we do not consider the Directors have committed a breach of section 588G of the Act on the basis they are able to rely on the safe harbour provisions pursuant to section 588GA of the Act. ■ No other offences which may have been committed by the Directors have been identified. ■ This is discussed further in **Appendix 5.**

7. Proposal for a deed of company arrangement

7.1. What is a DOCA?

A DOCA is a formal agreement between a company, its creditors and the proponent(s) of the DOCA.

The proponent is an interested party who wishes the creditors to consider its proposal – usually involving a compromise of creditors' claims as opposed to either winding up the company (liquidation) or returning the company to its directors.

A DOCA may involve:

- Maximising the chance of the company, or as much as possible of its business, continuing in existence; and/or
- Result in a better return for the company's creditors than an immediate winding up.

7.2. Proposal for a DOCA

The Transaction Process resulted in the Administrators receiving a number of proposals to acquire and/or recapitalise the Group via a DOCA. In our view, the DOCA proposal which presents the best outcome for creditors is the one proposed by Credit Corp.

A copy of the proposed Credit Corp DOCA is attached at **Appendix 9**. Following finalisation of the proposed Credit Corp DOCA, Credit Corp have agreed to amend the terms of the DOCA as detailed in the letter from Allen & Overy to the Administrators dated 5 September 2022, a copy of which is also attached at **Appendix 9**. Creditors should read the proposal and ask any questions of us before the meeting if they have any specific queries which are not addressed in this report.

The proposal has not yet been drafted into a deed format. As a result, to assist creditors, we have highlighted below the key features and provided our comments on the operational aspects of the Credit Corp DOCA.

7.3. Glossary of terms

The following is a glossary of terms specific to the proposed DOCA.

Item	Definition
Admitted Claims	A claim against the Company as adjudicated by the Deed Administrators under the DOCA (or by the Trustees of the Creditors' Trust, but excluding Excluded Creditors).
Completion	The date upon which each of the conditions precedent has been satisfied or waived in accordance with the DOCA.

Item	Definition
Continuing Contract	Any contract of any kind made by the Company with third parties prior to the Appointment Date, except for Pre-Administration Contracts.
Contribution	The sum of $11M
Creditors' Trust Fund	The Deed Fund
Deed Fund	The sum of the Contribution and any Working Capital Amounts as at the relevant time.
Excluded Creditors	Any creditor who has a claim against the Company: ■ because he/she is an eligible employee creditor, where such creditor has continued his/her employment with the Company (or a subsidiary) following completion of the DOCA; or ■ where such creditor is a subsidiary.
Interim Funding	A loan in the sum of $2.2M advanced by Credit Corp to the Administrators, on terms substantially in accordance with the existing Administration Funding provided to the Administrators by Westpac and on terms otherwise reasonably acceptable to Credit Corp.
Pre-Administration Contracts	Any contract entered into by the Company before the appointment of the Administrators as follows: ■ lease agreement in relation to 100 Skyring Terrace, Fortitude Valley; and ■ any contract made by the Company in relation to shares, options, warrants or similar instruments issued or to be issued by the Company.
Proponent	Credit Corp Group Limited
Small Claim	Any Admitted Claim with a value of $20,000 or less.
Small Claim Creditors	A creditor with a Small Claim.
Working Capital Amounts	At the time of completion of the DOCA: ■ cash on hand for the Company or Administrators; and ■ accounts receivable due to the Company in respect of work done or services provided by the Company on or before that time.

7.4. Key features of the proposal

The key features of the DOCA proposed by Credit Corp is as follows:

- Restructure the Company's debts and privatise the Company, with Credit Corp acquiring 100% of the issued shares in the Company.
- The Company enters a DOCA whilst the required approvals, consents or waivers are obtained from ASIC, ASX and the Court.
- Following all conditions precedent being met, the DOCA will effectuate, ownership of all shares in the Company will transfer to Credit Corp (or its nominee) and a Creditors' Trust is established to satisfy the claims of creditors.

- Unsecured creditor claims will be released through the DOCA in return for the right to lodge a claim and receive a distribution in the Creditors' Trust.
- The Contribution of $11M is made by Credit Corp to the Creditors' Trust on completion. Interim Funding in the amount of $2.2M has been made available to the Administrators through to completion of the DOCA**.**
- Any Working Capital Amounts and trading liabilities incurred in the Administration and Deed Administration periods held by the Company at Completion will also be settled to the Creditors' Trust.
- Distributions from the Creditors' Trust will be made in the following order:
  - Pool A – repayment of the Administration Funding in the amount of $1.5M and the Interim Funding of $2.2M;
  - Pool B – in accordance with the priorities set out in sections 556, 560 and 561 of the Act, as though those priorities were applied in the Creditors' Trust;
  - Pool C – equally and rateably to Small Claim Creditors, with the total amount of the pool not to exceed the lesser of $0.25M or 50 cents in the dollar;
  - Pool D – equally and rateably up to a specified amount of $0.5M to all Admitted Claims not included in the above pools (but specifically excludes subordinated claims in accordance with section 563A of the Act); and
  - Pool E – in the event funds remain after distributions to the above pools, the remaining funds will be paid to Westpac (as security trustee) in respect of the claim in favour of Westpac and CBA and in its own right as secured creditor under the guarantee facility.
- As noted at section 7.2 above, Credit Corp have agreed to an amendment of the Credit Corp DOCA as detailed in the letter attached to this report at **Appendix 9.** The amendment provides for the transfer of the shares held by the Company in Volt to the Trustees to be held as an asset of the Creditors' Trust (subject to release by Westpac of its security). Westpac (as security trustee) will have priority to receive any proceeds of realisation of the Volt shares (which may include dividends or distributions paid on the shares) from the Creditors' Trust.
- Credit Corp will not receive any distributions under the DOCA or Creditors' Trust other than in respect of the repayment of the Interim Funding.

7.4.1. Conditions precedent

The following are conditions precedent to the completion of the Credit Corp DOCA and creation of the Creditors' Trust:

- The making of an order by the Court pursuant to section 444GA(1)(b) of the Act to transfer all shares in the Company to Credit Corp or its nominee, and the consequent transfer of the shares. Further detail on the court application under section 444GA is outlined at **Section 7.8** below.
- ASIC provision of relief pursuant to section 606 of the Act.
- Release by Westpac of all security granted to it by the Company and any subsidiaries.
- Payment by Credit Corp to the Deed Fund of the Contribution.
- Repayment of Interim Funding.
- Execution of the Creditors' Trust Deed.
- Termination by the Administrators of the Pre-Administration Contracts or notification the counterparties to such contracts have been notified the Company will cease to comply with, and will not perform its obligations under, and treat the Pre-Administration Contracts as being at an end.

7.4.2. DOCA Implementation

Following satisfaction, or waiver of the above conditions precedent:

- The Creditors’ Trust Deed will take effect pursuant to the terms of the Creditors’ Trust Deed;
- The Deed Administrators will transfer the Deed Fund to the trustees of the Creditors’ Trust to form the Creditors’ Trust Fund; and
- The DOCA will then be fully effectuated.

7.4.3. Treatment of Related Party Claims

The DOCA proposal excludes the participation of Excluded Creditors in any distribution from the Creditors’ Trust Fund.

- Excluded Creditors includes all subsidiaries of the Company.

7.4.4. Effects of the DOCA on employees’ ability to access the FEG scheme

Current and former employees should note access to the FEG scheme for any outstanding entitlements, in particular leave and redundancy, is not available in a DOCA scenario as the FEG scheme is only available if a company goes into liquidation.

Outstanding superannuation entitlements are not covered by the FEG scheme. Superannuation entitlements outstanding for the period 1 April 2022 to 30 June 2022 will be paid from the Creditors’ Trust Fund, from Pool B. Superannuation payable during the course of the voluntary administration is our liability and will be satisfied and paid no later than when due.

Continuing employees will retain their entitlements with the Company and all employee entitlements, which are due and payable in the ordinary course, will continue to be paid up until Completion.

7.4.5. Extinguishment of claims

Upon effectuation of the DOCA, all claims (other than those which are not affected pursuant to section 444D of the Act and those of Excluded Creditors) will be released, discharged and extinguished in full, in consideration for the Admitted Creditors becoming beneficiaries under the Creditors’ Trust.

Secured claims of lessors and owners will not be released, discharged or extinguished under the DOCA.

Any claims will be deemed to be abandoned if, prior to the declaration of the final dividend or distribution, a creditor has failed to submit a formal POD or claim in accordance with the terms of the Creditors’ Trust, or having submitted one which is rejected, fails to appeal against the rejection within the relevant timeframe set out in the Creditors’ Trust Deed.

7.4.6. Termination of the DOCA

The DOCA will continue in operation until the DOCA is terminated:

- Upon its effectuation as outlined in Section 7.4.2 above;
- By an order of the Court under section 445D of the Act;
- By a resolution of creditors at a meeting convened under Division 75 of Schedule 2 to the Act; or

- Automatically, if a condition precedent is not satisfied (or becomes incapable of being satisfied) or waived by the parties by the condition precedent satisfaction date of 30 September 2022 (or to a date as otherwise agreed by the Deed Administrators and the Proponent).

7.4.7. Other relevant matters

- The proposed Deed Administrators and the proposed Trustees of the Creditors' Trust are John Park, Ben Campbell and Kelly-Anne Trenfield.
- During the period of operation of the DOCA, the Deed Administrators will maintain control of the Company and will continue to manage the operations of the Company. The Deed Administrators will use their best endeavours to change the directors of the Company to individuals advised by the Proponent.
- Control of the Company will return to the directors upon Completion/effectuation of the DOCA.
- During the operation of the DOCA, the moratoria in sections 440A, 440D, 440F and 444E of the Act will apply to all creditors and members of the Company.
- For claims to be admissible under the DOCA, and hence the Creditors' Trust, they must have arisen on or before the date of appointment of the Administrators, being 29 June 2022.

Upon termination of the DOCA due to the non-satisfaction of a condition precedent prior to the relevant date, Credit Corp will cease to be bound by the DOCA and have no liability under it. In such circumstances, the Deed Administrators would immediately call a meeting of creditors to determine the Company's future.

7.5. Our comments on the proposal

7.5.1. Likely satisfaction of conditions precedent

Our comments regarding the likelihood of satisfaction of each of the conditions precedent is as follows:

- Although the making of a 444GA Order is a matter for the Court, it is our opinion, due to there being no economic interest in the Company remaining for the benefit of shareholders, the criteria for making of such an order are satisfied.
- As we have not discussed the matter with ASIC, we are unable to comment regarding the provision of relief from section 606 of the Act by ASIC.
- We have discussed the matter with Westpac and have an in principle agreement to release of the security.
- We consider the risk of non-payment of the Contribution by the Proponent to be minimal. The Proponent is listed on the ASX with a market capitalisation that exceeds \$1.3 billion (current as at 5 September 2022). The Proponent (as quoted in its 2022 Annual Report) considers it retains "*substantial headroom in our borrowing facility, which can be applied to any sizeable opportunities for additional investment as they arise*". In addition, from the Proponent's 2022 Annual Report it held net assets of c.\$740M with cash and cash equivalents in excess of \$29M.
- The Creditors' Trust Deed is a matter within the direct control of the Administrators and as such the risk of non-execution is minimal.
- The termination of the lease of 100 Skyring Terrace occurred on 19 August 2022. We do not consider there will be any impediment to satisfaction of the remainder of the condition precedent regarding Pre-Administration Contracts.

7.5.2. Return to creditors

The proposed DOCA offers a return to priority creditors of 100 cents in the dollar, a return to Small Claims Creditors of up to 50 cents in the dollar, and a return to unsecured creditors of up to 8 cents in the dollar.

Our estimate of the return to the creditors of the Company is discussed separately at Section 8 of this report**.** In reviewing this information, creditors should review the detailed statement, our estimate of costs and the anticipated return compared to a liquidation scenario.

Whilst there were other offers, the Administrators selected the Credit Corp offer taking into consideration the interests of creditors and other considerations as outlined in Section 5.2.

If the Credit Corp DOCA is not accepted, and given the limited funding available, the only other realistic option would be for the Company to be placed into liquidation.

In forming their own views as to whether the Credit Corp DOCA proposal is in their interests, creditors should consider the following items when comparing the Credit Corp DOCA proposal to liquidation:

- The market for the asset has been thoroughly tested, both prior to and post our appointment and the current Credit Corp offer is considered by the Administrators as the best option available to all creditors.
- Under the Credit Corp DOCA the business will continue as a going concern, with the employment of workforce preserved.
- Various unsecured creditors will gain the benefit of ongoing trade with the Company as well as the potential to receive a dividend in the Credit Corp DOCA.
- Based on preliminary investigations, the Credit Corp DOCA proposal is expected to provide a higher return to all classes of creditors than liquidation and will result in a more timely dividend to creditors of the Company than liquidation.
- The Working Capital Amounts and payment of trading liabilities proposed to form part of the Deed Fund (and Creditors' Trust Fund) are also applicable in a liquidation scenario.
- The additional funds available in the Credit Corp DOCA scenario which are not available in liquidation is the Contribution of $11M.
- Voidable transactions identified in our investigations are only recoverable if the Company is placed in liquidation. Please refer to Section 6.4 and **Appendix 5** for further details.
- Secured creditors can continue to deal with their security unless they agree to be bound by the DOCA by voting in favour of it.
- Under the Credit Corp DOCA, related party creditors will not seek to claim against the Creditors' Trust Fund. In a liquidation, related parties are entitled to make a claim as unsecured creditors. However, there is unlikely to be a return to unsecured creditors in a liquidation.
- We have undertaken a review of the creditor position and the Credit Corp DOCA will provide a cents in the dollar return for unsecured creditors which they would not receive in a liquidation.
- The FEG scheme, operated by the Federal Government, pays certain entitlements of employees whose employment has been terminated as a result of an employer's liquidation. To be eligible for FEG, the Company must be in liquidation. There are also timing considerations between lodgement of a claim and receiving funds.
- On the other hand, the Credit Corp DOCA proposal provides for ongoing employment and the payment of employee entitlements in the ordinary course following cessation of employment.

- Further, FEG does not extend to superannuation liabilities. The Credit Corp DOCA proposal provides for the payment of superannuation liabilities in priority to the claims of any other category of creditor.
- The terms of the Credit Corp DOCA do not offer any security in respect of the Contribution from the Proponent. In the event the Proponent does not make payment of the Contribution, the Credit Corp DOCA may be terminated and the Company will likely be placed in liquidation.
- The payment of the Contribution must occur prior to effectuation of the Credit Corp DOCA, prior to the Creditors’ Trust becoming effective. The required timing of the payment alleviates any risk of the creditors’ rights being extinguished without the terms of the Credit Corp DOCA being fully satisfied.
- In the event the Credit Corp DOCA terminates for reasons other than successful completion, we do not consider creditors will be worse off than if the Company were immediately placed in liquidation.

Based on the above, we consider the Credit Corp DOCA to be in the best interests of creditors.

7.6. Expected timeline of events

If the proposed Credit Corp DOCA is approved by creditors at the forthcoming meeting, the following key events (in sequence) can be expected to occur:

- The Credit Corp 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 Credit Corp DOCA to be executed. If the Credit Corp DOCA is not executed within this time, the Company would be placed into liquidation.
- The Deed Administrators and Credit Corp will endeavour to satisfy all conditions precedent outlined in the Credit Corp DOCA. This will include an application by Deed Administrators to Court for the purposes of obtaining the 444GA Order.
- Once the conditions precedent are satisfied, the steps outlined at Section 7.5.2 above will occur.
- The Company will return to solvency, under the control and ownership of Credit Corp.
- Under the Creditors’ Trust, a dividend process (conducted in a manner consistent with the provisions of the Act) will be undertaken. This will involve creditors submitting a POD to the Trustees to substantiate their claim, the Trustees adjudicating on these claims and then paying a dividend in accordance with the terms of the Creditors’ Trust.

If the Credit Corp DOCA has not been effectuated prior to 30 September 2022, or any such later date agreed to by the Deed Administrators and the Proponent, the Deed Administrators are required to convene a meeting of creditors to decide the future of the Company.

7.7. Purpose of a creditors’ trust

7.7.1. General Information on the purpose of a creditors’ trust

- A creditors’ trust is a mechanism for the distribution of a fund to creditors of a company or group of companies, which accelerates a company’s exit from external administration. A trust is formed for the benefit of the relevant creditors, and the trust funds (usually contributed by the proponent of the DOCA) are paid to the trust for distribution to creditors in accordance with a trust deed.
- A creditors’ trust is an arrangement pursuant to the Trusts Act rather than the Act.
- The DOCA proposal by Credit Corp requires the use of a creditors’ trust. The reason for a creditors’ trust structure is to accelerate the Company’s exit from external administration and to allow the transfer of all shares in the Company to Credit Corp.

7.7.2. ASIC guidelines for creditors’ trusts

- In December 2018, ASIC updated Regulatory Guide 82 in respect of creditors’ trusts, entitled ‘External Administrations: Deeds of company arrangement involving a creditors’ trust’ (“the Guide”). A copy of the Guide can be downloaded from the ASIC website at www.asic.gov.au/ or is available from our office upon request.
- Key considerations of the creditors’ trust proposed by Credit Corp, as required pursuant to Regulatory Guide 82, is at **Appendix 10** with a summary at Section 7.7.4 below.

7.7.3. Rights of creditors

- The trust deed will incorporate many provisions of the Act, but creditors’ rights will be governed by the Trusts Act and in equity.
- The terms of the proposed DOCA is in the preceding pages. Creditors’ rights are altered in the DOCA proposal and creditors should take this into account in assessing the merits of the DOCA proposal put forward.
- Creditors should seek their own legal advice as to the implications to them.

7.7.4. Summary of key considerations

Typically, when a creditors’ trust is created:

- The company’s obligations to all creditors bound by the DOCA are compromised in accordance with the DOCA (typically upon satisfaction of certain conditions);
- The deed administrators of the DOCA become the trustees and the creditors become the beneficiaries of the creditors’ trust;
- The company and/or third parties promise to make one or more payments (or transfer of property) to the trustees in satisfaction of the creditors’ claims against the company. In return, the creditors’ claims against the company are extinguished;
- The DOCA is ‘effectuated’ immediately upon the creation of the creditors’ trust, which usually occurs after the DOCA is executed and any conditions precedent are satisfied;

- When the DOCA is "effectuated", the company ceases to be externally administered, the directors regain full control of the company, the company is no longer required to use the notification 'subject to deed of company arrangement' on its public documents as it otherwise would be required by section 450E(2) of the Act; and
- The deed administrators (now trustees) then become solely responsible to the former creditors (now beneficiaries) for:
  - Ensuring the company and/or other third parties make their payments, transfer property and satisfy any other obligations to the trustees;
  - Determining how much each of the former creditors is entitled to receive from the trust; and
  - Making any distribution to those former creditors in their capacity as beneficiaries of the trust.

7.7.5. Termination and variation of the creditors' trust deed

The creditors' trust deed for the company will usually provide for the termination of the trust under certain conditions, such as:

- Complete distribution of the trust fund has been made in accordance with the terms of the creditors' trust deed; or
- The expiry of a perpetuity period (80 years).

The trustees may vary the creditors' trust deed by resolution passed at a meeting of creditors, but only if the variation is not materially different from the proposed variation set out in the notice of meeting.

7.7.6. Moratorium

A moratorium upon actions against the Company, as outlined in section 444E of the Act, applies during the period of the DOCA. Additionally, the creditors' trust deed will stipulate, subject to the terms of the creditors' trust deed and section 444D of the Act, creditors shall not take action or steps to enforce their rights to recover any of their entitlements whilst the trustees remain the trustees of the trust on the terms of the creditors' trust deed.

7.8. Share transfer to Credit Corp

As discussed above, the Credit Corp DOCA involves the transfer of 100% of the Company's shares to Credit Corp. To enable the transfer of the shares, the Deed Administrators are required to make an application to the Court with a view to obtaining the 444GA Order.

The process to obtain the 444GA Order entails the following key steps:

- Preparation of:
  - Court application and supporting affidavit seeking the 444GA Order;
  - Explanatory statement; and
  - Independent expert's report
- The explanatory statement and independent expert's report provided to ASIC
- The explanatory statement and independent expert's report distributed to shareholders

- A Court hearing of the application
- A decision by the Court to grant leave to transfer the shares or otherwise
- ASIC relief to be granted

The Court will grant leave to transfer the shares where it will not ‘unfairly prejudice’ the interests of shareholders. Shareholders, stakeholders and interested parties will have the opportunity to be heard at the Court hearing.

If the Credit Corp DOCA is approved at the second meeting of creditors, we anticipate the process to obtain the 444GA Order will take up to three (3) to four (4) weeks to complete. The timeframe will depend upon Court availability, expert availability, and whether there are appearances from shareholders and other stakeholders who oppose the 444GA Order.

Should the Court refuse leave, then the Deed Administrators will convene another meeting of creditors to determine the future of the Company.

7.9. Effect on Employees

7.9.1. Effect on employees – liquidation

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 employee claims is as follows:

- Amounts due in respect of wages, superannuation and SGC outstanding as at the date of our appointment; followed by
- Amounts due in respect of leave of absence and other amounts due under the terms of an industrial instrument; followed by
- Amounts due as a result of termination of employment, including redundancy and payment in lieu of notice.

Return to employees if the Company is wound up

Section 8 of this report includes details about the estimated return to 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’ claims from the Company’s property, eligible employees may be entitled to lodge a claim for their unpaid entitlements under the Federal Government’s FEG scheme. FEG provides financial assistance to employees of companies in liquidation, subject to eligibility requirements being met, to pay unpaid wages, annual leave, long service leave, PILN and redundancy, up to prescribed limits. The FEG scheme does not cover unpaid superannuation.

Further information on the FEG scheme is available here: www.ag.gov.au/industrial-relations/fair-entitlements-guarantee-feg.

7.9.2. Effect on employees – DOCA

Employees should note the FEG Scheme is not available to employees where the Company executes a DOCA.

The DOCA proposal stipulates the entitlements of former employees will be paid from the Creditors' Trust Fund in Pool B. Continuing employees will retain their employment and their entitlements will be paid in the ordinary course e.g. when leave is taken or following termination/resignation.

The DOCA proposal also stipulates any outstanding superannuation (irrespective of the continuation or cessation of employment) will be paid from the Creditors' Trust Fund in Pool B.

As the DOCA does not include the usual priority provision in relation to employee claims, either an Eligible Employee Meeting must be held, or the Court must make an order approving the exclusion of the priority provision before the DOCA can become effective.

Our comments on the impact on employees under a DOCA are provided at Section 8.3 of this report.

A circular to eligible employee creditors has been issued to employees which explains how the DOCA impacts their entitlements and how the DOCA compares to a liquidation scenario.

7.10. Eligible employee meeting

Pursuant to section 444DA of the Act, the Administrators are required to hold an Eligible Employee Meeting prior to the second meeting of creditors, because the DOCA does not contain a provision for Eligible Employees to receive a priority at least equal to what they would have been entitled to under the priority of payment provisions (section 556 of the Act) in a liquidation.

The purpose of the Eligible Employee Meeting is for Eligible Employee creditors to consider and, if thought appropriate, approve the absence of the provision in the DOCA.

A circular has been issued to all Eligible Employee creditors explaining how the proposed DOCA impacts their entitlements and ongoing employment, and how the DOCA compares to a liquidation scenario.

The Eligible Employee Meeting will be held on **13 September 2022 at 10:00AM (AEST)** using virtual meeting facilities.

Should Eligible Employees wish to attend the Eligible Employee Meeting, please complete and return the relevant forms to our office by no later than **10:00AM (AEST) Monday, 12 September 2022**.

Forms for the Eligible Employee Meeting are available to download from the FTI Consulting Creditor Portal: www.fticonsulting.com/creditors/collection-house-limited

7.11. Effect on shareholders

7.11.1. Effect on shareholders – liquidation

In accordance with section 563A of the Act, in a liquidation, claims by shareholders are subordinated until all other debts payable by the Company have been satisfied. Our estimated return to creditors outlined at Section 8 of this report demonstrates there will be no return to creditors in a liquidation. Accordingly, there would be no return to shareholders if the Company were liquidated.

7.11.2. Effect on shareholders - DOCA

A key aspect of the DOCA is the transfer of 100% of shares in the Company to Credit Corp. The DOCA does not provide for any consideration to be paid to current shareholders in respect of this transfer.

Further, the DOCA incorporates section 563A of the Act such that shareholders are unable to participate in any dividend process in the DOCA.

7.12. Other matters relevant for consideration

Creditors should be aware of the following additional information when deciding whether to accept the proposed DOCA instead of placing the Company into liquidation.

7.12.1. Liquidators' recoveries

Once executed, the proposed DOCA binds all the Company's creditors in respect of claims arising on or prior to the date the DOCA is expressed to take effect. This includes unsecured creditors who may have voted against the DOCA. The DOCA also binds the Company, its officers, members, and the Deed Administrators.

If the DOCA is accepted by creditors, creditors will forgo any insolvent trading or voidable transaction recoveries as these recoveries are only available to the Company's liquidators (should the Company be placed into liquidation). As discussed in Section 6.4 of this report, although we have identified potential voidable transaction claims which could be pursued for the benefit of creditors, further investigations would be required to confirm the likelihood and quantum of recoveries.

A liquidator would need to complete all statutory investigations to determine if any recoveries are available, including those which may not have been identified by us to date. We note if the DOCA fails and the Company is wound up, our ability to seek recovery of voidable transactions (if subsequently identified) is retained.

7.12.2. Moratorium

Subject to section 444E of the Act, creditors bound by a DOCA cannot:

- Make an application for an order to wind up the Company;
- Proceed with an application in connection with the winding up of the Company made before the DOCA became binding on the creditors;
- Begin or continue any proceeding against the Company or in relation to any of its property (except with leave of the Court);
- Exercise any right of set-off or crossclaim against the Company;
- Begin or continue with any enforcement process in relation to the Company's property (except with leave of the Court); or
- Commence or proceed in arbitration against the Company or in which the Company is a party.

7.12.3. Taxation

Company and Trust

Whilst there may be taxation and stamp duty implications for the Company and the Creditors’ Trust if the proposed DOCA is approved, we are not presently able to provide details of these implications (including any impact on the anticipated return to creditors / beneficiaries). We recommend creditors obtain independent advice prior to voting at the second meeting of creditors if these implications are of concern.

Creditor and Beneficiary

We draw creditors’ attention to the fact there may be potential taxation implications for a creditor in receiving distributions as a beneficiary of a trust rather than in their capacity as a creditor of the Company. In broad terms, the distribution of funds under a Deed (or in a liquidation scenario) is simply a payment in respect of a debt. Conversely, a distribution of money under a creditors’ trust does not have the same character but involves the payment of amounts either on capital or revenue account, thereby creating potential income and capital gains tax consequences. We are not able to offer specific advice to creditors in respect of any taxation implications. Accordingly, we recommend you seek independent taxation advice on your individual circumstance prior to voting at the second meeting.

8. Estimated return to creditors

8.1. Administrators’ estimated statement of position

Provided below is the Administrators’ estimated outcome in two (2) scenarios, the proposed DOCA and Creditors’ Trust from Credit Corp and a liquidation. The liquidation scenario assumes there would be insufficient funds to continue to operate the Company which would result in a cessation of trade.

Administrators' estimated statement of position

		DOCA		Liquidation	
$A	**Note**	**Low return**	**High return**	**Low return**	**High return**
Circulating assets					
Cash at bank at appointment	1	624,156	624,156	624,156	624,156
Pre-appointment debtors	2	3,050,617	3,050,617	3,050,617	3,050,617
Related party debtors	3			Nil	Nil
Total circulating assets		**3,674,773**	**3,674,773**	**3,674,773**	**3,674,773**
Proponent contribution	4	**11,000,000**	**11,000,000**		
Trading and administration costs					
Projected trading position	5	(5,516,343)	(4,175,936)	(6,521,752)	(5,005,065)
Legal fees	6	(1,600,000)	(1,400,000)	(1,100,000)	(900,000)
Voluntary Administrators' remuneration	6	(2,500,000)	(2,400,000)	(2,500,000)	(2,400,000)
Deed Administrators' remuneration	6	(700,000)	(600,000)		
Creditors' Trustee remuneration	6	(400,000)	(300,000)		
Liquidators' remuneration	6			(600,000)	(500,000)
Voluntary Administrators' funding	7	(1,500,000)	(1,500,000)	(4,200,000)	(4,200,000)
Total trading and administration costs		**(12,216,343)**	**(10,375,936)**	**(14,921,752)**	**(13,005,065)**
Net circulating asset / Net fund		**2,458,430**	**4,298,837**	**(11,246,979)**	**(9,330,292)**
Liquidator claims					
Voidable recoveries	8			Nil	1,148,012
Insolvent trading actions	9			Nil	Nil
Total liquidator claims				**Nil**	**1,148,012**
Available to priority creditors		**2,458,430**	**4,298,837**	**Nil**	**Nil**
Priority Creditors (Pool B DOCA scenario)					
Wages and superannuation	10	(832,670)	(832,670)	(832,670)	(832,670)
Leave entitlements	10	(350,000)	(310,000)	(2,802,513)	(2,802,513)
Redundancy and payment in lieu of notice	10	Nil	Nil	(6,206,712)	(6,206,712)
Total priority creditors		**(1,182,670)**	**(1,142,670)**	**(9,841,895)**	**(9,841,895)**
Priority creditors distribution rate (c/$)		*100 c/$*	100 c/$	*Nil*	*Nil*
Available to non-priority creditors		**1,275,760**	**3,156,167**	**Nil**	**Nil**

8.1.1. Summary of estimated return in DOCA and Creditors' Trust scenario

Provided below is the Administrators' estimated distributions to Small Claim Creditors, Admitted Creditors and Secured Creditors in the DOCA scenario.

DOCA & Creditors' Trust scenario (Credit Corp proposal)			
		DOCA	
$A	**Note**	**Low return**	**High return**
Available to non-priority creditors		**1,275,760**	**3,156,167**
Pool C: Small Claim Creditors			
Pool C Creditor Fund		250,000	121,396
Small Claim creditors (less than $20k)	15	(500,000)	(242,792)
Small Claim Creditors distribution rate (c/$)		*50 c/$*	*50 c/$*
Pool D: Admitted Creditors			
Pool D Creditor Fund		500,000	500,000
Other Unsecured Creditors	15	(15,416,445)	(6,321,698)
Admitted Creditors distribution rate (c/$)		*3 c/$*	*8 c/$*
Pool E: Secured Creditors			
Pool E Creditor Fund		525,760	2,534,770
Secured Creditors	14	(11,319,508)	(11,319,508)
Secured Creditors distribution rate (c/$)		*5 c/$*	*22 c/$*

8.1.2. Summary of estimated return in a liquidation scenario

Provided below is the Administrators' estimated shortfalls in a liquidation scenario.

Liquidation scenario			
		Liquidation	
$A	**Note**	**Low return**	**High return**
Available to non-priority creditors		**Nil**	**Nil**
Non-Circulating assets			
Shares in related parties	11	Nil	549,000
Plant and Equipment	12	192,910	214,345
Total non-circulating assets		**192,910**	**763,345**
Less: Westpac Bank Guarantee Facility	14	(6,396,313)	(6,396,313)
Secured creditor shortfall		**(6,203,403)**	**(5,632,968)**
Non-Circulating Assets (specifically secured)			
Shares in Volt	13	Nil	Unknown
Facility C	14	(5,014,443)	(5,014,443)
Shortfall on Facility C		**(5,014,443)**	**(5,014,443)**
All unsecured claims	15	(15,916,445)	(6,807,283)
Secured creditor shortfall		(6,203,403)	(5,632,968)
Related party claims	16	(31,220,170)	(31,220,170)
Total unsecured claims		**(53,340,018)**	**(43,660,422)**

8.2. Notes

1. Cash at bank at appointment

Cash at bank at appointment totalled $624,155. The Company held monies in its company-controlled accounts totalling $567,655. In addition, the Company is also entitled to $56,500 of trust account floats.

2. Pre-appointment debtors

At the date of our appointment, pre-appointment debtors and accrued revenue totalled c.$3.1M. The Administrators have collected all material amounts.

3. Related party debtors

Based on preliminary investigations, there is little prospect of recovering related party debtors in a liquidation scenario. These related party debtors are specifically excluded from the Deed Fund under the DOCA scenario. Further commentary regarding related party debtors is provided in Section 5.3.3.

4. Proponent contribution

Under the DOCA proposed by Credit Corp a cash contribution of $11M will be provided on completion. There would not be a contribution in a liquidation scenario.

5. Projected trading position

We have considered high and low scenarios for both liquidation and DOCA scenarios. Both scenarios include forecast positions to either the completion of the transaction (under the DOCA) or cessation of trade (under a liquidation).

Under the DOCA scenario the Deed Administrators have control and continue to operate the business through to completion which we have assumed to be 30 September 2022. The DOCA low return also provides for a contingency should future trading to completion not occur as forecast.

Under the liquidation scenario, and given the limited funding available, we have assumed the Company will cease trading shortly after the second meeting of creditors. The liquidation low scenario includes an assumption post-appointment accounts receivable may not be collected in full if operations were to cease.

6. Remuneration, disbursements and legal costs

Legal fees

In a liquidation scenario, legal fees are estimated based on costs incurred to date and potential costs to pursue voidable recoveries. In the DOCA scenario, legal fees are estimated based on costs incurred to date and an allowance for finalisation of the deed documentation and completion of the process pursuant to section 444GA of the Act, including costs for an independent expert report.

Remuneration and disbursements

The estimated remuneration and disbursements of the Administrators, Deed Administrators and Creditors' Trustee are subject to the approval of creditors at the second meeting of creditors.

Under a liquidation scenario we have also considered Liquidator remuneration and disbursements and legal costs which we have estimated based on potential recoveries pursued.

Please refer to the Remuneration Approval Report contained at **Appendix 8** for further details.

7. Voluntary Administrators' Funding

The Administrators received $4.2M in funding from Westpac to continue to operate the business and to enable sufficient time for a sale process to be conducted. This is a cost of the Administration and under a liquidation scenario this would need to be repaid in priority if funds permitted. Under the DOCA proposal the funding would be repaid in the amount of $1.5M from the Proponent's Contribution.

8. Voidable recoveries

These recoveries relate to preferential payments that are only available in the event the Company is placed in liquidation and are subject to further investigations and recovery actions. In the liquidation high return, we have assumed 80% recovery of the potential preferential payments. Further details regarding voidable transactions and possible recoveries available are discussed in Section 6.4.

9. Insolvent trading actions

These recoveries are only available in the event the Company is placed in liquidation and are subject to further investigations and recovery actions. Further details regarding insolvent trading actions and possible recoveries available are discussed in Section 6.3.3.

10. Priority Creditors

The liquidation scenario considers a cessation of trade and ultimate termination of the Company's workforce. Conversely, the DOCA scenario has the continuation of the Company's workforce. The Company owed priority entitlements at the date of appointment of Administrators as follows:

- SGC shortfall of c.$0.83M inclusive of associated interest and administration charges.
- Leave entitlements owed in a DOCA scenario represent leave entitlements for employees (and former employees) that have resigned during the administration.
- Leave entitlements outstanding in a liquidation scenario include annual leave and long service leave currently accrued for all employees.
- Redundancy and PILN are not applicable in the DOCA scenario as employees will continue their employment. The liquidation scenario estimates these liabilities based on service length of current staff assuming no notice periods are served.

11. *Shares in related parties*

Shares in related parties have been assessed from interest and offers received through the sale process less estimated transaction costs to complete share sales. Under a liquidation scenario the Company would cease trading and a liquidator may seek to sell the shares of certain subsidiaries. In this scenario a liquidator's ability to complete transactions for the sale of certain subsidiaries would be impacted by:

- The financial position of the individual subsidiary.
- The impact of the Company's ceasing to operate.
- The time and costs to complete any transaction.
- The funding available to allow the continued operations of the subsidiaries until a sale is completed.

Further details are provided in **Appendix 4**.

12. *Plant and Equipment*

The Administrators instructed an independent equipment valuer to undertake an assessment of the plant and equipment. The value attributed largely relates to computer and office equipment and includes an assumption for transaction costs to be deducted from sale proceeds.

The Company has its own internally developed software assets. In a liquidation scenario, and given the limited funding available, it's unlikely any commercial value could be extracted from these assets. Further details are provided in **Appendix 3** and **Appendix 4**.

13. *Shares in Volt*

Volt announced the winding down of its operations in late June 2022 following its failure to raise capital. Based on the information provided, it is our opinion only a small return may be available to Volt shareholders. Due to the encumbrance of these shares, we consider there will be a shortfall on amounts payable to Westpac (as security trustee), in relation to the Senior Lenders' Facility C.

Credit Corp have agreed to amend the Credit Corp DOCA proposal to provide for the transfer of the shares held by the Company in Volt to the Trustees to be held as an asset of the Creditors' Trust. Westpac (as facility agent and security trustee) will have priority to receive any proceeds of realisation of those shares (which may include dividends or distributions paid on the shares) in satisfaction of its claims against the Company. The transfer of the Volt shares and Westpac's entitlement to the proceeds of realisation of the shares is subject to Westpac's release of its security from the Company and its subsidiaries.

14. *Secured Creditors*

Under the DOCA scenario, Pool E: Secured Creditors, relates to Westpac and CBA claims. Other PPSR registered parties do not participate in Pool E.

In the liquidation scenario, Westpac holds security over all present and after acquired property and would have a shortfall on the sale of non-circulating assets. Westpac and CBA's Facility C has limited recourse security over the proceeds for the Volt shares. As above, we expect there will be a shortfall on realisation of these shares, however Westpac has agreed to the transfer of the shares to the Trustees to be held as an asset of the Creditors' Trust

15. Unsecured creditor claims

Under the DOCA scenario unsecured creditor claims consist of:

- Pool C: Small Claim Creditors, which represents creditor claims below $20,000; and
- Pool D: Admitted Creditors, which are all other unsecured creditors not covered by Pool C.

Under a liquidation scenario this represents all unsecured claims of the Company based on its records and PODs received to date.

16. Related Party Claims

The DOCA proposal excludes the participation of Excluded Creditors in any distribution from the Creditors' Trust Fund. Excluded Creditors includes all subsidiaries of the Company.

8.3. Summary of estimated returns and timing

Below is a summary of the estimated returns to the different classes of creditors in the DOCA and liquidation scenarios. Estimated returns are presented on a cents in the dollar basis.

Creditors must note there is always a measure of imprecision associated with the forecasting of returns in an external administration. The estimates are prepared in good faith but must not be construed as an assurance as to the actual return to creditors.

Estimated returns and timing

		DOCA			Liquidation
Creditor	Note	Low return	High return	Est. Timing	Return
Secured Creditors	8.4.1	5 c/$	22 c/$	3-6 months	See below note
Priority Creditors	8.4.2	100 c/$	100 c/$	within 3 months	Nil
Small Claim Creditors	8.4.3	50 c/$	50 c/$	3-6 months	Nil
Other Unsecured Creditors	8.4.4	3 c/$	8 c/$	3-6 months	Nil

The level of return to the various categories of creditors in a DOCA is dependent not only on the value of the Deed Fund, but also on the level of claims submitted. All claims are subject to adjudication.

8.4. Important notes

8.4.1. Secured creditors

Under the DOCA Westpac and CBA release their securities and claim in Pool E. The return in the DOCA scenario excludes the return from Pool A for the repayment of Administration Funding. In the liquidation scenario secured creditors maintain security over all assets of the Company and will receive proceeds from the sale of non-circulating assets.

8.4.2. Priority creditors

The DOCA scenario provides for a continuation of the Company's employees. Entitlements owed to employees in a DOCA scenario represent the claims of former employees and superannuation payable for the quarter ended 30 June 2022. This should occur within three (3) months of commencement of the Creditors' Trust.

In a liquidation scenario the operations of the Company will wind down and there is unlikely to be any return for priority claims. Section 7.9 provides details of the Federal Government's FEG scheme. Although the FEG scheme is available to eligible employees in a liquidation, FEG does not extend to outstanding superannuation.

8.4.3. Small Claim Creditors

Under the DOCA, creditors with a claim less than $20,000 can claim from Pool C. This is only relevant in the DOCA scenario. In a liquidation scenario, no return is expected for unsecured creditors, irrespective of the size of their debt.

8.4.4. Other unsecured creditors

Under the DOCA all remaining creditors claim in Pool D. In a liquidation scenario, no return is expected for unsecured creditors.

8.4.5. Impact on related parties

The DOCA prevents related parties from participating in any distribution, hence the claims of unsecured creditors are not diluted by related party claims in a DOCA.

In a liquidation, related parties are entitled to submit a claim, however we do not anticipate any return to creditors (other than secured creditors) in a liquidation.

8.4.6. Impact on shareholders

The DOCA provides for the transfer of 100% of shares in the Company to Credit Corp. The DOCA does not provide for any consideration to be paid to current shareholders in respect of this transfer. The DOCA incorporates section 563A of the Act such that shareholders are unable to participate in any dividend process in the DOCA.

In a liquidation, claims by shareholders are subordinated in accordance with section 563A of the Act until all other debts payable by the Company have been satisfied. Our estimated return to creditors outlined above demonstrates there will be no return to creditors in a liquidation. Accordingly, there would be no return to shareholders if the Company were liquidated.

8.5. Administrators receipts and payments

A summary of receipts and payments since the date of our appointment to 28 August 2022 is attached at Schedule D in the Remuneration Approval Report.

9. Administrators’ opinion and recommendation

9.1. Opinion and recommendation to creditors

9.1.1. 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 75-225 of the IPR, the Administrators must provide an opinion on each of the above options, and whether the option is in the creditors’ interests.

9.1.2. Administrators’ opinions on the options available to creditors

Execution of a deed of company arrangement

We consider it would be in the creditors’ interests for the Company to execute the Credit Corp DOCA on the terms proposed for the following reasons:

- Unsecured creditors will receive a return under the Credit Corp DOCA as opposed to receiving no return if the Company were immediately wound up.
- The business will continue as a going concern (in accordance with section 435A of the Act).
- We expect most of the existing workforce will be retained, and outstanding employee entitlements will be paid in the ordinary course for any retained employees and in full for any terminated employees.

On balance, there appears to be less uncertainty under the DOCA proposal compared to a liquidation scenario and it is likely all classes of creditors will potentially receive a return under the DOCA proposal compared to only secured creditors receiving a return if the Company was immediately wound up.

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.

Without the benefit of the terms of the DOCA, the Company is insolvent with insufficient cash to pay the Company’s debts and no confirmed prospects of obtaining external funding. Therefore, we do not consider it would be in the creditors’ interests for the administration to end.

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 will likely provide a return for all classes of creditors compared to only secured creditors receiving a return in a winding up.

As detailed in Section 8 above in the event of a liquidation of the Company the unsecured creditors are not expected to receive a return. Furthermore, although we have identified the Company had likely traded for a period whilst insolvent, we do not consider any potential claims would be feasible against the Directors as set out in Section 6.3 of this report.

9.1.3. Administrators' opinion on voidable transactions

It is the opinion of the Administrators there may be payments made from the Company which could be considered voidable as against the liquidators. This has been discussed in Section 6.4 of this report.

Dated: 5th September 2022

John Park

Administrator

10. Appendix 1 – Glossary and terms of reference

Item	Definition
2020 PDL Sale	Disposal of certain PDL assets to Credit Corp in December 2020 for a purchase price of $160M with additional consideration of up to $15M over an eight (8) year period (subject to future performance of the sale assets)
444GA Order	An order of the Court granting the leave sought by the Deed Administrators to transfer Collection House Limited shares to Credit Corp pursuant to section 444GA of the Act
ACA	Australia Creditors Association Pty Ltd
Act	Corporations Act 2001 (Cth)
Administrators **Deed Administrators** **Trustees**	John Park, Kelly-Anne Trenfield and Ben Campbell
Administration Funding	A loan provided to Collection House by Westpac after the date of appointment to cover the estimated costs of the voluntary administration
ASIC	Australian Securities and Investments Commission
ASX	Australia Stock Exchange
ASX Announcement	A company announcement released for Collection House under the ticker "CLH"
ATO	Australian Taxation Office (incorporating the Deputy Commissioner of Taxation, as applicable)
Balbec Transaction	Agreement between Balbec Capital LP and its local related entity Insolve Capital Australia Pty Ltd in relation to the sale of debts underpinning certain purchase agreements on 25 May 2022 for consideration of c.$1.68M.
C5	C5 is a propriety system developed and owned by CLH
c.	Circa or approximately
CBA	Commonwealth Bank of Australia Limited
Credit Corp	Credit Corp Group Limited
CFO	Chief Financial Officer
CHIBI	Collection House International BPO, Inc – Incorporated in Philippines
CLAD	Collective Learning and Development
CLH Legal	CLH Legal Group Pty Ltd
CLHNZ	Collection House (NZ) Limited – Incorporated in New Zealand
Cisco	Cisco Systems Capital (Australia) Pty Ltd
Company	Collection House Limited

Item	Definition
Creditors' Trust	Creditors' trust proposed by Credit Corp
Creditors' Trust Deed	The trust deed establishing the Creditors' Trust
Directors	Leigh George Berkley Sandra Christine Birkensleigh Catherine Mary McDowell
DLL	De Lange Landen Pty Ltd
DOCA	Deed of Company Arrangement
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities
DTA	Deferred Tax Asset
EBITDA	Earnings/(loss) Before Interest, Tax, Depreciation and Amortisation
ECM	Equity Capital Markets
Eligible Employee	Employees who are employed by the Company
Eligible Employee Meeting	Eligible employee will vote on the proposed DOCA which cover all employees pre appointment entitlements
ERP	Enterprise resource planning
ERV	Estimated realisable value
Executive Leadership Team/Officers	Officers of the Company, consisting of Doug McAlpine, Peter Gunn, Denica Saunders and Jonathan Idas
FEG	Fair Entitlements Guarantee
FY18, FY19, FY20, FY21, FY22	Financial years ended/ending 30 June 2018, 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022
Group	Collection House Group of Entities as shown in **Appendix 2**
GST	Goods and Services Tax, as applicable in Australia
IPR	Insolvency Practice Rules (Corporations) 2016
Lion Finance	Lion Finance Pty Ltd
Lion Finance NZ	Lion Finance Limited – incorporated in New Zealand
M	Million
Management	The senior officers, employees and advisors of the Company
Midstate	Midstate Creditcollect Pty Ltd
NZ PDL Transaction	Sale of New Zealand PDLs to Credit Corp in February 2022 (completed on 23 April 2022) for net proceeds of $3.1M and Credit Corp's acquisition of $52.2M of the Company's senior debt.
PAYG	Pay As You Go
PDL	Purchased Debt Ledgers
PILN	Payment in Lieu of Notice

Item	Definition
POD	Proof of Debt
PPSR	Personal Property Securities Register
RMNZ	Receivables Management (International) Limited incorporated in New Zealand
Recapitalisation Transactions	2020 PDL Sale NZ PDL Transaction Balbec Transaction
ROCAP	Report on Company Activities and Property
Safe Horizons	Safe Horizons Pty Ltd (formerly known as Cashflow Accelerator Pty Ltd)
Senior Lenders	Westpac Banking Corporation and Commonwealth Bank of Australia
SGC	Superannuation Guarantee Charge
SRO	State Revenue Office
Subsidiaries	Subsidiaries as shown in Appendix 2
ThinkMe	ThinkMe Finance Pty Ltd
Transaction Process	A process undertaken by the Administrators, the objective of which to achieve a recapitalisation or sale of the Company's business.
Trusts Act	Trustee Act 1925 (NSW) (or equivalent state or territory legislation)
VDR	Virtual Data Room
Volt	Volt Corporation Limited
Westpac	Westpac Banking Corporation Limited

10.1. 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 the information provided and representations made to us are materially accurate, complete and reliable. We have not carried out 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 based on 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.

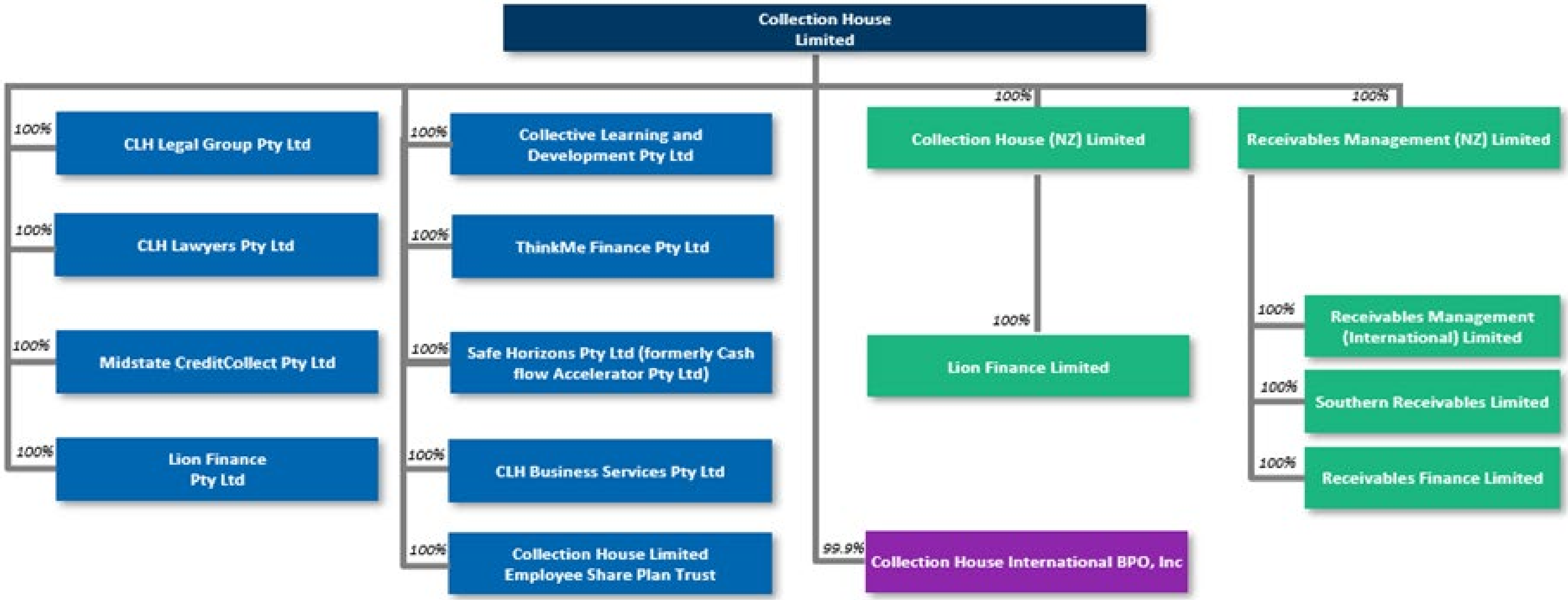
11. Appendix 2 – Company information

11.1. Statutory Information

Incorporation Date	16 April 1981	
Registered Address	Level 12, 100 Skyring Terrace, Newstead, QLD, 4006	
Principal Place of Business	Level 12, 100 Skyring Terrace, Newstead, QLD, 4006	
Directors and Officers (for the past 7 years)	Leigh George Berkley Director Appointed on 01/07/2016	Sandra Christine Birkensleigh Director Appointed on 17/09/2018
	Catherine Mary McDowell Director Appointed 17/09/2018	Jonathon Idas Secretary Appointed on 10/11/2020
	Michael Knox Former Director Appointed on 24/03/2017 Ceased on 22/11/2021	Anthony Rivas Former Director Appointed on 07/05/2017 Ceased on 24/11/2019
	Kerry John Daly Former Director Appointed on 30/10/2009 Ceased on 28/11/2017	Phillip Arthur Hennessy Former Director Appointed on 22/08/2013 Ceased on 28/11/2017
	Lev Mizikovsky Former Director Appointed on 01/07/2016 Ceased on 30/01/2017	Julie-Anne Schafer Former Director Appointed on 28/01/2014 Ceased on 04/01/2017
	David Paul Liddy Former Director Appointed on 27/03/2012 Ceased on 04/11/2016	David Michael Gray Former Director Appointed on 28/06/2011 Ceased on 05/08/2016

	Matthew James Thomas Former Director Appointed on 06/03/2013 Ceased on 30/06/2016 Anthony Francis Coutts Former Director Appointed on 17/09/1998 Ceased on 30/06/2015	Dennis George Punches Former Director Appointed on 01/07/1998 Ceased on 23/10/2015
Shareholders	The Company has $115,918,401.12 in paid up capital and 141,948,162 shares on issue.	
Description of trading activities	Debt Collection	

11.2. Corporate Structure



- ■ Holding company
- ■ Australian incorporated subsidiary
- 🟩 New Zealand incorporated subsidiary
- ■ Philippines incorporated subsidiary

11.3. Summary of the Collection House Group of entities

Company name	Incorporation date	Jurisdiction	Background and function
Collection House Limited (Administrators Appointed)	16/04/1981	Australia	End-to-End receivables management provider
CLH Legal Group Pty Ltd	18/05/2001	Australia	Legal services including insolvency administration
CLH Lawyers Pty Ltd	01/07/2001	Australia	Legal services in litigation, debt recovery, insolvency, property law
MidState Creditcollect Pty Ltd	3/12/1986	Australia	Tailored debt collection services, specialising in Local Government
Lion Finance Pty Ltd	15/02/2001	Australia	Debt purchasing and recovery
Collective Learning and Development Pty Ltd	27/06/2000	Australia	Nationally recognised training provider in financial services and leadership. Registered Training Organisation
ThinkMe Finance Pty Ltd	13/09/2013	Australia	Licensed specialist finance broker for the provision of credit.
Safe Horizons Pty Ltd (formerly Cash Flow Accelerator Pty Ltd)	18/08/1994	Australia	Provision of financial hardship services for third parties
CLH Business Services Pty Ltd	3/08/2016	Australia	Customer service outsourcing for third parties
Collection House Limited Employee Share Plan Trust	29/01/2015	Australia	Trust vehicle for the CLH employee share scheme
Collection House (NZ) Limited	30/07/1999	New Zealand	End-to-End receivables management provider and 100% shareholder of Lion Finance Limited
Lion Finance Limited	13/01/2001	New Zealand	Debt purchasing and recovery
Receivables Management (NZ) Pty Limited	29/06/2005	New Zealand	New Zealand supplier of receivables and debt management and owner of Receivables Management (International) Limited, Southern Receivables Limited and Receivables Finance Limited.
Receivables Management (International) Pty Ltd	02/11/2021	New Zealand	Very minor debt collection services
Southern Receivables Limited	29/06/2005	New Zealand	Debt purchasing and recovery
Receivables Finance Limited	17/03/2016	New Zealand	Dormant entity
Collection House International BPO, Inc		Philippines	Debt collection services and receivables management for third parties

11.4. Details of security interests and charges

Below are details of the security interests registered on the PPSR upon appointment, plus any other prima facie valid charges of which the Administrators are aware.

Registration Number	Secured Party	Collateral Class	Date Registered
201202210045002	Fleet Partners Pty Ltd	Motor Vehicle	21/02/2012
201401240019404	Westpac	All present and after-acquired property – With exceptions	24/01/2014
201711300047715	Konica Minolta Business Solutions Australia Pty Ltd	Other goods	30/11/2017
201711300048189	Konica Minolta Business Solutions Australia Pty Ltd	Other goods	30/11/2017
201811070034998	Cisco	Other goods	07/11/2018
201811070035253	Cisco	Other goods	07/11/2018
202012310031218	Credit Corp	All present and after-acquired property – With exceptions	31/12/2020
202103260002219	DLL	Other goods	26/03/2021
202103260002226	DLL	Other goods	26/03/2021
202103260002235	DLL	Other goods	26/03/2021
202103260002242	DLL	Other goods	26/03/2021
202106070061900	DLL	Other goods	07/06/2021
202109130072956	DLL	Other goods	13/09/2021
202205250062415	Westpac	All present and after-acquired property – With exceptions	25/05/2022
202205250062876	Westpac	All present and after-acquired property – With exceptions	25/05/2022

12. Appendix 3 – Historical financial statements

The financial extracts below contain the Company's financial statements for the period from FY19 to FY22. Both the statements of the Company and the consolidated group are included due to the inter-related nature of operations. The commentary below refers to both the Company and the consolidated group as relevant.

12.1. Balance sheet summaries

12.1.1. The Company

Collection House Limited - Balance sheet

$M	Notes	FY19	FY20	FY21	FY22
Current assets					
Cash and cash equivalents	1	(3.24)	5.21	4.55	1.04
Trade and other receivables	2	9.86	9.71	6.75	7.08
Current tax assets	3	153.64	171.05	121.84	110.07
Other assets	4	0.02	0.08	1.54	1.55
Total current assets		160.28	186.05	134.68	119.74
Non-current assets					
Trade and other receivables	2	0.56	0.74	0.55	0.10
Equity investments	5	12.49	8.86	7.51	6.95
Property, plant and equipment		1.12	23.68	15.26	11.07
Intangible assets	6	25.03	24.58	19.57	17.89
Deferred tax assets	3	0.49	3.66	50.50	-
Total non-current assets		39.69	61.52	93.39	36.01
Total assets		**199.97**	**247.57**	**228.07**	**155.75**
Current liabilities					
Payables	7	17.67	11.96	8.55	9.44
Intercompany loans	8	(201.02)	(148.72)	29.03	44.09
Borrowings	9	14.67	214.85	11.73	5.07
Provisions		3.06	3.50	3.34	3.10
Other financial liabilities		1.94	6.74	6.79	7.34
Total current liabilities		(163.68)	88.33	59.44	69.04
Non-current liabilities					
Borrowings	9	195.93	-	49.42	-
Provisions		0.10	0.14	0.19	0.30
Other financial liabilities		5.05	27.59	22.74	16.70
Total non-current liabilities		201.08	27.73	72.35	17.00
Total liabilities		**37.40**	**116.06**	**131.79**	**86.04**
Net assets		**162.57**	**131.51**	**96.28**	**69.71**

12.1.2. The consolidated group

Collection House Limited - Consolidated Balance Sheet					
$M	**Notes**	**FY19**	**FY20**	**FY21**	**FY22***
Current assets					
Cash and cash equivalents	1	1.60	9.66	7.29	1.90
Trade and other receivables	2	12.87	13.31	10.13	9.67
Purchased debt ledgers	10	52.47	172.54	2.92	0.83
Current tax assets	3	-	-	12.49	0.11
Other assets	4	0.17	0.22	1.67	1.67
Total current assets		**67.11**	**195.73**	**34.50**	**14.18**
Non-current assets					
Trade and other receivables	2	0.56	0.74	0.55	0.10
Purchased debt ledgers	10	357.84	12.19	9.96	0.24
Equity investments	5	8.50	4.87	3.52	2.95
Property, plant and equipment		2.71	28.30	17.58	12.61
Intangible assets	6	33.84	33.01	28.09	26.12
Deferred tax assets	3	-	63.73	51.89	-
Total non-current assets		403.45	142.84	111.59	42.02
Total assets		**470.56**	**338.57**	**146.09**	**56.20**
Current liabilities					
Payables	7	14.61	13.21	9.06	9.83
Intercompany loans	8	-	-	-	0.08
Borrowings	9	14.67	214.86	11.73	5.07
Current tax liabilities		3.78	(5.38)	-	-
Provisions		3.81	4.42	4.37	4.05
Other financial liabilities		1.94	7.53	7.38	7.91
Total current liabilities		38.81	234.64	32.54	26.94
Non-current liabilities					
Borrowings	9	195.93	-	49.42	-
Deferred tax liabilities		1.51	-		-
Provisions		0.10	0.14	0.20	0.37
Other financial liabilities		5.05	30.67	24.11	17.48
Total non-current liabilities		202.59	30.81	73.73	17.85
Total liabilities		**241.40**	**265.45**	**106.27**	**44.79**
Net assets		**229.16**	**73.12**	**39.82**	**11.41**

**Unaudited internal management accounts*

12.1.3. Commentary

1. *Cash and cash equivalents*

   Cash and cash equivalents have steadily declined over the past three (3) financial years from c.$5.2M to c.$1.0M as of FY22 in line with a deterioration in operational performance. This was reflected on a consolidated basis as the Group observed depletion in its overall cash position from c.$7.3M in FY21 to c.$1.9M as of FY22.

2. *Trade and other receivables*

The Company's trade receivables steadily reduced between FY19 to FY22 from $5.6M to $1.8M, mirroring the downward trend observed in the consolidated trade receivables of the Group. This decline was in accordance with the soft trading conditions negatively impacting the operations of the Group.

Other receivables are comprised of benefits the Company expects to receive on a short-term basis. This includes pre-paid expenses, net investment returns, and revenue accrued which has not been invoiced to the customer. These positions remained relatively consistent over the period and are part of the ongoing trading function of the Group as a whole.

3. *Current tax assets and deferred tax assets*

The Company is a member of a consolidated tax group along with its subsidiaries pursuant to a tax sharing scheme. The figures in the Company's balance sheet are eliminated on the consolidated balance sheet.

Current tax assets are representative of the net DTA arising from unused tax losses. The Company is only able to utilise its DTA if it generates a profit; in such circumstances, the DTA would reduce the Company's tax payable. The asset is otherwise unable to be converted into cash.

Due to the ongoing operational issues impacting the future profitability of the Company, a deferred tax adjustment was made in FY22. This reflects a more conservative position with respect to the accounting for the Company's substantial carried forward tax loss position. The DTA was subsequently recognised as having no value in FY22 for both the Company and the consolidated Group.

As the DTA comprises a significant component of the Company's total assets, this suggests its net asset position was overstated and the Company in fact had a negative net asset position from FY19 to FY22.

We understand on 31 December 2021 the Directors, in conjunction with the Company's auditors, concluded the most prudent accounting approach was to not recognise this as a DTA and instead bring it to account progressively as the losses were consumed to offset future taxable income.

4. *Other assets*

Other assets include rental and other bonds held on behalf of the Company. It is important to note in a liquidation scenario, rental bonds are often uncollectible as the landlords will seek to draw upon the bonds to cover any unpaid rent.

5. *Equity investments*

Equity investments relate to the Company's shareholding in both related and external entities. Our analysis attributes the significant reduction in the value of equity investments over the past three (3) years to the failed investment in Volt.

The Company holds 100% ownership of its subsidiaries and has attributed various book values to these shares as outlined in **Appendix 4** of this report. In the event of a winding up, it is likely some value will be obtained from shares held in some of the subsidiaries.

6. *Intangible assets*

Intangible assets are comprised of goodwill, internally developed computer software and work in progress involving software development yet to be capitalised. These would have limited or no value in the event the Company is wound up and operations were ceased.

7. *Payables*

The Company's balance sheet indicated trade payables as at the date of our appointment of $9.44M however our analysis identified $3.2M of this balance related to intercompany aged payables. Other payables are primarily associated with statutory liabilities incurred by the Company.

The decline in trade payables from FY20 to FY21 reflects the overall contraction in the Company's trading activity.

8. *Intercompany loans*

Intercompany loans are representative of the net loan position with respect to related entities. An analysis of the intercompany loan position is further detailed in Section 5.3.3 of this report.

9. *Borrowings*

Borrowing facilities increased over time reaching c.$210M by the end of FY19. This level of borrowing resulted from the Company purchasing PDLs during consecutive periods of good availability of PDL assets at reasonable prices.

The Company financed these acquisitions mostly with debt, but the maturity of the debt was not aligned to the longer-term duration of the cash flows from the underlying PDL assets.

The carrying value of the Company's PDL assets were written down in FY20 due to several factors:

- Based on outcomes from the Financial Services Royal Commission and feedback from stakeholders, the Company undertook and implemented a comprehensive review of its operating model and collection strategies.
- The new operating model involved a more customer-focused approach while significantly reducing litigation action across the Group in respect of PDL recoveries.
- The new approach resulted in a write down of c.$89M of the carrying value of PDL assets in FY20 as the quantum and timing of expected future cash flows from the PDL book decreased.

As a consequence of the write-down, the Company breached banking covenants and was required to restructure its existing borrowing arrangements in 2020, during COVID-induced restrictions, to reshape the Company for long-term success.

During the period from March 2020 to March 2022, the Company completed a series of PDL sales and other non-core asset sales, the proceeds of which were used to repay senior debt.

In December 2020, the Company sold certain PDL assets to Credit Corp for $160M with the proceeds from the transaction applied to the Company's senior debt. This transaction is the reason for the significant reduction in debt during FY21.

As part of this transaction, Credit Corp agreed to provide the Company with a short-term loan of c.$15M.

The Company entered another recapitalisation transaction in late February 2022 to sell its New Zealand PDLs to Credit Corp for approximately $12M. As part of this transaction, Credit Corp provided the Company with a short-term working capital facility of c.$5M which was repaid upon completion of the transaction in April 2022.

Credit Corp simultaneously agreed to acquire substantially all of the Company's remaining senior debt from the Senior Lenders (c.$52M).

Upon completion of the New Zealand transaction, the working capital facility was repaid in full, part repayment to the Senior Lenders was made and Credit Corp released the Company from the remaining balance of the acquired senior debt.

At our appointment the Company's only remaining senior debt was a $6M Westpac and CBA facility secured solely by the Company's investment in Volt.

10. *Purchased debt ledgers*

The Company, through its subsidiaries, previously purchased debt ledgers at a discount with a view to collecting at a premium. These assets are not held directly by the Company, hence they do not appear on the Company's balance sheet, only the balance sheet of the consolidated group.

As part of its restructuring efforts and to pay down its borrowings, the Group disposed of its PDL assets (held by subsidiaries) during FY21 and FY22. The value of the PDLs disclosed by the Group (in its consolidated accounts) peaked at $184.7M in FY20 supported by relatively more favourable trading conditions and access to readily available financing.

12.2. Profit and loss summary

12.2.1. The Company

Collection House Limited - Profit and Loss					
$M	**Notes**	**FY19**	**FY20**	**FY21**	**FY22**
Revenue					
Interest income - purchased debt ledgers		0.01	-	-	-
Collection services revenue	1	51.54	50.15	44.65	32.06
Other revenue	2	40.70	1.40	0.47	0.33
Total Revenue		**92.25**	**51.55**	**45.12**	**32.39**
Expenses					
Direct collection costs		(30.68)	(24.33)	(12.52)	(6.12)
Employee expenses	3	(48.78)	(47.65)	(41.87)	(36.55)
Corporate/administrative costs	4	(2.23)	(0.95)	(10.63)	(11.26)
Restructuring/one-off advisory costs		(0.65)	(3.36)	(8.01)	(0.14)
Depreciation & amortisation		(3.34)	(8.16)	(10.36)	(6.41)
Finance costs	5	(7.88)	(9.55)	(6.96)	(3.97)
Total expenses		**(93.56)**	**(94.00)**	**(90.36)**	**(64.44)**
Net profit before tax (pre-impairment)		**(1.31)**	**(42.45)**	**(45.24)**	**(32.05)**
PDL - impairment gain/loss (AASB 9) / debt forgiveness	6	-	-	-	49.22
Net profit before tax (post-impairment)		**(1.31)**	**(42.45)**	**(45.24)**	**17.17**
Income tax expense / (benefit)		9.07	8.57	2.31	(48.45)
Net profit after tax		**7.75**	**(33.89)**	**(42.92)**	**(31.28)**
EBITDA		**9.91**	**(24.75)**	**(27.91)**	**27.55**

12.2.2. The consolidated group

Collection House Limited - Consolidated Profit and Loss					
$M	**Notes**	**FY19**	**FY20**	**FY21**	**FY22***
Revenue					
Interest income - purchased debt ledgers		75.42	79.26	18.89	5.75
Collection services revenue	1	67.23	63.94	55.24	42.54
Other revenue	2	18.41	8.45	1.20	2.33
Total Revenue		161.06	151.65	75.33	50.62
Expenses					
Direct collection costs		(25.97)	(22.74)	(14.32)	(5.27)
Employee expenses	3	(57.10)	(57.43)	(50.74)	(47.23)
Corporate/administrative costs	4	(21.33)	(19.42)	(17.73)	(13.66)
Restructuring/one off advisory costs		(0.78)	(0.06)	(8.01)	(0.14)
Depreciation and amortisation		(4.62)	(10.41)	(9.46)	(8.05)
Finance costs	5	(7.66)	(9.75)	(6.95)	(4.05)
Total expenses		(117.45)	(119.81)	(107.20)	(78.40)
Net Profit before tax (pre-impairment)		**43.60**	**31.84**	**(31.87)**	**(27.78)**
PDL - impairment gain/loss (AASB 9) / debt forgiveness	6	-	(238.89)	-	51.06
Net profit before tax (post-impairment)		**43.60**	**(207.05)**	**(31.87)**	**23.28**
Income tax benefit / (expense)		(12.91)	61.98	(0.12)	(50.48)
Net profit after tax		**30.69**	**(145.07)**	**(31.99)**	**(27.20)**
EBITDA		**55.88**	**(186.89)**	**(15.47)**	**35.38**

**Unaudited internal management accounts*

12.2.3. Commentary

1. *Collection services revenue*

   The Company's collection services revenue generally decreased under the pressure of the poor COVID-19 trading conditions, steadily declining from $51.54M in FY19 to $32.06M by FY22. This aligns with the overall downward trend observed in the consolidated financials of the Group from FY19 through to FY22.

2. *Other revenue*

   Other revenue in FY19 mainly comprised of PDL collections and related service revenues. As trading conditions worsened during FY20 to FY22, income from non-collection services fell. Other revenue reduced from $40.70M in FY19 to $0.33M in FY22 as the Company undertook a series of transactions to sell its PDLs. It should be noted this line item is not directly comparable to "Other Revenues" in the consolidated Group financials as it includes income from various other sources such as subleasing of property.

3. *Employee expenses*

   The Company's financial statements evidence the results of its cost-cutting measures implemented as a response to the declining revenues from subdued market conditions. Employee expenses fell by c.23% between FY20 and FY22, with a c.18% reduction evident in the consolidated financial statement.

4. *Corporate/administrative costs*

   Based on our review the Company's corporate and administrative costs increased markedly from FY20 onwards primarily due to the reduction in commissions paid by Lion Finance (which was recorded in the Company's books as a negative expense), when its PDLs were sold.

5. *Finance costs*

   The Company was a party to secured loan facilities with Westpac, CBA and Credit Corp. Costs associated with these facilities were regularly paid by the Company during the period, which decreased in line with the reduction in facilities from FY20 to FY22.

6. *PDL- impairment gain/loss (AASB9)/debt forgiveness*

   During FY22, the Company completed a restructuring transaction involving its Senior Lenders selling c.$52M of senior secured debt to Credit Corp. The Company received c.$12M from Credit Corp for the sale of its New Zealand PDLs. At the same time, the Company was provided with a working capital facility from Credit Corp repayable upon completion of the sale. The proceeds were applied in full to repay the short-term working capital facility and repay a portion of the senior debt. Credit Corp forgave the remaining c.$49M of senior secured debt it acquired in this transaction. This resulted in the Company recognising an impairment gain of $49.23M in its PDL account.

Our further observations are as follows:

- The Company completed various PDL disposal transactions from FY20 to February 2022. Upon completion of these transactions, PDL revenue contributed a negligible amount to the Company's revenue.
- The Company generated negative EBITDA since FY20 however due to the impairment reversal of its PDL assets, it recorded EBITDA of c.$27M in FY22. This resulted from the recognition of the gain as revenue and was not representative of operational improvement.

12.3. Statement of cashflows

The following consolidated statement of cash flows reflects the Appendix 4C – Quarterly Cashflow Report lodged with ASX on a quarterly basis. A statement of cash flows is not prepared for the Company as a stand-alone entity.

Collection House Limited - Consolidated Statement of Cash Flows

$M	FY19	FY20	FY21	Q1 - Q3 FY22
Cash flows from operating activities				
Receipts from customers and debtors (inclusive of GST)	213.40	182.66	110.02	0.00
Payments to suppliers and employees	(115.63)	(107.61)	(101.08)	(55.72)
Income taxes refunded/(paid)	(10.96)	(9.71)	5.02	12.33
Net Cash inflow from operating activities	**86.81**	**65.34**	**13.96**	**3.08**
Cash flows from investigating activities				
Payments for property, plant and equipment	(1.09)	(0.76)	(0.34)	(0.57)
Payments for purchased debt ledgers	(132.63)	(40.05)	(6.96)	-
Payment for leasehold improvements	(0.71)	(0.19)	-	-
Receipts from sale of purchased debt ledgers	-	-	158.36	(1.33)
Receipts from sale of investment	-	0.49	-	1.00
Receipts from sale of subsidiary	-	-	0.01	-
Payment for equity instrument	(8.50)	-	-	-
Payments for intangible assets	(2.90)	(2.03)	(0.89)	-
Net cash inflow/(outflow) from investing activities	**(145.83)**	**(42.54)**	**150.18**	**(0.90)**
Cash flows from financing activities				
Proceeds from borrowings	78.70	16.55	16.96	11.89
Repayment of borrowings	(0.84)	(12.29)	(172.17)	(11.48)
Payment of lease liabilities	-	(5.71)	(6.25)	(6.07)
Borrowing costs	(1.59)	(1.35)	(0.58)	(0.83)
Interest paid	(5.62)	(7.56)	(4.22)	-
Dividends paid to Company's shareholders	(11.01)	(5.76)	-	-
Proceeds from issues of shares and other equity securities	2.88	1.25	-	-
Purchase of treasury shares	(0.30)	-	-	-
Net cash outflow from financing activities	**62.22**	**(14.87)**	**(166.26)**	**(6.49)**
Net (decrease)/increase in cash and cash equivalents	**3.20**	**7.93**	**(2.12)**	**(4.31)**
Cash and cash equivalents at the beginning of the financial year	(2.09)	1.60	9.66	0.00
Effects of exchange rate changes on cash and cash equivalents	0.48	0.12	(0.26)	-
Cash and cash equivalents at the end of year	**1.59**	**9.65**	**7.28**	**2.95**

13. Appendix 4 – Summary of ROCAP Part A

Summary of the ROCAP Part A and Administrators' ERV as at 29 June 2022

Summary of the ROCAP Part A

($)	Notes	Book Value	Directors' ERV	Administrators' Low ERV	Administrators' High ERV
Assets					
Cash at bank	1	1,039,181	2,186,114	624,156	624,156
Pre-appointment debtors	2	1,776,231	3,037,347	2,898,086	3,050,617
Intercompany debtors	3	98,284,440	105,345,315	-	-
Shares in related parties	4	3,994,810	3,475,095	-	549,000
Shares in external entity	4	2,950,756	2,950,756	-	Unknown
Property, plant and equipment	5	11,072,281	6,321,101	-	209,851
Capital work in progress	6	630,734	597,595	-	-
Intangible assets	7	-	-	-	-
Total assets		**119,748,434**	**123,913,324**	**3,522,242**	**4,433,624**
Liabilities					
Employee entitlements	8	(3,352,972)	(3,792,451)	(3,189,607)	(3,189,607)
Unsecured creditors	9	(7,218,668)	(6,223,956)	(5,214,438)	(5,214,438)
Secured creditors	10	(5,065,320)	(6,070,487)	(13,871,427)	(13,871,427)
Related party creditors	11	(33,429,069)	(29,423,623)	(33,429,069)	(33,429,069)
Statutory liabilities	12	(1,054,931)	(1,640,068)	(1,640,068)	(1,640,068)
Total liabilities		**(50,120,960)**	**(47,150,585)**	**(57,344,609)**	**(57,344,609)**
Net assets		**69,627,473.44**	**76,762,766.08**	**(53,822,367)**	**(52,910,985)**

Notes

1. *Cash at bank*

   The Directors' ROCAP disclosed a balance of c.$2.2M held in cash and cash equivalents as follows:

Cash at 29 June 2022

Account	No. of accounts	Balance ($)
Main account	1	546,471
Fee and impress accounts	9	37,657
Trust account floats	6	56,500
Term deposits	3	1,545,486
Total	**19**	**2,186,114**

Upon our appointment, correspondence was issued to all major banking institutions notifying them of our appointment and instructing them to freeze all accounts held in the name of the Company.

Funds held in term deposits are held as security for bank guarantees and credit card facilities. The Administrators' ERV presents the cash at appointment net of the funds held in term deposit due to the non-circulating nature of the securities.

The Company holds segregated trust accounts on behalf of clients which are not assets available to the Company. These accounts are not included above.

2. *Pre-appointment debtors*

The Directors disclosed debtors totalling $3.0M in their ROCAP. This amount represents all debtors invoiced and work-in-progress which was billed shortly after our appointment. All amounts are considered collectable.

3. *Intercompany debtors*

The Directors disclosed a balance of c.$105.3M in their ROCAP as per below. Related party loans are discussed in detail in Section 5.3.3 of this report.

Intercompany debtors as at 31 May 2022

Company	Directors' ROCAP ERV ($)
Lion Finance	93,911,670
Lion Finance (NZ)	802,495
Midstate	5,705,521
CHIBI	1,330,776
ThinkMe	3,419,244
CLAD	175,609
Total	**105,345,315**

Our analysis of the Company's records indicate two (2) intercompany debtors were omitted from the above listing as follows:

Intercompany debtors omitted from ROCAP

Company	Balance May 2022 ($)
Jones King Lawyers (Partnership)	1,601
Jones King (Incorp) Bal Sheet	1,035,302
Total	**1,036,903**

Management advised the nominal amount owed by Jones King Lawyers (Partnership), resulted from an aged historical intercompany transaction. This entity previously operated a law firm in Adelaide and was dissolved when the law firm was consolidated into the operations of CLH Legal. As the entity has been dissolved and the value of the debt is nominal, the Administrators have determined it has no ERV.

The second omitted entry relates to an entity known as Jones King Lawyers Pty Ltd, a previous name of CLH Legal. It is unclear why this debt has been accounted for separately from the amount owed to CLH Legal in the management accounts.

For simplicity, we have offset these values with the debt owed by the Company to CLH Legal. Accordingly, these entities do not appear in the table at Section 5.3.3 of this report.

Given the subsidiaries' need for ongoing funding, the Administrators do not anticipate a return under either a high or low scenario.

4. *Shares in related and external parties*

The Directors’ ROCAP disclosed a balance of c.$3.5M in related party and $3.0M in external entity shares. A summary of the shares held are as follows:

Shares held			
Company	**Notes**	**Directors' ROCAP ERV ($)**	**Administrators' ERV ($)**
Related party			
CLHNZ	A	908	369,000
Lion Finance	B	4	-
Midstate	C	3,367,250	180,000
CHIBI	D	106,933	-
CLH Legal Group	E	-	-
Total shares in related parties		**3,475,095**	**549,000**
Non-related party			
Volt	F	2,950,756	Unknown
Total shares in non-related parties		**2,950,756**	**Unknown**
Total		**6,425,851**	**Unknown**

With respect shares in related entities, our ERV is based on the assumption these shares are disposed of in a liquidation scenario. Accordingly, we note as follows

A. CLHNZ

As part of the Transaction Process outlined at Section 5.2 of this report, the Administrators received an offer to acquire CLHNZ for up to NZ$0.55M . The debt owed to Westpac for the bank guarantee facility is secured against and guaranteed by CLHNZ. Accordingly, Westpac would be required to release security for such a transaction to proceed and would hold priority to the proceeds of realisation.

The Administrators’ ERV assumes the sale is completed with estimated realisation costs of 10% of proceeds.

B. Lion Finance

Lion Finance disposed of its PDLs with the exception of c.$20,000 from one (1) client, and a number of bankruptcy-related files. The December 2020 PDL sale to Credit Corp included additional consideration for up to $15M. The additional consideration is contingent on future collection targets over an accumulated eight (8) year period to September 2028.

The Administrators' have attributed no ERV to these shares on the basis no offer was received in the Transaction Process, it operates at a loss, and Lion Finance is heavily reliant on the Company for the provision of IT infrastructure, systems and finance. Further we are unable to place any value on the additional consideration potentially payable under the December 2020 PDL sale on the basis it is subject to future collection performance and there is material uncertainty if any future amount would be payable to Lion Finance. It is also noted Westpac holds security over Lion Finance for the bank guarantee facility.

C. Midstate

Midstate relies heavily on CLH Legal, with a third of its revenue being legal services on-charged to its clients.

Whilst this entity appears to have a positive net asset position, intangible assets (goodwill) make up the majority of its adjusted net asset position (adjusted for deferred tax assets and intercompany loans).

The Transaction Process resulted in one (1) offer being received for the Company's shares in Midstate in the amount of $0.2M. Midstate also guarantees the debt owed by the Company to the Senior Lenders.

The Administrators' ERV assumes the offer on the share sale could be completed with estimated realisation of 10% of proceeds.

D. CHIBI

The Transaction Process did not result in the receipt of any offers in respect of the shares in CHIBI.

The Administrators have not attributed an ERV to the shares in CHIBI on the basis no offer was received, it operates at a loss and CHIBI's structure is such that if the Company ceased to operate, it would immediately follow.

E. CLH Legal Group

This shareholding was not included in the Directors' ROCAP, however it is 100% owned by the Company. CLH Legal relies heavily on referrals from the Company, with over a third of its revenue resulting from internal referrals.

Whilst this entity appears to have a positive net asset position, intangible assets make up the majority of its adjusted net asset position (adjusted for deferred tax assets and intercompany loans). The Transaction Process did not result in the receipt of any offers in respect of the shares in CLH Legal.

The Administrators have not attributed an ERV to the shares in CLH Legal on the basis no offer was received, it operates at a loss, heavily reliant on the Company's referrals to generate revenue and for the provision of IT infrastructure, systems and financing.

With respect to shares in external entitles, we note the following:

F. Volt

With respect to the equity investment in Volt, the Directors’ ROCAP disclosed the shares held in Volt are held as security against Westpac and CBA’s Facility C on a limited recourse basis.

Volt announced the winding down of its operations in late June 2022 following its failure to raise capital. Based on the information provided, it is our opinion only a small return may be available to Volt shareholders. Due to the encumbrance of these shares, we consider there will be a shortfall on Senior Lenders’ Facility C.

5. Property, plant and equipment

The Directors’ ROCAP disclosed c.$6.3M in plant and equipment. The composition of plant and equipment types are detailed in the following table:

Plant and equipment

Category	Notes	Amount ($)
Computer software	A	5,605,370
Computer and mobile hardware	B	527,605
Leasehold improvements	C	132,153
Office hardware and equipment	C	55,973
Total		**6,321,101**

A. Computer software

Computer software comprises the majority of the Company’s plant and equipment and includes both internally developed projects and external software primarily comprising of the below:

Computer Software

Software Name	Amount ($)	% of Computer Software
C5	4,313,173	76.95%
PureConnect	626,834	11.18%
TechOne	341,925	6.10%
Noble Systems	141,864	2.53%
Other	181,574	3.24%
Total	**5,605,370**	**100.00%**

C5 is a propriety system developed and owned by the Company, and represents the majority of the value of the Company’s plant and equipment followed by PureConnect, TechOne and Noble System. Additionally, C5 also contributes to the Group’s internal functions which is capitalised as work in progress (as discussed in the next section). If C5 were to be sold there would be significant transition costs which may be greater than the realisable value of the system.

B. Computer and mobile hardware

Computer and mobile hardware includes items such as mobile phones, monitors, and computers. The high ERV for these items is approximately $0.2M according to the preliminary valuation report.

C. Leasehold improvements, office hardware and equipment

This item comprises office fixtures and furnishings. Given the costs associated with removal and sale, the Administrators' do not attribute an ERV in either instance.

6. Capital work in progress

The Directors disclosed $597,595 in capital works in progress in relation to the C5 system previously mentioned and other ongoing research and development projects undertaken by the Group. Refer to comments on 5.A. above with respect to the value of C5.

7. Intangible assets

The Directors note intangible assets, being internet domains and trademarks held in Australia and the United Kingdom, have no ERV in the ROCAP.

The Administrators do not anticipate it would be commercial to realise these intangible assets.

8. Employee entitlements

At the date of our appointment there were 459 employees across Queensland, New South Wales, and Victoria. Upon review, the Directors' ROCAP includes pro-rata long service leave to which employees are not yet entitled. The ROCAP amount also included accrued wages. All pre-appointment wages were paid by the Administrators in the first pay-run following our appointment.

A breakdown of the Administrators' ERV is provided in the table below and is based on Company records as at 29 June 2022.

Employee Entitlements	**Amount ($)**
Superannuation	790,004
Annual leave	1,699,106
Long service leave	700,497
Total	**3,189,607**

Superannuation is outstanding for the period 1 April 2022 to 30 June 2022. At the time of our appointment, the superannuation for the quarter was not due and payable. The ATO will make a claim for outstanding superannuation on behalf of employees in either a liquidation or DOCA scenario.

9. *Unsecured creditors*

The Administrators' ERVs are based upon the Company's books and records and proofs of debts received. We note the amounts have not been adjudicated and are subject to change.

10. *Secured creditors*

Upon appointment, the Administrators conducted a search of the PPSR and issued correspondence to all parties on the register. A summary of the PPSR security interest can be found in **Appendix 2**.

The Administrators' high and low ERVs are based on the PODs provided by Westpac, CBA, Cisco and DLL.

Secured creditors	Directors' ROCAP ($)	Administrators' High ERV ($)	Administrators' Low ERV ($)
Westpac	3,050,000	10,854,639	10,854,639
CBA	1,977,828	1,973,195	1,973,195
Cisco	242,746	242,550	242,550
DLL	799,912	801,043	801,043
Total	**6,070,486**	**13,871,427**	**13,871,427**

The following should be noted regarding amounts owing to the above secured creditors:

- The Directors' ROCAP disclosed an amount of $5M owed to Westpac and CBA in respect of Facility C. This amount is secured solely by the Company's shareholding in Volt. Westpac and CBA only have a priority in respect of the proceeds from the realisation of these shares.
- The Directors' ROCAP did not include as a secured creditor, a bank guarantee facility provided by Westpac in the amount of c.$8.2M. This facility is partly secured by term deposits held and a general security agreement provided by the Company and its Australian subsidiaries. Any shortfall suffered by Westpac in respect of this facility will rank as an unsecured claim. The Administrators' ERVs is net of funds held on term deposit.
- The facility provided by Cisco is a lease facility secured only in respect specific goods such as phones and associated equipment. Any shortfall suffered by Cisco in respect of this facility will rank as an unsecured claim.
- The facility provided by DLL is a lease facility secured only in respect of certain Microsoft software licences. Any shortfall suffered by DLL in respect of this facility will rank as an unsecured claim.

11. *Related party creditors*

The Directors’ ROCAP disclosed intercompany loans, payables, and intercompany tax provisions totalling c.$29.4M at 31 May 2022. The following table provides a breakdown of the liabilities owed to related parties as disclosed in the ROCAP:

Intercompany creditors as at 31 May 2022

Company	Directors' ROCAP ERV ($)
CLH Legal	22,267,609
CLHNZ	5,268,780
Safe Horizons	869,189
RMNZ	757,629
ACA	129,482
ALR Lawyers	130,934
Total	**29,423,623**

ACA is a subsidiary of the Company which was deregistered on 4 June 2008. As such, the only party legally entitled to prove in respect of this debt is ASIC. We consider it unlikely a POD will be received in respect of the debt owed to ACA.

ALR was a legal partnership which operated the legal firm now incorporated as CLH Legal. We understand the partnership was dissolved on or around 21 June 2002 and as such it is unclear if any party is legally entitled to prove in respect of this debt.

For simplicity, we have added these values to the debt owed by the Company to CLH Legal. Accordingly, these entities do not appear in the table at Section 5.3.3 of this report.

Related party loans are discussed in detail in Section 5.3.3 of this report**.**

12. *Statutory liabilities*

The Directors’ ROCAP disclosed a balance of c.$1.6M in statutory liabilities comprising of c.$0.4M owed to the Queensland, New South Wales, and Victorian SROs, and c.$1.3M owed to the ATO in relation to PAYG withholding. We note the $1.3M liability to the ATO appears inclusive of the Group’s tax liabilities.

The ATO have submitted a proof of debt for a claim of $7,600. We note this amount has not been adjudicated and may be subject to change. Proofs of debts have yet to be submitted by the SROs.

14. Appendix 5 – Investigations – analysis and information

14.1. Date of insolvency

14.1.1. 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 and is considered to be the primary basis for assessing the Company’s solvency. There are many elements to consider and we have considered the following:

- Cashflow forecasting i.e. the Company’s solvency from point-in-time cash flow forecasting
- Sources of funding and support by financiers or related entities i.e. the sources of funding available to the Company outside those generated by day-to-day operations
- EBITDA and profit and loss as a possible proxy for operating cash flows which indicate the Company’ ability to generate sufficient cash to meet its obligations from operations
- Creditor ageing profile i.e. whether the Company had been meeting its payments on time
- Statutory liabilities i.e. whether the Company had been meeting its statutory liabilities

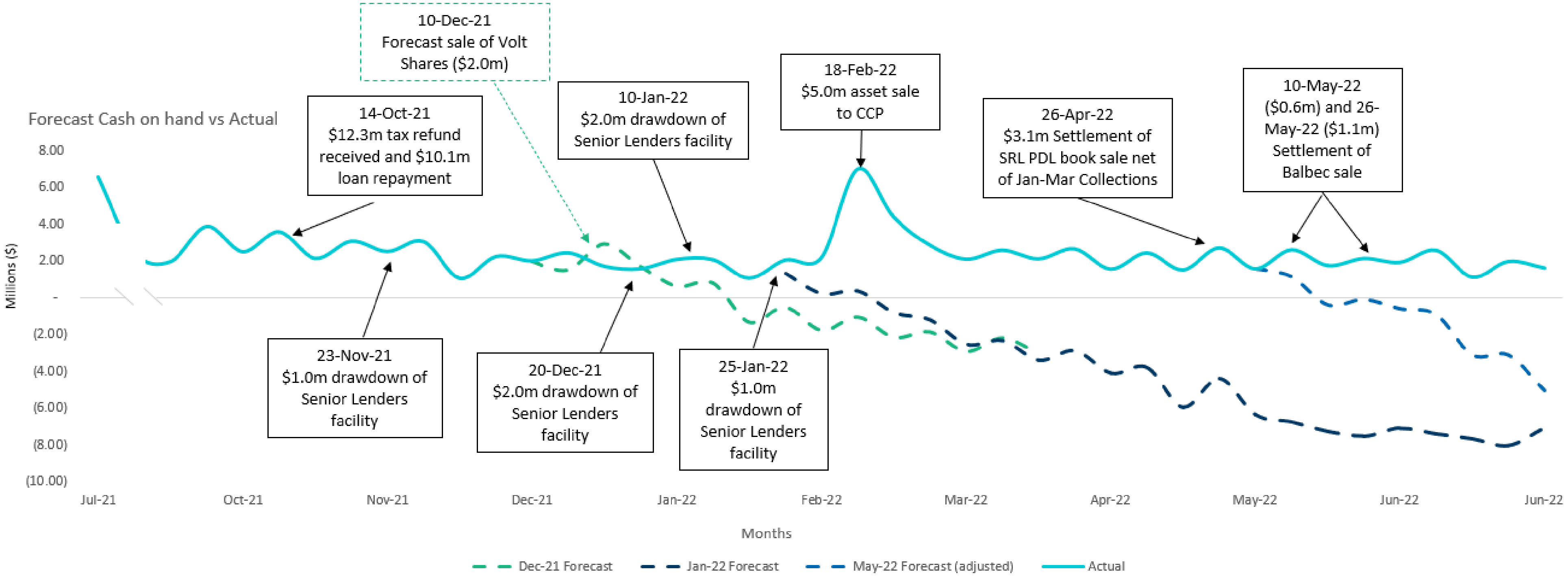
Forecast cash flows

A complete assessment of cashflow solvency requires consideration of debts which are due and payable in the immediate future.

For the purpose of this preliminary assessment, we have considered the consolidated cash position of the Group over the last 12 months and identified when the Group sold assets or was able to draw down on lending facilities.

We have also reviewed Management’s consolidated cash position for the last 12 months and consolidated cash forecasts produced on 3 December 2021, 21 January 2022, and 6 May 2022.

A chart of the above analysis is included on the following page.



In relation to the above, we note:

- Since June 2021, the Group's cash position has been tight due to persistent operating losses. The Group has been reliant on short term funding and asset sales since October 2021 to fund operations and deal with forecast liquidity shortfalls.
- The three (3) forecast lines represent different point-in-time forecasts prepared in December 2021, January 2022 and May 2022 (on an adjusted basis);
- The May 2022 forecast was adjusted to remove a projected equity raise forecast to occur in June 2022;
- As highlighted above, without further funding or asset sales, and based on its own forecasts produced in December 2021 and January 2022, the Group would have been in a negative cash position by mid to late January 2022 or early February 2022; and
- Without obtaining further funding in June 2022, the Company's forecast prepared in May 2022 indicated the Group had forecast a liquidity shortfall which was expected to occur in late May 2022.

Since at least late December 2021, the Group has been heavily reliant on short term funding and asset sales to fund its continued operating losses.

Access to funding

Since December 2020, after the completion of the 2020 PDL Sale, the Company accessed the following short term funding facilities:

Loan facility	Funding provided	Amount ($M)	Repaid
Credit Corp Facility 1	December 2020 PDL Sale	15.0	Yes, in full in October 2021
Credit Corp Facility 2	February 2022 NZ PDL Sale	5.0	Yes, in full in April 2022
Westpac and CBA (Facility C)	November 2021 - February 2022	6.0	c.$1M repaid in February 22

The Company was able to draw down on funding from Westpac and CBA in the period between November 2021 and January 2022 whilst it was pursuing a recapitalisation transaction which ultimately did not occur. During this period, the Company was heavily reliant on this short-term funding to meet immediate trading expenditure. This suggests the Company was suffering from cash flow issues from as early as November 2021.

In February 2022, the Company was provided with a short-term working capital facility by Credit Corp. This facility was provided in connection with the NZ PDL transaction. This facility was repaid upon completion of the transaction as announced by the Company in April 2022. In or around June 2022, we understand the Company approached its major lender for additional funding to manage another forecast liquidity shortfall but no further funding was provided.

Inability to raise further equity capital

We understand the Company had been in exclusive negotiations with a private equity firm in late December 2021 to late January 2022, with the aim of recapitalising and privatising the Group through both debt and equity funding.

The Administrators are not privy to the specifics of the indicative terms which were being discussed with this private equity firm, however it’s our understanding this transaction was expected to have alleviated the Company’s liquidity issues over the longer term.

We understand negotiations with this private equity firm ceased in or around late January 2022, after which the Company pursued the NZ PDL transaction.

In the months leading up to our appointment, the Company sought to raise additional funding. In April 2022, shareholders were advised the Company was effectively debt free and well positioned to undertake a equity raise.

However, due to lack of interest by shareholders to participate in an equity raise, the Company was unable to raise further equity and instead pursued alternate funding options.

Following this, the Company engaged in discussions with other potential investors however none of these potential investors were prepared to provide additional funding which we understand was largely due to the Company’s overhead cost structure and continued operating losses.

Continued trading losses

The Company's and the Group's EBITDA in the financial years 2020 to 2022 are as follows:

EBITDA ($M)	FY20	FY21	FY22
Collection House Limited	(25.01)	(28.53)	27.50
Collection House Group	(186.89)	(15.47)	(15.50)

It is noted the positive EBITDA in FY22 occurred due to a c.$52M accounting gain from the sale of PDL assets and not from trading performance (which continued to be loss-making). The considerable group loss in excess of $186M in FY20 was a result of the impairment of the PDL book further discussed at **Appendix 3.**

Over the same period, the Company accumulated losses totalling $108.09M.

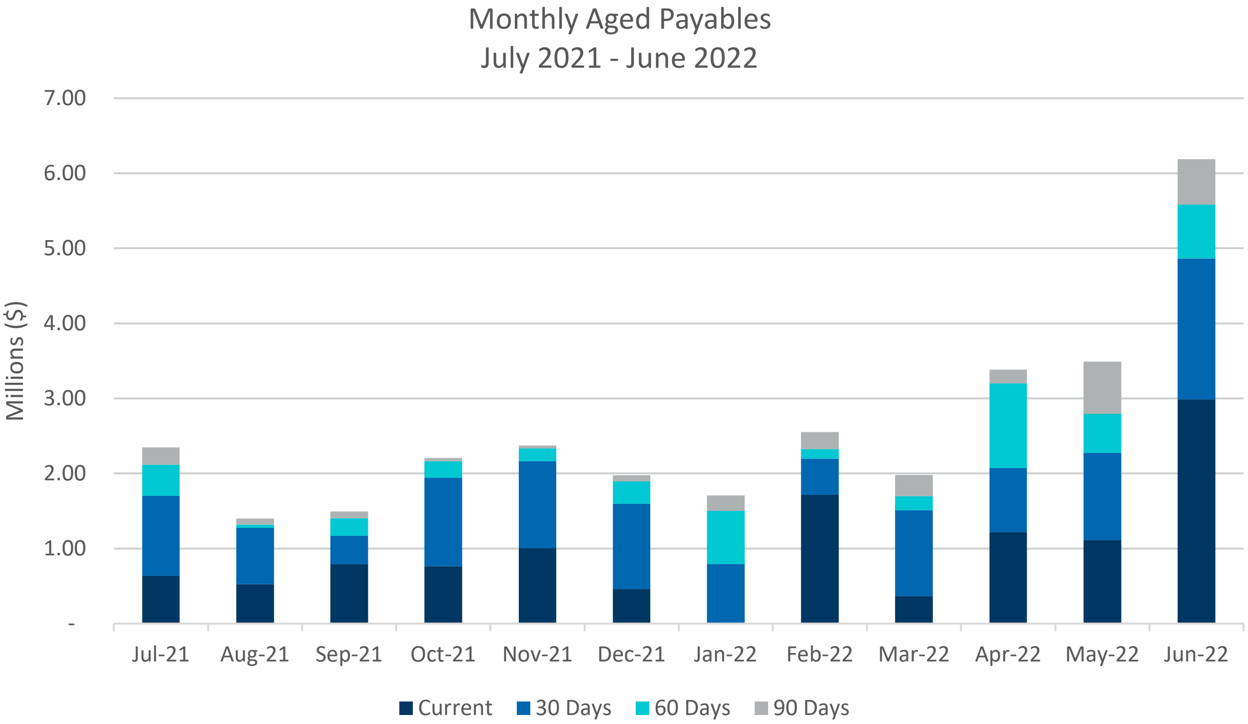
Accumulated Loss ($M)	FY20	FY21	FY22
Net Profit/(Loss)	(33.89)	(42.92)	(31.28)
Accumulated Loss	(33.39)	(76.81)	(108.09)

With respect to the above, we note the following:

- The Company experienced successive trading losses from at least FY20.
- A key contributor to the Company's declining operating performance was the disruption of the Company's core business model. As discussed previously, debt collection enforcement was put on hold during the pandemic as lenders were reluctant to undertake enforcement action against clients.
- During the period December 2020 to April 2022, the Company undertook a number of asset sale transactions in attempts to improve its liquidity position and reduce its borrowings.
- The Company also sought to renegotiate lease terms with landlords to reduce fixed costs.
- Ultimately, the Company was unsuccessful in renegotiating lease terms and no further funding or capital raise materialised following completion of the NZ PDL transaction on 26 April 2022.

14.1.2. Creditor ageing and statutory liability

The table below summarises the breakdown of aged payables, excluding amounts owed to subsidiaries within the Group.



As illustrated above, the Company's aged payables balance increased from January 2022 with the Company reliant upon short term funding to meet its debts as and when they fell due.

From late November 2021 to April 2022, the Company appeared to be reliant on asset sales and short term funding to meet its trading and statutory debts. Once the Company completed the NZ PDL transaction, debts owing to trade creditors increased as evidenced in the May and June 2022 aged payables.

Nevertheless, our review has identified at the time of our appointment:

- There were no material wages or employee entitlements outstanding; and
- Other statutory payments were largely up to date, excluding payroll tax owing to the Queensland SRO and PAYG for the prior 2 months.

14.1.3. Arrangements with creditors

A change to terms of trade, cut off supply and entering payment arrangements are further indicia of insolvency.

The Company entered into payment arrangements with three (3) creditors, the earliest of which occurred in July 2020.

Other than the three (3) creditors noted above, there is no further evidence of creditors pressuring the Company to settle outstanding accounts, nor is there any evidence of enforcement or legal action taken by any creditors.

14.1.4. Solvency review – balance sheet test

The balance sheet test looks at whether the Company can meet all current liabilities, irrespective of when they are due and payable, from current assets. It is generally accepted a ratio of current assets to current liabilities below 1:1 is indicative of being insolvent.

Our review of the Company's historical net asset and working capital position is prepared on an unconsolidated basis for the following reasons:

- The Company is unlikely to be able to rely upon its subsidiaries' assets to meet its current liabilities; and,
- A significant portion of the Group's revenue is generated by the Company.

For the purposes of this analysis, we have conducted two (2) current ratio tests. The first based on the Company's unaltered management account figures and the second scenario has been adjusted to remove DTAs from current assets, and intercompany payables and loans from current liabilities.

The reasons for the removal of the DTA in our solvency analysis are as follows:

- The Company is unable to readily utilise this asset to meet current liabilities;
- These DTAs are only accessible where the Company can generate profits; and
- The Company concluded in its 2021 Annual Report it is probable sufficient taxable income would be generated in the future to utilise the DTA's, however, for solvency purposes the DTA's are unable to be relied upon due to their illiquid nature.

We have also removed intercompany payables and loans for the purposes of our ratio calculations to more accurately represent the Company's more liquid assets.

$M	FY18	FY19	FY20	FY21	FY22
Current Ratio	(1.26)	(0.98)	2.11	2.27	2.03
Net Current Assets	258.52	323.96	97.71	75.25	60.14
Adjusted Net Current Assets					
Current Assets Adjusted	9.33	6.64	15.00	12.84	8.52
Current Liabilities Adjusted	16.60	34.38	236.73	29.76	24.53
Adjusted Net Current Assets	**(7.26)**	**(27.75)**	**(221.73)**	**(16.92)**	**(16.01)**
Adjusted current ratio					
Current Assets adjusted	9.33	6.64	15.00	12.84	8.52
Current Liabilities adjusted	16.60	34.38	236.73	29.76	24.53
Adjusted current ratio	**0.56**	**0.19**	**0.06**	**0.43**	**0.35**

From the above analysis, it is apparent that for the entire period analysed above (FY18 to FY22) that the current ratio is below one (1) in both scenarios, indicating the Company has been unable to meet current liabilities from current assets throughout this period.

14.2. Indicators of potential insolvency

14.2.1. Factors to take into account in assessing insolvency

We have considered the following usual indicia of insolvency in our analysis. Relevant indicia have been discussed above:

- The company has a history of trading losses;
- The company is experiencing cashflow difficulties;
- Creditors are not being paid on agreed trading terms and/or are either placing the company on cash-on-delivery terms or requiring special payments on existing debts before they will supply further goods and services;
- The company is not paying its federal and state taxes when due (e.g. pay-as-you-go withholdings are outstanding, goods and services tax (GST) is payable, or superannuation guarantee contributions are payable);
- Cheques are being returned dishonoured;
- Legal action is being threatened or has commenced against the company, or judgments are entered against the company, in relation to outstanding debts;
- The company has reached the limits of its funding facilities and is unable to obtain appropriate further finance to fund operations – for example, through;
  - negotiating a new limit with its current financier; or
  - refinancing or raising money from another party.
- The company is unable to produce accurate financial information on a timely basis which shows the company's trading performance and financial position or can be used to prepare reliable financial forecasts;
- Company directors have resigned, citing concerns about the financial position of the company or its ability to produce accurate financial information on the company's affairs;
- The company auditor has qualified their audit opinion on the grounds there is uncertainty the company can continue as a going concern;
- The company has defaulted, or is likely to default, on its agreements with its financier;
- Employees, or the company's bookkeeper, accountant or financial controller, have raised concerns about the company's ability to meet, and continue to meet, its financial obligations;
- It is not certain there are assets which 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; and
- The company is holding back cheques for payment or issuing post-dated cheques.

14.2.2. Solvency review – indicators of insolvency

Indicator	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
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	×	×	×	×	×
Qualified audit opinion	×	×	×	×	×
The Company has defaulted, or is likely to default, on its agreements with its financier	×	×	×	×	✓
Finance staff raise solvency concerns	?	?	?	?	?
Inability to sell surplus assets	×	×	×	✓	✓
Issuing post-dated cheques	×	×	×	×	×

Key

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

14.2.3. Auditors' commentary regarding going concern assumption

In general, auditors are required to consider the appropriateness of management's going concern assumption for a period of at least 12 months from the date of the financial statements.

In the Group's audited FY20 and FY21 Annual Report, its auditors noted there was material uncertainty related to the Group's ability to continue as a going concern; that is, whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

The auditors formed this conclusion by:

- Evaluating the feasibility, quantum and timing of the Group's plans to manage business performance and liquidity and maintain compliance with relevant financial covenants imposed by the Group's lenders, to address going concern; and
- Assessed the Group's cash flow forecasts for incorporation of the Group's operations and plans to address going concern, in particular the potential for future impacts on the Group from the uncertain economic conditions resulting from COVID-19.

14.2.4. Conclusion

Based on the above analysis, our preliminary view is the Company became insolvent from at least April 2022.

The primary reasons for this view are:

- The Company experienced trading losses from FY20 onwards due to the impact of the pandemic on client enforcement actions.
- Some suppliers and statutory liabilities were not paid within trading terms.
- Since FY20, the Company had a net asset deficiency and current ratio, below one (1). The Company was however able to secure ongoing working capital facilities from lenders and other providers, which maintained solvency.
- The Company's auditors had noted there was material uncertainty related to the Group's ability to continue as a going concern in their audit reports in FY20 and FY21.
- The Company entered into one (1) payment arrangement with the Queensland SRO on 21 December 2021. Additionally, our investigations have identified the Company negotiated payment terms with at least two (2) other creditors;
- In or around late January 2022/early February 2022, the negotiations ceased with a private equity firm who was interested in recapitalising the Group, after which the Company conducted the NZ PDL transaction.
- The Company entered into the NZ PDL transaction on 21 February 2022 which settled on 26 April 2022. As part of this transaction, the Company negotiated the assignment and ultimate forgiveness of c.$52M in secured debt and obtained access to short-term working capital. At this point the Company had no further available assets for sale and limited capacity to service its liabilities as and when they fell due.
- Following completion of the NZ PDL transaction in April 2022, the Company re-engaged with interested parties to explore opportunities for further funding however the parties approached were not prepared to provide funding due to the Group's cost structure and ongoing operating losses.
- The Company was actively taking steps to reduce overhead costs including negotiating with landlords throughout 2022 to amend lease terms and/or sublease unused floorspace. The Company faced significant difficulties in its attempts to reduce lease costs due to a slow leasing market and lease costs well in excess of current market levels. The Company's inability to reduce its cost base contributed to the Company's insolvency.
- From November 2021 to April 2022, the Company was able to meet its debts by relying upon asset sales and short term funding from its lenders and Credit Corp as part of asset sale transactions. Once the Company had no further PDL assets available for sale, the balance of debts in arrears increased, as evidenced in the May and June 2022 aged payables profile.

15. Appendix 6 – Creditor Information Sheet

ARITA
AUSTRALIAN RESTRUCTURING INSOLVENCY & TURNAROUND ASSOCIATION

Creditor Rights in Voluntary Administrations

As a creditor, you have rights to request meetings and information or take certain actions:

- Right to request information
- Right to give directions to voluntary administrator
- Right to appoint a reviewing liquidator
- Right to replace voluntary administrator

Right to request information

Information is communicated to creditors in a voluntary administration through reports and meetings.

In a voluntary administration, two meetings of creditors are automatically held. You should expect to receive reports and notice of these meetings:

- The first meeting is held within 8 business days of the voluntary administrator's appointment. A notice of meeting and other information for this meeting will be issued to all known creditors.
- The second, or decision, meeting is usually held within 6 weeks of the appointment, unless an extension is granted. At this meeting, creditors will get to make a decision about the company's future. Prior to this meeting the voluntary administrator will provide creditors with a notice of the meeting and a detailed report to assist in making your decision.

Important information will be communicated to creditors prior to and during these meetings. Creditors are unable to request additional meetings in a voluntary administration.

Creditors have the right to request information at any time. A voluntary administrator must provide a creditor with the requested information if their request is 'reasonable', the information is relevant to the voluntary administration, and the provision of the information would not cause the voluntary administrator to breach their duties.

A voluntary administrator must provide this information to a creditor within 5 business days of receiving the request, unless a longer period is agreed. If, due to the nature of the information requested, the voluntary administrator requires more time to comply with the request, they can extend the period by notifying the creditor in writing.

Requests must be reasonable.

They are not reasonable if:

(a) complying with the request would prejudice the interests of one or more creditors or a third party

(b) the information requested would be privileged from production in legal proceedings

(c) disclosure would found an action for breach of confidence

(d) there is not sufficient available property to comply with the request

(e) the information has already been provided

(f) the information is required to be provided under law within 20 business days of the request

(g) the request is vexatious

If a request is not reasonable due to (d), (e) or (f) above, the voluntary administrator must comply if the creditor meets the cost of complying with the request.

Otherwise, a voluntary administrator must inform a creditor if their information request is not reasonable and the reason why.

Specific questions about the voluntary administration should be directed to the voluntary administrator's office.

Right to give directions to voluntary administrator

Creditors, by resolution, may give a voluntary administrator directions in relation to a voluntary administration. A voluntary administrator must have regard to these directions, but they are not required to comply with the directions.

If a voluntary administrator chooses not to comply with a direction given by a resolution of the creditors, they must document their reasons for not complying.

An individual creditor cannot provide a direction to a voluntary administrator.

Right to appoint a reviewing liquidator

Creditors, by resolution, may appoint a reviewing liquidator to review a voluntary administrator's remuneration or a cost or expense incurred in a voluntary administration. The review is limited to:

- remuneration approved within the six months prior to the appointment of the reviewing liquidator, and
- expenses incurred in the 12 months prior to the appointment of the reviewing liquidator.

The cost of the reviewing liquidator is paid from the assets of the voluntary administration, in priority to creditor claims.

An individual creditor can appoint a reviewing liquidator with the voluntary administrator's consent, however the cost of this reviewing liquidator must be met personally by the creditor making the appointment.

Right to replace voluntary administrator

At the first meeting, creditors have the right to remove a voluntary administrator and appoint another registered liquidator to act as voluntary administrator.

A creditor must ensure that they have a consent from another registered liquidator prior to the first meeting if they wish to seek the removal and replacement of a voluntary administrator.

Creditors also have the opportunity to replace a voluntary administrator at the second meeting of creditors:

- If creditors vote to accept a proposed deed of company arrangement, they can appoint a different registered liquidator as the deed administrator.
- If creditors vote to place the company into liquidation, they can appoint a different registered liquidator as the liquidator.

It is however usual for the voluntary administrator to act as deed administrator or liquidator. It would be expected that additional costs would be incurred by an alternate deed administrator or liquidator to gain the level of knowledge of the voluntary administrator.

Like with the first meeting, a creditor must ensure that they have a consent from another registered liquidator prior to the second meeting if they wish to seek to appoint an alternative registered liquidator as deed administrator or liquidator.

For more information, go to www.arita.com.au/creditors.
Specific queries about the voluntary administration should be directed to the voluntary administrator's office.

Creditor Information Sheet

Offences, Recoverable Transactions and Insolvent Trading

ARITA
AUSTRALIAN RESTRUCTURING
INSOLVENCY & TURNAROUND
ASSOCIATION

Offences

A summary of offences under the Corporations Act that may be identified by liquidators or administrators:

180	Failure by company officers to exercise a reasonable degree of care and diligence in the exercise of their powers and the discharge of their duties.
181	Failure to act in good faith.
182	Making improper use of their position as an officer or employee, to gain, directly or indirectly, an advantage.
183	Making improper use of information acquired by virtue of the officer's position.
184	Reckless or intentional dishonesty in failing to exercise duties in good faith for a proper purpose. Use of position or information dishonestly to gain advantage or cause detriment. This can be a criminal offence.
198G	Performing or exercising a function or power as an officer while a company is under administration.
206A	Contravening a court order against taking part in the management of a corporation.
206A, B	Taking part in the management of corporation while being an insolvent, for example, while bankrupt.
206A, B	Acting as a director or promoter or taking part in the management of a company within five years after conviction or imprisonment for various offences.
209(3)	Dishonest failure to observe requirements on making loans to directors or related companies.
254T	Paying dividends except out of profits.
286	Failure to keep proper accounting records.
312	Obstruction of an auditor.
314-7	Failure to comply with requirements for the preparation of financial statements.
437D(5)	Unauthorised dealing with company's property during administration.
438B(4) / 453F 475(9)) / 497(4) / 530A – 530B	Failure by directors to assist, deliver records and provide information.
438C(5) / 477(3) / 530B	Failure to assist, deliver up books and records and provide information.
588G	Incurring liabilities while insolvent
588GAB	Officer's duty to prevent creditor-defeating disposition
588GAC	A person must not procure a company to make a creditor-defeating disposition
590	Failure to disclose property, concealed or removed property, concealed a debt due to the company, altered books of the company, fraudulently obtained credit on behalf of the company, material omission from Report as to Affairs or false representation to creditors.
596AB	Entering into an agreement or transaction to avoid employee entitlements.

Recoverable Transactions

Preferences

A preference is a transaction, such as a payment by the company to a creditor, in which the creditor receiving the payment is preferred over the general body of creditors. The relevant period for the payment commences six months before the commencement of the liquidation, or three months if a simplified liquidation process is adopted. The company must have been insolvent at the time of the transaction or become insolvent because of the transaction.

Where a creditor receives a preference*, the payment is voidable as against a liquidator and is liable to be paid back to the liquidator subject to the creditor being able to successfully maintain any of the defences available to the creditor under the Corporations Act.

**Must be greater than $30,000 for unrelated creditors in a simplified liquidation*

Creditor-defeating disposition

Creditor-defeating dispositions are the transfer of company assets for less than market value (or the best price reasonably obtainable) that prevents, hinders or significantly delay creditors' access to the company's assets in liquidation. Creditor-defeating dispositions are voidable by a liquidator.

Uncommercial Transaction

An uncommercial transaction is one that it may be expected that a reasonable person in the company's circumstances would not have entered into, having regard to the benefit or detriment to the company; the respective benefits to other parties; and any other relevant matter.

To be voidable, an uncommercial transaction must have occurred during the two years before the liquidation. However, if a related entity is a party to the transaction, the period is four years and if the intention of the transaction is to defeat creditors, the period is ten years. The company must have been insolvent at the time of the transaction, or become insolvent because of the transaction.

Unfair Loan

A loan is unfair if and only if the interest was extortionate when the loan was made or has since become extortionate. There is no time limit on unfair loans – they only must be entered into before the winding up began.

Arrangements to avoid employee entitlements

If an employee suffers loss because a person (including a director) enters into an arrangement or transaction to avoid the payment of employee entitlements, the liquidator or the employee may seek to recover compensation from that person or from members of a corporate group (Contribution Order).

Unreasonable payments to directors

Liquidators have the power to reclaim '*unreasonable payments*' made to directors by companies prior to liquidation. The provision relates to payments made to or on behalf of a director or close associate of a director. The transaction must have been unreasonable and have been entered into during the 4 years leading up to a company's liquidation, regardless of its solvency at the time the transaction occurred.

Voidable charges

Certain charges over company property are voidable by a liquidator:

- circulating security interest within six months of the liquidation, unless it secures a subsequent advance
- unregistered security interests
- security interests in favour of related parties who attempt to enforce the security within six months of its creation.

Insolvent trading

In the following circumstances, directors may be personally liable for insolvent trading by the company:

- a person is a director at the time a company incurs a debt
- the company is insolvent at the time of incurring the debt or becomes insolvent because of incurring the debt
- at the time the debt was incurred, there were reasonable grounds to suspect that the company was insolvent
- the director was aware such grounds for suspicion existed; and
- a reasonable person in a like position would have been so aware.

The law provides that the liquidator, and in certain circumstances the creditor who suffered the loss, may recover from the director, an amount equal to the loss or damage suffered. Similar provisions exist to pursue holding companies for debts incurred by their subsidiaries.

A defence is available under the law where the director can establish:

- there were reasonable grounds to expect that the company was solvent and they did so expect
- they did not take part in management for illness or some other good reason; or
- they took all reasonable steps to prevent the company incurring the debt.

The director may also be able to avail themselves of safe harbour, if they meet certain conditions.

The proceeds of any recovery for insolvent trading by a liquidator are available for distribution to the unsecured creditors before the secured creditors.

16. Appendix 7 – DIRRI

DECLARATION OF INDEPENDENCE, RELEVANT RELATIONSHIPS AND INDEMNITIES

COLLECTION HOUSE LIMITED (ADMINISTRATORS APPOINTED)
ACN 010 230 716

("THE COMPANY")

The purpose of this document is to assist creditors with understanding any relevant relationships that we have with parties who are closely connected to the Company and any indemnities or upfront payments that have been provided to us. None of the relationships disclosed in this document are such that our independence is affected.

This information is provided so you have trust and confidence in our independence and, if not, you can ask for further explanation or information and can act to remove and replace us if you wish.

This declaration is made in respect of ourselves, our fellow Senior Managing Directors/Managing Directors, FTI Consulting (Australia) Pty Ltd (FTI Consulting or Firm) and associated entities, as detailed in **Annexure A**.

We are Professional Members of the Australian Restructuring Insolvency and Turnaround Association (ARITA). We acknowledge that we are bound by the ARITA Code of Professional Practice.

Independence

We have assessed our independence and we are not aware of any reasons that would prevent us from accepting this appointment.

There are no other known relevant relationships, including personal, business and professional relationships that should be disclosed beyond those we have disclosed in this document.

Circumstances of appointment

How we were referred this appointment

This appointment was referred to FTI Consulting by Clayton Utz, who are lawyers for the Company.

We believe that this referral does not result in us having a conflict of interest or duty because:

- Clayton Utz refers insolvency-related engagements to FTI Consulting from time to time. Neither the Administrators nor FTI Consulting have any formal or informal referral arrangements with Clayton Utz, and to our knowledge they do not exclusively refer such work to us or FTI Consulting.

- There is no expectation, agreement or understanding between us and Clayton Utz regarding the conduct of the Voluntary Administration and we are free to act independently and in accordance with the law and applicable professional standards.
- FTI Consulting is not reliant upon referrals from Clayton Utz, who are one of a considerable number of firms, organisations and persons who refer work to, or seek advice from, FTI Consulting. This engagement is not financially significant to FTI Consulting and the receiving or otherwise of other referrals from Clayton Utz is not material to FTI Consulting.
- Work referrals arising from networks of business professionals, advisors and other persons are normal and accepted arrangements, and do not inherently impact on us discharging our statutory duties and obligations with independence and impartiality.
- While FTI Consulting has in the past engaged Clayton Utz to provide legal advice, this has been for separate, non-related insolvency/restructuring engagements. Clayton Utz is one of many external firms who provide such advice and assistance to FTI Consulting from time to time, which is on a non-exclusive basis and based upon professional service and expertise.

Pre-Appointment Communications with the Company

Did we meet or communicate with the Company, and/or their advisers before we were appointed?

☒ Yes ☐ No

FTI Consulting, the Company and its advisors met/corresponded during the period 19 November 2021 to 29 June 2022. These meetings/communications are detailed in **Annexure B**.

- FTI Consulting was engaged by Clayton Utz on 6 December 2021 to undertake contingency planning for a potential formal restructure via a Voluntary Administration of their client, the Company.
- We received payments of $60,000 and $20,000 (excluding GST) from Clayton Utz on 7 February 2022 and 22 March 2022 respectively for this work. The engagement commenced on 6 December 2021 and was completed on 1 February 2022.
- The correspondence outlined in **Annexure B** were for the purposes of:
  - Obtaining sufficient information concerning the Company to understand its current financial position, operations, group structure, and to consider all within the context of strategic planning for an anticipated formal restructuring appointment and the likely timeframes of the potential restructure.
  - To provide a Consent to Act.
- In our opinion, the communications with the Company and its legal advisors, and the receipt of the fee to undertake this work, do not affect our independence for the following reasons:
  - The Courts and relevant professional bodies recognise the need to adequately plan the insolvency process and the options available and do not consider that such an engagement results in a conflict or is an impediment to accepting the appointment.
  - The nature of the engagement provided to Clayton Utz and the remuneration received is such that it would not be subject to review and challenge during the course of our appointment.
  - The upfront fee received was limited to undertaking contingency planning for a formal appointment only. It was paid by Clayton Utz as the Company's legal advisors.

- No advice has been given to the Directors in their capacity as Directors of the Company, or in relation to their personal circumstances.
- The pre-appointment engagement will not influence our ability to be able to fully comply with the statutory and fiduciary obligations associated with the appointment as Voluntary Administrators in an objective and impartial manner.

We have provided no other information or advice to the Company, its board of Directors, and advisors, prior to our appointment beyond that outlined in this DIRRI.

Relationships with secured creditors

Do we have a relationship with a secured creditor entitled to enforce security over the whole or substantially the whole of the Company's property?

☒ Yes ☐ No

FTI Consulting has a relationship with Westpac Banking Corporation (**WBC**) who has provided a guarantee facility to the Company, secured by an All Present and After Acquired Property security registration over the Company.

We believe that this relationship does not result in a conflict of interest or duty because:

- We have not undertaken any work for WBC in respect to the Company.
- Any previous engagements accepted for WBC are unrelated to this engagement.

We are not paid any commissions, inducements or benefits by WBC to undertake engagements and are not bound or obligated to deliver a favourable outcome to any party.

Relationships with unsecured creditors

Do we have a relationship with an unsecured creditor of the Company?

☒ Yes ☐ No

FTI consulting has a relationship with the Deputy Commissioner of Taxation (**DCT**). Certain Senior Managing Directors of FTI Consulting will, from time to time, act as Liquidators to unrelated companies which have been wound up in insolvency by the DCT.

We believe that this relationship does not result in a conflict of interest or duty because:

- In external administrations where the DCT is an unsecured creditor, we do not act directly on their behalf; rather there are duties to all creditors as a whole.

The work that FTI Consulting undertakes in these circumstances 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.

Declaration of Relationships

Other than disclosed above within the previous 2 years we or our firm have had a relationship with:

The Company	☐Yes ☒ No
The Directors of the Company	☐Yes ☒ No
Any associates of the Company?	☐Yes ☒ No
A former insolvency practitioner appointed to the Company?	☐Yes ☒ No
A secured creditor entitled to enforce a security over the whole or substantially the whole of the Company's property?	☐Yes ☒ No
A material unsecured creditor of the Company	☐Yes ☒ No

Do we have any other relationships that we consider are relevant to creditors assessing our independence?

☒Yes ☐ No

Between 2012 and 2015, FTI consulting, through a former staff received several referrals from the Company and as a result, certain Senior Managing Directors of FTI Consulting at the time would, act as Liquidators and Bankruptcy Trustees to unrelated companies and bankrupt estates which owed money to the Company.

We believe that this relationship does not result in a conflict of interest or duty because:

- These engagements transpired up to 10 years ago;
- There are no ongoing engagements with the last of them having been finalized approximately 7 years ago;
- The employee who accepted these engagements is no longer with FTI; and
- The value of all matters referred to by the Company during this period were immaterial.

The work that FTI Consulting undertakes in these circumstances 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.

Indemnities and up-front payments

We have not received any up-front payments or indemnities for this appointment. This does not include any indemnities we may be entitled to under the law.

Dated 1 July 2022

John Park

Benjamin Campbell

Kelly-Anne Trenfield

Notes:

1. *The assessment of independence has been made based on an evaluation of the significance of any threats to independence and in accordance with the requirements of the relevant legislation and professional Standards.*
2. *If circumstances change, or new information is identified, we are required under the Corporations Act 2001 or Bankruptcy Act and ARITA's 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. For creditors' voluntary liquidations and voluntary administrations, this document and any updated versions of this document are required to be lodged with ASIC.*

ANNEXURE A

FTI Consulting (Australia) Pty Ltd and associated entities

FTI Consulting Inc (ultimate holding entity)

FTI Consulting – FD Australia Holdings Pty Ltd

FTI Consulting (Australia) Pty Ltd

FTI Technology (Sydney) Pty Ltd

FTI Consulting (Perth) Pty Ltd

FTI Consulting (Sydney) Pty Ltd

FTI Capital Advisors (Australia) Pty Ltd

FTI Consulting Australia Nominees Pty Ltd

Annexure B

Meetings and discussions between FTI Consulting staff and the Company’s representatives and/or its advisors during the period 19 November 2021 to 29 June 2022

Date	Agenda/purpose/topic	Location	Format	External Attendees	FTI Attendees
19 November 2021	Introductory call	Microsoft Teams Meeting	Virtual	Doug McAlpine, Collection House Timothy Sackar, Clayton Utz	John Park
25 November 2021	Introductory meeting	Skyring Terrace, Newstead	In Person	Peter Gunn, Collection House	Benjamin Campbell John Park
1 December 2021	Background discussion to legal workstreams	Microsoft Teams Meeting	Virtual	Timon Ibrahim, Clayton Utz Timothy Sackar, Clayton Utz Graeme Tucker, Clayton Utz Jillian Robertson, Clayton Utz	Benjamin Campbell John Park Matthew Glennon
6 December 2021	Engagement planning discussion	Microsoft Teams Meeting	Virtual	Peter Gunn, Collection House	Benjamin Campbell
7 December 2021	Meeting to provide overview of Company’s financial position and cash flows	FTI Consulting offices	In Person	Peter Gunn, Collection House	Benjamin Campbell John Park Matthew Glennon
9 December 2021	Call to discuss information request	Microsoft Teams Meeting	Virtual	Peter Gunn, Collection House	Benjamin Campbell
9 December 2021	Request for information to prepare contingency planning report	By email	Email	Peter Gunn, Collection House	Matthew Glennon Benjamin Campbell
10 December 2021	Call to discuss customers and material contracts	Microsoft Teams Meeting	Virtual	Jonathon Idas; Peter Gunn	Benjamin Campbell

Date	Agenda/purpose/topic	Location	Format	External Attendees	FTI Attendees
13 December 2021	Status update on contingency planning review	Microsoft Teams Meeting	Virtual	Timothy Sackar, Clayton Utz Jillian Robertson, Clayton Utz Ashleigh Tang, Clayton Utz	Benjamin Campbell John Park Matthew Glennon Jessica Jedynak
13 December 2021	Call to discuss information request	Microsoft Teams Meeting	Virtual	Peter Gunn, Collection House	Benjamin Campbell Matthew Glennon Jessica Jedynak
16 December 2021	Discuss information and status update	Microsoft Teams Meeting	Virtual	Peter Gunn, Collection House	Benjamin Campbell Matthew Glennon Jessica Jedynak
20 December 2021	Status update on contingency planning review	Microsoft Teams Meeting	Virtual	Timothy Sackar, Clayton Utz Ashleigh Tang, Clayton Utz	Benjamin Campbell John Park Jessica Jedynak
13 January 2022	Status update on company progress with initiatives	Phone call	Phone call	Peter Gunn	Benjamin Campbell
20 January 2022	Board meeting to discuss contingency planning report	Zoom Meeting	Virtual	Leigh Berkley, Collection House Catherine McDowell, Collection House Sandra Birkensleigh, Collection House Doug McAlpine, Collection House Jonathon Idas, Collection House Peter Gunn, Collection House Denica Saunders, Collection House Paul Donnelly, Flagstaff Timothy Sackar, Clayton Utz Jillian Robertson, Clayton Utz	Benjamin Campbell John Park

Date	Agenda/purpose/topic	Location	Format	External Attendees	FTI Attendees
31 January 2022	Discuss information required and communications plan for potential appointment	Microsoft Teams Meeting	Virtual	Peter Gunn, Collection House Denica Saunders, Collection House Jonathon Idas, Collection House Timothy Sackar, Clayton Utz Jillian Robertson, Clayton Utz	Benjamin Campbell John Park Matthew Glennon
1 February 2022	Updated cash flow discussion	Microsoft Teams Meeting	Virtual	Peter Gunn, Collection House	Benjamin Campbell Matthew Glennon
1 February 2022	Status update regarding status of company led initiatives	Phone call	Phone call	Peter Gunn, Collection House	Benjamin Campbell
23 May 2022	Status update regarding company led initiatives and liquidity position	Phone call	Phone call	Peter Gunn, Collection House	Benjamin Campbell
10 June 2022	Discussion regarding short term cash flow forecast	Microsoft Teams Meeting	Virtual	Peter Gunn, Collection House Jonathon Idas, Collection House	Benjamin Campbell John Park Drew Forbes Jake Knight
14 June 2022	Status update regarding company led initiatives and short-term cash flow forecast	Phone call	Phone call	Peter Gunn, Collection House Jonathon Idas, Collection House	Benjamin Campbell Drew Forbes
17 June 2022	Status update regarding company led initiatives and liquidity position	Phone call	Phone call	Peter Gunn, Collection House	Benjamin Campbell
22 June 2022	Status update regarding company led initiatives and liquidity position	Phone call	Phone call	Peter Gunn, Collection House	Benjamin Campbell
27 June 2022	Status updates regarding company led initiatives,	Phone call	Phone call	Peter Gunn, Collection House	Benjamin Campbell

Date	Agenda/purpose/topic	Location	Format	External Attendees	FTI Attendees
	liquidity position and potential timing for a restructuring appointment			Jonathon Idas, Collection House	
28 June 2022	Status update regarding company led initiatives and potential timing for a restructuring appointment	Phone call	Phone call	Peter Gunn, Collection House Jonathon Idas, Collection House	Benjamin Campbell
28 June 2022	Status update regarding company led initiatives and potential timing for a restructuring appointment	Phone call	Phone call	Timothy Sackar, Clayton Utz	John Park
29 June 2022	Voluntary administration planning discussions	The Company's offices	In person and virtual	Doug McAlpine, Collection House Denica Saunders, Collection House Peter Gunn, Collection House Jonathon Idas, Collection House Justin O'Flaherty, Collection House Catherine McDowell, Collection House Sandra Birkensleigh, Collection House Leigh Berkley, Collection House Richard Hughes, Deloitte	John Park Benjamin Campbell

Non FTI Consulting staff positions held at the date of interactions

Name	Position/title held	Representing
Leigh Berkley	Director of the Company	The Company
Catherine McDowell	Director of the Company	The Company
Sandra Birkensleigh	Director of the Company	The Company
Jonathon Idas	Secretary of the Company	The Company
Peter Gunn	Chief Financial Officer of the Company	The Company
Doug McAlpine	Chief Executive Officer of the Company	The Company
Denica Saunders	Chief Operating Officer of the Company	
Justin O’Flaherty	Solicitor of the Company	The Company
Timothy Sackar (lead partner)	Clayton Utz Lawyers	The Company
Timon Ibrahim		
Graeme Tucker		
Jillian Robertson		
Ashleigh Tang		
Sam Rowling		
Paul Donnelly	Flagstaff	Advisor
Richard Hughes	Deloitte	Advisor

17. Appendix 8 – Remuneration Approval Report

5 September 2022

Remuneration Approval Report

Collection House Limited
(Administrators Appointed)
ACN 010 230 716
(the Company)

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Table of Contents

Summary

This remuneration approval report provides you with information the Corporations Act 2001 (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 for undertaking the Administration of Collection House Limited (Administrators Appointed) ACN 010 230 716 (the Company).

We are asking creditors to approve the following remuneration and disbursements:

Appointment type/Period	Remuneration (excl GST)
Voluntary Administration - 29 June 2022 to 30 June 2022	$69,622.50
Voluntary Administration - 1 July 2022 to 28 August 2022	$1,846,176.00
Future work to execution of Deed of Company Arrangement (DOCA)	$584,201.50
Deed Administrators (if appointed) Execution to the Effectuation of DOCA	$700,000.00
Trustees of Creditors’ Trust (if appointed) Commencement of Trust to final distribution to creditors	$400,000.00

We estimate the total cost of this Voluntary Administration will be $2,500,000. This has increased by $1,000,000 from our previous estimate of $1,500,000 for the following reasons:

- The sale and DOCA proposal required additional work to conclude.
- The extension of the convening period 27 July 2022 to 30 September 2022 to allow sufficient time to for the sale process. This resulted in the following additional work:
  - Two (2) applications to Court for the extensions to the convening period; and
  - Draft and issue additional correspondence to creditors and employees of the Company concerning the application and outcomes thereof.
- The extended time in trading the Company.

This is our final remuneration approval request for the voluntary administration of the Company. We anticipate no further request for remuneration will be made for the execution of the DOCA to effectuation and Creditors’ Trust, assuming creditors vote in favour of the DOCA and the absence of any unforeseen circumstances which prolong the duration of its execution.

Declaration

We, John Park, Ben Campbell and Kelly-Anne Trenfield, of FTI Consulting, have undertaken a proper assessment of the claims for remuneration for the appointment as Administrators of the Company in accordance with the law and applicable professional standards. We are satisfied the remuneration and disbursements claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of this appointment and further, the disbursements have been incurred in the conduct of the external administration are necessary and proper.

Remuneration sought

We will only seek approval of resolutions for the DOCA if creditors agree to the proposal offered. We are not seeking approval of remuneration in the event the Company is placed into liquidation.

For	Period	Amount $ (excl GST)	Applicable rates	Timing of payment
Work already completed	29 June 2022 to 28 August 2022	$1,915,798.50	As per the attached hourly rates	When funds are available
Future work to finalise Voluntary Administration	29 August 2022 to finalisation of the Voluntary Administration	$584,201.50	As per the attached hourly rates	When funds are available
Voluntary Administration Total		**$2,500,000.00**		
Future work to the effectuation of the DOCA	Execution to Effectuation of DOCA	$700,000.00	As per the attached hourly rates	When funds are available
Future work in conducting the Creditors' Trust	Commencement of Creditors' Trust to finalisation of the Creditors' Trust	$400,000.00	As per the attached hourly rates	When funds are available
DOCA and Creditors' Trust Total		**$1,100,000.00**		

Details of the work already done and future work we intend to do are **enclosed** at **Schedule A**.

Schedule B includes a breakdown of time spent by staff members on each major task for work we have already done.

Actual resolutions to be put to the meeting are included at **Schedule C** for your information. These resolutions also appear in the proxy form for the meeting provided to you.

Disbursements

We are not required to seek creditor approval for costs paid to third parties or where we are recovering a cost incurred on behalf of the administration, but we must provide details to creditors. Details of these amounts are included in the receipts and payments contained as **Schedule D** of this report.

Creditor approval is not required in relation to internally or externally provided professional or non-professional costs or disbursements charged at cost.

The table below provides a breakdown of the external disbursements claimed in the voluntary administration for the period 29 June 2022 to 28 August 2022.

External Disbursements Claimed	Basis of Charge	Amount $ (excl. GST)
Australian Financial Review Advertisement	At cost	5,291.95
Data Room	At cost	3,598.00
Office Amenities – Skyring Terrace	At cost	256.41
Postage	At cost	292.72
Search Fees	At cost	1,301.00
Staff Food	At cost	886.58
Staff Travel - Parking	At cost	950.11
Staff Travel - Taxi	At cost	568.64
Telephone	At cost	23.36
Virtual Meeting Facilities	At cost	508.98
Total (excl. GST)		**13,677.75**
GST		**1,342.97**
Total (incl. GST)		**15,020.72**

We are not seeking approval for any internal disbursements.

Likely impact on dividends

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

Based on:

- realisations to date
- estimated future realisations
- estimated remuneration to complete the Administration; and
- the estimated total of creditor claims based on the Company's records and claims lodged

The estimated dividend is subject to the outcome of the second meeting of creditors and the quantum of claims admissible. Please refer to **Section 8** of the Report to Creditors for further detail.

Funding received for remuneration and disbursements

To enable the continuation of trade, the Administrators sought and obtained funding from Company's secured creditor, Westpac Banking Corporation, to allow the continued operations of the business.

Summary of receipts and payments

A summary of the receipts and payments for the voluntary administration for the period 29 June 2022 to 28 August 2022 is **enclosed** at **Schedule D** to this report.

Queries

Further supporting documentation for our remuneration claim can be provided to creditors on request.

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 INFO 85).

If you have any queries in relation to the information in this report, please contact this office on (07) 3225 4900 or by email at collectionhouse@fticonsulting.com.

Yours faithfully

John Park	Kelly-Anne Trenfield	Ben Campbell
Administrator	Administrator	Administrator

Attachments:

Schedule A – Details of work

Schedule B – Time spent by staff on each major task (work already done)

Schedule C – Resolutions

Schedule D – Summary of receipts and payments

Schedule E – FTI Consulting schedule of rates effective 1 July 2021

Schedule F – FTI Consulting schedule of rates effective 1 July 2022

Schedule A – Details of work

Task area/General description Period	Work already done 29 June 2022 to 28 August 2022	Future work to execution of DOCA 29 August 2022 to execution of DOCA	DOCA Execution to the effectuation of the DOCA	Creditors' Trust Commencement of Trust to finalisation of the Creditors' Trust
Amount $ (excl GST)	**$1,915,798.50**	**$584,201.50**	**$700,000.00**	**$400,000.00**
Assets	**852.7 Hours** **$484,308.50**	**$100,000.00**	**$250,000.00**	**Nil**
DOCA Proposal	■ Held discussions with DOCA proponent regarding DOCA proposal ■ Received and reviewed DOCA proposal and considered impact on creditors ■ Drafted DOCA specific information for report to creditors ■ Discussions with our Lawyers and the DOCA proponent on entering into binding documents for the DOCA proposal ■ Considered working capital adjustments required for the DOCA proposal ■ Collated information for section 444GA process	■ Ongoing discussions with DOCA proponent in relation to transaction completion steps ■ Drafting and finalising DOCA and drafting Creditors' Trust Deed ■ Finalisation and signing of DOCA and Creditors Trust Deed	■ Attending to completion of the transaction ■ Liaising with our Lawyers regarding DOCA and Creditors' Trust Deed ■ Preparing material for the application to court in relation to section 444GA Order	
Sale process/transfer of shares	■ Liaised with Company staff concerning information required for the sale ■ Prepared and reviewed flyer	■ Liaising with the DOCA proponent on sale and transition related items	■ Preparing for completion of the transaction ■ Liaising with key clients and stakeholders on transaction	

Task area/General description Period	Work already done 29 June 2022 to 28 August 2022	Future work to execution of DOCA 29 August 2022 to execution of DOCA	DOCA Execution to the effectuation of the DOCA	Creditors' Trust Commencement of Trust to finalisation of the Creditors' Trust
	■ Arranged Australian Financial Review advertisement ■ Collated and verified information obtained from the Company for input into data room ■ Prepared, issued and reviewed confidentiality deed polls ■ Attended to interested party queries and maintenance of data room ■ Attendance at management presentations ■ Internal meetings to discuss/review offers received ■ Corresponded with interested parties to clarify terms offers ■ Reviewed offers, considered the impact on creditors and stakeholders ■ Worked with the DOCA proponent to conduct confirmatory due diligence processes ■ Drafted sale specific information for second report to creditors			
Real Estate	■ Reviewed lease documents ■ Issued notices concerning ongoing occupation of premises	■ Ongoing discussions with landlords concerning ongoing and new rental agreement as required ■ Undertake any required work concerning ongoing	■ Undertake any required work concerning ongoing occupation of premises contemplated by the DOCA	

Task area/General description Period	Work already done 29 June 2022 to 28 August 2022	Future work to execution of DOCA 29 August 2022 to execution of DOCA	DOCA Execution to the effectuation of the DOCA	Creditors' Trust Commencement of Trust to finalisation of the Creditors' Trust
	■ Issued notices not to exercise property rights with respect to premises ■ Held discussions with landlords and their representatives concerning arrears ■ Liaised with landlords and their representatives concerning month-to-month arrangements ■ Dealt with notices to vacate Victoria, South Australia and New South Wales premises ■ Held negotiations with Brisbane premises landlord	occupation of premises contemplated by the DOCA		
Plant & Equipment	■ Reviewed of Company records and enquiries with Company staff concerning equipment owned by the Company ■ Instructed equipment agents to assess value of the equipment			
Debtors	■ Reviewed and assessing debtors' ledgers ■ Receipted debtor monies			
Other assets	■ Held discussions with key staff on intangible asset values and saleability of software developed			

Task area/General description **Period**	**Work already done** **29 June 2022 to 28 August 2022**	**Future work to execution of DOCA** **29 August 2022 to execution of DOCA**	**DOCA** **Execution to the effectuation of the DOCA**	**Creditors' Trust** **Commencement of Trust to finalisation of the Creditors' Trust**
Creditors	**589 hours** **$299,537.00**	**$150,000.00**	**$50,000.00**	**$25,000.00**
Creditor Enquiries, Requests & Directions	■ Received and responded to creditor enquiries ■ Set up and monitored email inboxes ■ Prepared FAQs to assist in responses to creditor queries ■ Created and maintained creditor call register ■ Reviewed and prepared initial correspondence to creditors and their representatives	■ Receive and respond to creditor enquiries ■ Maintaining creditor call register ■ Preparation of further correspondence to creditors including the second report to creditors ■ Attending to enquiries relating to the second creditors' meeting	■ Receive and respond to creditor enquiries ■ Maintaining creditor call register ■ Review and prepare correspondence to creditors and their representatives	■ Receive and respond to creditor enquiries ■ Maintaining creditor call register ■ Review and prepare correspondence to creditors and their representatives
Secured creditor reporting	■ Notifying PPSR registered creditors of appointment ■ Weekly updates to Westpac regarding voluntary administration progress and utilisation of funding provided	■ Updates to secured creditors as required	■ Updates to secured creditors as required	■ Updates to secured creditors as required
Creditor reports	■ Prepared, reviewed and issued Initial Circular to Creditors dated 1 July 2021	■ Detailed information provided to all employee and trade creditors on meeting process via virtual facilities	■ Preparation and issue of circular to creditors concerning DOCA execution	■ Preparation and issue of circular to creditors concerning the Creditors' Trust

Task area/General description	**Work already done**	**Future work to execution of DOCA**	**DOCA**	**Creditors’ Trust**
Period	**29 June 2022 to 28 August 2022**	**29 August 2022 to execution of DOCA**	**Execution to the effectuation of the DOCA**	**Commencement of Trust to finalisation of the Creditors’ Trust**
	■ Prepared separate correspondence, including FAQs specific to each group of creditors including employees and suppliers ■ Arranged for distribution of documentation to each party ■ Preparing section 75-225 report, investigation, meeting and report to creditors ■ Liaising with our legal advisers regarding applications to extend the convening period including preparation of materials to support applications including reviewing and updating affidavits ■ Prepared two (2) circulars in relation to extension of convening period ■ Detailed information provided to all employee and trade creditors on meeting process via virtual facilities ■ Distribution of correspondence via email	■ Drafting of second report to creditors ■ Distribution of correspondence via email		
Dealing with proofs of debt (POD)	■ Receipt and file POD when not related to a dividend ■ Contact creditors to assist in meeting registration and attendance process where POD not lodged ■ Maintained POD register	■ Receipting and filing POD when not related to a dividend ■ Contacting creditors to assist in meeting registration and attendance process where POD not lodged ■ Maintaining POD register	■ Receipting and filing POD when not related to a dividend ■ Dealing with PODs as required for DOCA ■ Maintaining POD register	■ Receipting and filing POD ■ Dealing with PODs as required for DOCA ■ Maintaining POD register

Task area/General description	**Work already done**	**Future work to execution of DOCA**	**DOCA**	**Creditors' Trust**
Period	**29 June 2022 to 28 August 2022**	**29 August 2022 to execution of DOCA**	**Execution to the effectuation of the DOCA**	**Commencement of Trust to finalisation of the Creditors' Trust**
Meeting of Creditors	■ Preparation of meeting notices, proxies and advertisements ■ Preparation of detailed process document for requirements to attend meeting ■ Forwarded notice of meeting to all known creditors ■ Preparation of meeting file, including agenda, certificate of posting of notice of meeting, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting, meeting slides ■ Establish Zoom webinar facility to hold first and second meeting of creditors via electronic means ■ Tailor webinar parameters on Zoom to ensure a smooth first creditors meeting including test meeting with engagement team to test QR codes and other documentation and meeting facilities are in working order with settings in Zoom ■ Held first meeting of creditors ■ Responded to queries received prior to the meeting ■ Preparation and lodgement of minutes of meetings with ASIC	■ Preparation of meeting notices, proxies and advertisements ■ Preparation of detailed process document for requirements to attend meeting ■ Forward notice of meeting to all known creditors ■ Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting, meeting slides, polling spreadsheet is required ■ Tailoring webinar parameters on Zoom to ensure a smooth second creditors meeting including test meeting with engagement team to test QR codes and other documentation and meeting facilities are in working order with setting in Zoom		

Task area/General description	**Work already done**	**Future work to execution of DOCA**	**DOCA**	**Creditors' Trust**
Period	**29 June 2022 to 28 August 2022**	**29 August 2022 to execution of DOCA**	**Execution to the effectuation of the DOCA**	**Commencement of Trust to finalisation of the Creditors' Trust**
	■ Sent meeting minutes to creditors on request ■ Responded to stakeholder queries and questions immediately following meeting			
Shareholder enquiries	■ Responded to any shareholder enquiries ■ Drafted and released of announcements via the ASX	■ Responding to any shareholder enquiries ■ Drafting and releasing announcement via the ASX	■ Responding to any shareholder enquiries ■ Drafting and releasing announcement via the ASX	
Employees	**109.9 hours** **$45,304.50**	**$100,000.00**	**$100,000.00**	**$50,000.00**
Employee Dividend				■ Correspondence and distribution of priority employee claims ■ Ensuring PAYG is remitted to ATO ■ STP reporting as a result of dividend
Employee enquiries	■ Received and followed up employee enquiries ■ Reviewed and prepared correspondence to priority creditors ■ Liaised with employees concerning their entitlements	■ Receive and follow up employee enquiries ■ Review and prepare correspondence to priority creditors ■ Liaising with employees concerning their entitlements	■ Receive and follow up employee enquiries ■ Liaising with employees concerning their entitlements, termination and resignation queries ■ Conduct virtual town hall meeting with employees as required	■ Receive and follow up employee enquiries

Task area/General description	Work already done	Future work to execution of DOCA	DOCA	Creditors’ Trust
Period	29 June 2022 to 28 August 2022	29 August 2022 to execution of DOCA	Execution to the effectuation of the DOCA	Commencement of Trust to finalisation of the Creditors’ Trust
	■ Dealt with outstanding employee issues which remained on foot at appointment date ■ Liaised with legal representatives of employees and the Company to resolve outstanding employee matters ■ Conducted several virtual town hall meeting with employees to discuss employee issues and answer queries ■ Held daily meetings with HR team to discuss employee issues ■ Reviewed Company records to quantify employee entitlements ■ Reviewed employee contracts and awards ■ Engagement of lawyers to assist in drafting employment contracts for employees employed in voluntary administration ■ Worked closely with HR and payroll staff concerning employee issues ■ Preparation of letters to employees advising of their entitlements and options available ■ Received and prepared correspondence in response to employee’s objections to leave entitlements	■ Dealing with outstanding employee issues which remained on foot at appointment date ■ Liaising with legal representatives of employees and the Company to resolve outstanding employee matters ■ Conduct virtual town hall meeting with employees to discuss employee issues and answer queries and provide update ■ Liaise directly with employees regarding specific queries and issues ■ Finalising employee entitlements owed at the date of appointment ■ Work closely with HR and payroll staff concerning employee issues	■ Liaise directly with employees regarding specific employee queries and issues ■ Work closely with HR and payroll staff concerning employee issues	

Task area/General description **Period**	**Work already done** **29 June 2022 to 28 August 2022**	**Future work to execution of DOCA** **29 August 2022 to execution of DOCA**	**DOCA** **Execution to the effectuation of the DOCA**	**Creditors' Trust** **Commencement of Trust to finalisation of the Creditors' Trust**
Calculation of entitlements	■ Reviewed and calculated employee entitlements at appointment ■ Reviewed employee files and Company's books and records ■ Reconciled superannuation accounts ■ Liaised with solicitors regarding entitlements	■ Reviewing employee files and Company's books and records ■ Reviewing employee files and Company's books and records ■ Liaising with solicitors regarding certain aspects of entitlements (if required)	■ Liaise with DOCA proponent on employee related matters in preparation for completion ■ Correspondence to employees concerning their entitlements and impact of DOCA	
Workers compensation	■ Obtained and reviewed insurance policies ■ Liaised with insurers and solicitors regarding claims ■ Identification of potential issues requiring attention of insurance specialists ■ Corresponded with insurer regarding initial and ongoing workers compensation insurance requirements ■ Corresponded with previous brokers	■ Ongoing liaison with insurers and solicitors regarding claims	■ Ongoing liaison with insurers and solicitors regarding claims ■ Any tasks incidental to workers compensation required for DOCA ■ Finalise declaration of actual wages for trade-on period	■ Finalise declaration of actual wages for trade-on period
Other employee issues	■ Corresponded with Child Support ■ Corresponded with Centrelink ■ Dealing with other incidental employee issues	■ Dealing with other incidental employee issues	■ Dealing with other incidental employee issues	
Trade On	**1,454.8 hours**	**$150,000.00**	**$250,000.00**	**$50,000.00**

Task area/General description Period	Work already done 29 June 2022 to 28 August 2022	Future work to execution of DOCA 29 August 2022 to execution of DOCA	DOCA Execution to the effectuation of the DOCA	Creditors' Trust Commencement of Trust to finalisation of the Creditors' Trust
	$774,449.00			
Trade on management	■ Attendance on site ■ Attended frequent meetings with executive leadership team ■ Secured funding agreement with Westpac and documented ■ Obtained legal advice in relation to funding agreement and Court application to release personal liability ■ Liaised with financial institutions to transfer and/or release cash ■ Liaised with suppliers concerning appointment and trading accounts ■ Liaised with management and staff with respect to critical suppliers and ongoing trade ■ Reviewed internal management procedures and approvals ■ Implementation of trading controls ■ Authorised purchase orders ■ Maintained purchase order registry ■ Prepared and authorised receipt vouchers ■ Prepared and authorised payment vouchers	■ Attendance on site ■ Attending frequent meetings with executive leadership team ■ Liaising with suppliers concerning appointment and trading accounts ■ Liaised with management and staff with respect to critical suppliers and ongoing trade ■ Authorising purchase orders ■ Maintaining purchase order registry ■ Preparing and authorising receipt vouchers ■ Preparing and authorising payment vouchers	■ Attendance on site ■ Attending frequent meetings with executive leadership team ■ Liaising with suppliers concerning appointment and trading accounts ■ Liaised with management and staff with respect to critical suppliers and ongoing trade ■ Authorising purchase orders ■ Maintaining purchase order registry ■ Preparing and authorising receipt vouchers ■ Preparing and authorising payment vouchers	■ Finalising trading liabilities relevant to the voluntary administration ■ Closure of trading accounts ■ Capturing working capital adjustments at the completion of the transaction ■ Collection of final debtors and accrued revenue at completion

Task area/General description Period	Work already done 29 June 2022 to 28 August 2022	Future work to execution of DOCA 29 August 2022 to execution of DOCA	DOCA Execution to the effectuation of the DOCA	Creditors' Trust Commencement of Trust to finalisation of the Creditors' Trust
Budgeting and financial reporting	■ Reviewed the Company's cashflow, budgets and financial statements ■ Prepared cashflow on a daily and forecasted basis ■ Prepared at least weekly updates on trading status and critical issues. ■ Meetings to discuss trading position	■ Preparing cashflow on a daily and forecasted basis ■ Preparing at least weekly updates on trading status and critical issues ■ Meetings to discuss trading position	■ Finalising voluntary administration cash flow actuals ■ Preparing updates as required ■ Meetings to discuss final trading position and DOCA handover	
Investigations	**321.70 hours** ■ **$138,904.50**	**Nil**	**Nil**	**Nil**
Conducting investigation	■ Collection of Company books and records ■ Obtained access to Company systems and contacting multiple external and internal parties to obtain system backups and reports ■ Reviewed Company's books and records ■ Reviewed Company history ■ Conducted and summarised statutory search results received including property searches, company searches, PPSR searches, personal name searches and motor vehicle searches ■ Preparation of financial analysis from Company books and records	■ Finalise preliminary investigations for the purposes of issuing the second report to creditors		

Task area/General description Period	Work already done 29 June 2022 to 28 August 2022	Future work to execution of DOCA 29 August 2022 to execution of DOCA	DOCA Execution to the effectuation of the DOCA	Creditors' Trust Commencement of Trust to finalisation of the Creditors' Trust
	■ Arranged viewing access to pre-appointment bank accounts and obtain statements ■ Reviewed of board minutes and group financials to provide context to position of the Company and its reasons for failure ■ Reviewed of specific transactions and liaising with directors regarding certain transactions ■ Preparation of estimated statement of position based on Company records and Administrators' investigations ■ Liaised with management to obtain further information needed for investigations ■ Issued freedom of information request to Deputy Commissioner of Taxation ■ Preparation of investigation file ■ Enquiries to obtain information concerning ongoing legal action at date of appointment ■ Court searches to ascertain any statutory demands or other proceedings on foot at appointment date			
Dividend	**Nil**	**Nil**	**Nil**	**$175,000.00**

Task area/General description	Work already done	Future work to execution of DOCA	DOCA	Creditors' Trust
Period	**29 June 2022 to 28 August 2022**	**29 August 2022 to execution of DOCA**	**Execution to the effectuation of the DOCA**	**Commencement of Trust to finalisation of the Creditors' Trust**
Processing proofs of debt (POD)				■ Preparation of correspondence to potential creditors inviting lodgement of POD ■ Receipt of POD ■ Maintain POD register ■ Adjudicating POD ■ Request further information from claimants regarding POD ■ Preparation of correspondence to claimant advising outcome of adjudication
Dividend procedures				■ Preparation of correspondence to creditors advising of intention to declare dividend ■ Advertisement of intention to declare dividend ■ Preparation of dividend calculation ■ Preparation of correspondence to creditors announcing declaration of dividend ■ Advertise announcement of dividend ■ Preparation of distribution ■ Preparation of dividend file ■ Preparation of payment vouchers to pay dividend

Task area/General description Period	Work already done 29 June 2022 to 28 August 2022	Future work to execution of DOCA 29 August 2022 to execution of DOCA	DOCA Execution to the effectuation of the DOCA	Creditors' Trust Commencement of Trust to finalisation of the Creditors' Trust
				■ Preparation of correspondence to creditors enclosing payment of dividend
Administration	**292.8 hours** ■ **$141,211.00**	**$82,201.50**	**$45,000.00**	**$100,000.00**
Correspondence	■ General correspondence with various parties	■ General correspondence with various parties	■ General correspondence with various parties	■ General correspondence with various parties
Document maintenance/file review/checklist	■ Filing of documents ■ File reviews ■ Updating checklists ■ Internal engagement team meetings	■ Filing of documents ■ File reviews ■ Updating checklists ■ Internal engagement team meetings	■ Filing of documents ■ File reviews ■ Updating checklists ■ Internal engagement team meetings	■ Filing of documents ■ File reviews ■ Updating checklists ■ Internal engagement team meetings
Insurance	■ Identification of potential issues requiring attention of insurance specialists ■ Corresponded with insurer and our broker regarding initial and ongoing insurance requirements and notifications needed on group policies to reflect appointment ■ Corresponded with premium funder ■ Reviewed insurance policies	■ Ongoing insurer correspondence as required for trade on and to manage claims and payments required ■ Dealing with any insurance issues arising in proposed DOCA	■ Ongoing insurer correspondence as required for trade on and to manage claims and payments required ■ Dealing with any insurance issues arising in DOCA ■ Finalise insurance matters post DOCA effectuation from a trading perspective	■ Finalise insurance matters post DOCA effectuation from a trading perspective

Task area/General description	**Work already done**	**Future work to execution of DOCA**	**DOCA**	**Creditors' Trust**
Period	**29 June 2022 to 28 August 2022**	**29 August 2022 to execution of DOCA**	**Execution to the effectuation of the DOCA**	**Commencement of Trust to finalisation of the Creditors' Trust**
	Corresponded with previous brokers direct and via our broker Management of outstanding claims			
Funds handling	Prepared correspondence to open and close accounts Entered receipts and payments into accounting system Bank account reconciliations Correspondence with bank regarding specific transfers	Entering receipts and payments into accounting system Bank account reconciliations Correspondence with bank regarding specific transfers	Entering receipts and payments into accounting system Bank account reconciliations Correspondence with bank regarding specific transfers Any funds handling work required to facilitate DOCA requirements	Open new Creditors' Trust bank account(s) Receipt of DOCA contribution at the time of completion Entering receipts and payments into accounting system Bank account reconciliations Correspondence with bank regarding specific transfers
ASIC Forms and lodgements	Prepared and lodged ASIC forms including 505, 5011, 507 etc. Corresponded with ASIC regarding statutory forms	Preparing and lodging ASIC forms including 507, 5011 and 530 Correspondence with ASIC regarding statutory forms	Preparing and lodging ASIC forms including 505, 5603 and 911 etc. Correspondence with ASIC regarding statutory forms	
ATO and other statutory reporting	Notification of appointment Prepared BAS lodgements Set up and monitored STP reporting submissions	Preparing BAS Completing STP reporting obligations	Notification of DOCA appointment Preparing BAS Completing STP reporting obligations	Notification as Trustees for Creditors Trust appointment Preparing BAS Completing STP reporting obligations
Finalisation			Notifying ATO of finalisation Cancelling ABN / GST / PAYG registration Completing checklists	Notifying ATO of finalisation Cancelling ABN / GST / PAYG registration Completing checklists

Task area/General description **Period**	**Work already done** **29 June 2022 to 28 August 2022**	**Future work to execution of DOCA** **29 August 2022 to execution of DOCA**	**DOCA** **Execution to the effectuation of the DOCA**	**Creditors' Trust** **Commencement of Trust to finalisation of the Creditors' Trust**
Planning / Review	■ Discussions regarding status of administration ■ Ongoing review of checklist ■ Internal planning and review meetings	■ Discussions regarding status of administration ■ Ongoing review of checklist ■ Internal planning and review meetings	■ Discussions regarding status of administration ■ Ongoing review of checklist ■ Internal planning and review meetings	■ Discussions regarding status of administration ■ Ongoing review of checklist ■ Internal planning and review meetings
Books and records	■ Obtaining books and records from the Company			

Other Professional Services	**49.8 hours** **$32,084.00**	**$2,000.00**	**$5,000.00**	**Nil**
Strategic Communications	■ Monitored media concerning the Company	■ Liaising and monitoring media concerning the Company	■ Liaising and monitoring media concerning the Company	

Schedule B – Time spent by staff on each major task (work already done)

The below table sets out work performed by professional services provided by the firm for the period 29 June to 30 June:

Employee	Position	$/hour (excl GST)	Total actual hours	Total $ (excl GST)	Task Area									
					Assets		Creditors		Employees		Trade on		Administration	
					Hrs	$	Hrs	$	Hrs	$	Hrs	$	Hrs	$
John Park	Senior Managing Director	$ 720	17.00	$ 12,240.00	0.00	$ -	0.00	$ -	0.00	$ -	0.00	$ -	17.00	$ 12,240.00
Benjamin Campbell	Senior Managing Director	$ 720	11.00	$ 7,920.00	0.00	$ -	0.00	$ -	0.00	$ -	11.00	$ 7,920.00	0.00	$ -
Kelly-Anne Trenfield	Senior Managing Director	$ 720	4.60	$ 3,312.00	0.00	$ -	0.50	$ 360.00	0.00	$ -	1.20	$ 864.00	2.90	$ 2,088.00
Renee Lobb	Managing Director	$ 660	8.80	$ 5,808.00	0.00	$ -	0.00	$ -	0.00	$ -	7.30	$ 4,818.00	1.50	$ 990.00
Claire Packer	Managing Director	$ 660	5.90	$ 3,894.00	0.50	$ 330.00	0.00	$ -	0.00	$ -	0.00	$ -	5.40	$ 3,564.00
Carla Fairweather	Managing Director	$ 660	10.20	$ 6,732.00	0.00	$ -	0.00	$ -	0.00	$ -	9.70	$ 6,402.00	0.50	$ 330.00
Glen Smith	Managing Director	$ 660	2.40	$ 1,584.00	2.40	$ 1,584.00	0.00	$ -	0.00	$ -	0.00	$ -	0.00	$ -
Paris Parasadi	Senior Director	$ 580	9.00	$ 5,220.00	0.00	$ -	0.00	$ -	0.00	$ -	0.00	$ -	9.00	$ 5,220.00
Marco Bozzetto	Director	$ 530	6.20	$ 3,286.00	0.00	$ -	0.00	$ -	5.20	$ 2,756.00	0.00	$ -	1.00	$ 530.00
Jake Knight	Senior Consultant II	$ 480	7.70	$ 3,696.00	0.00	$ -	0.00	$ -	0.00	$ -	7.70	$ 3,696.00	0.00	$ -
Alexa Sutherland	Senior Consultant II	$ 480	9.10	$ 4,368.00	0.00	$ -	0.50	$ 240.00	0.00	$ -	8.60	$ 4,128.00	0.00	$ -
Sam Rayner	Associate II	$ 335	5.80	$ 1,943.00	0.00	$ -	0.00	$ -	0.00	$ -	0.00	$ -	5.80	$ 1,943.00
Samuel Dennis	Associate II	$ 335	6.90	$ 2,311.50	0.00	$ -	0.00	$ -	0.00	$ -	5.70	$ 1,909.50	1.20	$ 402.00
Tobias Robinson	Associate I	$ 300	5.00	$ 1,500.00	0.00	$ -	0.00	$ -	3.80	$ 1,140.00	0.00	$ -	1.20	$ 360.00
Ashleigh Ubank	Administration II	$ 220	2.40	$ 528.00	0.00	$ -	0.00	$ -	0.20	$ 44.00	0.40	$ 88.00	1.80	$ 396.00
Total (ex GST)				**$ 64,342.50**		**$ 1,914.00**		**$ 600.00**		**$ 3,940.00**		**$ 29,825.50**		**$ 28,063.00**
GST				**$ 6,434.25**										
Total (Incl GST)				**$ 70,776.75**										
Total hours			**112.00**		**2.90**		**1.00**		**9.20**		**51.60**		**47.30**	
Avg hourly rate (ex GST)				**$ 574.49**		**$ 660.00**		**$ 600.00**		**$ 428.26**		**$ 578.01**		**$ 593.30**

The below table sets out work performed by professional services provided by the firm for the period 1 July 2022 to 28 August 2022:

Employee	Position	$/hour (excl GST)	Total actual hours	Total $ (excl GST)	Task Area											
					Assets		Creditors		Employees		Trade on		Investigation		Administration	
					Hrs	$	Hrs	$	Hrs	$	Hrs	$	Hrs	$	Hrs	$
John Park	Senior Managing Director	$ 740	140.70	$ 104,118.00	86.40	$ 63,936.00	4.20	$ 3,108.00	0.00	$ -	50.10	$ 37,074.00	0.00	$ -	0.00	$ -
Benjamin Campbell	Senior Managing Director	$ 740	170.70	$ 126,318.00	72.40	$ 53,576.00	11.10	$ 8,214.00	0.00	$ -	87.20	$ 64,528.00	0.00	$ -	0.00	$ -
Kelly-Anne Trenfield	Senior Managing Director	$ 740	61.80	$ 45,732.00	0.80	$ 592.00	17.80	$ 13,172.00	5.70	$ 4,218.00	14.20	$ 10,508.00	5.10	$ 3,774.00	18.20	$ 13,468.00
Matthew Glennon	Managing Director	$ 680	311.90	$ 212,092.00	231.90	$157,692.00	12.80	$ 8,704.00	1.10	$ 748.00	44.20	$ 30,056.00	9.10	$ 6,188.00	12.80	$ 8,704.00
Claire Packer	Managing Director	$ 680	116.60	$ 79,288.00	32.00	$ 21,760.00	42.60	$ 28,968.00	0.00	$ -	2.50	$ 1,700.00	15.60	$ 10,608.00	23.90	$ 16,252.00
Carla Fairweather	Managing Director	$ 680	223.40	$ 151,912.00	1.40	$ 952.00	49.90	$ 33,932.00	0.00	$ -	162.00	$110,160.00	0.00	$ -	10.10	$ 6,868.00
Glen Smith	Managing Director	$ 680	58.70	$ 39,916.00	58.70	$ 39,916.00	0.00	$ -	0.00	$ -	0.00	$ -	0.00	$ -	0.00	$ -
James Rogers	Managing Director	$ 680	12.80	$ 8,704.00	0.00	$ -	12.00	$ 8,160.00	0.00	$ -	0.80	$ 544.00	0.00	$ -	0.00	$ -
Renee Lobb	Managing Director	$ 680	147.20	$ 100,096.00	0.70	$ 476.00	13.60	$ 9,248.00	2.90	$ 1,972.00	130.00	$ 88,400.00	0.00	$ -	0.00	$ -
Paris Parasadi	Senior Director	$ 620	203.10	$ 125,922.00	12.40	$ 7,688.00	102.60	$ 63,612.00	2.50	$ 1,550.00	0.00	$ -	47.80	$ 29,636.00	37.80	$ 23,436.00
Marco Bozzetto	Director	$ 550	171.50	$ 94,325.00	3.70	$ 2,035.00	25.70	$ 14,135.00	21.30	$11,715.00	120.80	$ 66,440.00	0.00	$ -	0.00	$ -
Jake Knight	Senior Consultant II	$ 500	278.50	$ 139,250.00	76.40	$ 38,200.00	23.70	$ 11,850.00	0.00	$ -	166.70	$ 83,350.00	0.00	$ -	11.70	$ 5,850.00
Alexa Sutherland	Senior Consultant II	$ 500	300.90	$ 150,450.00	0.00	$ -	6.90	$ 3,450.00	0.00	$ -	288.30	$144,150.00	5.70	$ 2,850.00	0.00	$ -
Brooke Petersen	Consultant II	$ 405	15.70	$ 6,358.50	0.00	$ -	0.00	$ -	0.00	$ -	15.70	$ 6,358.50	0.00	$ -	0.00	$ -
Nicholas Hawthorne	Consultant I	$ 375	2.50	$ 937.50	2.50	$ 937.50	0.00	$ -	0.00	$ -	0.00	$ -	0.00	$ -	0.00	$ -
Sandesh Pereira	Consultant I	$ 375	141.00	$ 52,875.00	0.00	$ -	41.90	$ 15,712.50	0.00	$ -	0.00	$ -	96.90	$ 36,337.50	2.20	$ 825.00
Sam Rayner	Associate II	$ 350	270.90	$ 94,815.00	2.50	$ 875.00	96.70	$ 33,845.00	0.00	$ -	19.80	$ 6,930.00	139.40	$ 48,790.00	12.50	$ 4,375.00
Samuel Dennis	Associate II	$ 350	309.40	$ 108,290.00	267.20	$ 93,520.00	9.40	$ 3,290.00	0.00	$ -	29.50	$ 10,325.00	0.00	$ -	3.30	$ 1,155.00
Stephanie Jiang	Associate II	$ 350	84.10	$ 29,435.00	0.00	$ -	78.50	$ 27,475.00	0.00	$ -	0.00	$ -	1.70	$ 595.00	3.90	$ 1,365.00
Tobias Robinson	Associate I	$ 315	186.50	$ 58,747.50	0.00	$ -	30.40	$ 9,576.00	66.00	$20,790.00	85.00	$ 26,775.00	0.30	$ 94.50	4.80	$ 1,512.00
Isabella Jansen	Associate I	$ 315	148.80	$ 46,872.00	0.00	$ -	0.00	$ -	0.00	$ -	148.80	$ 46,872.00	0.00	$ -	0.00	$ -
Matthew van der Vlugt	Associate I	$ 315	1.20	$ 378.00	0.00	$ -	0.70	$ 220.50	0.00	$ -	0.10	$ 31.50	0.00	$ -	0.40	$ 126.00
Anisa Jaffar	Associate I	$ 315	10.40	$ 3,276.00	0.60	$ 189.00	6.00	$ 1,890.00	1.10	$ 346.50	0.00	$ -	0.10	$ 31.50	2.60	$ 819.00
Beau Lyndon	Associate I	$ 315	16.90	$ 5,323.50	0.00	$ -	0.00	$ -	0.00	$ -	16.90	$ 5,323.50	0.00	$ -	0.00	$ -
Kevin McCartney	Junior Associate	$ 250	15.50	$ 3,875.00	0.00	$ -	0.90	$ 225.00	0.00	$ -	14.60	$ 3,650.00	0.00	$ -	0.00	$ -
Ashleigh Ubank	Administration II	$ 250	12.30	$ 3,075.00	0.20	$ 50.00	0.60	$ 150.00	0.10	$ 25.00	3.60	$ 900.00	0.00	$ -	7.80	$ 1,950.00
Tanya Kratz	Administration II	$ 250	24.10	$ 6,025.00	0.00	$ -	0.00	$ -	0.00	$ -	0.00	$ -	0.00	$ -	24.10	$ 6,025.00
Caroline Halcoop	Administration II	$ 250	1.40	$ 350.00	0.00	$ -	0.00	$ -	0.00	$ -	1.10	$ 275.00	0.00	$ -	0.30	$ 75.00
Trinity Elvery	Administration I	$ 210	5.60	$ 1,176.00	0.00	$ -	0.00	$ -	0.00	$ -	1.30	$ 273.00	0.00	$ -	4.30	$ 903.00
Jaie Lilburne	Treasury	$ 300	2.50	$ 750.00	0.00	$ -	0.00	$ -	0.00	$ -	0.00	$ -	0.00	$ -	2.50	$ 750.00
Robyn Hardeman	Treasury	$ 300	19.70	$ 5,910.00	0.00	$ -	0.00	$ -	0.00	$ -	0.00	$ -	0.00	$ -	19.70	$ 5,910.00
Alyse Kent	Treasury	$ 300	8.40	$ 2,520.00	0.00	$ -	0.00	$ -	0.00	$ -	0.00	$ -	0.00	$ -	8.40	$ 2,520.00
Yuet Yeng Yee	Treasury	$ 300	14.00	$ 4,200.00	0.00	$ -	0.00	$ -	0.00	$ -	0.00	$ -	0.00	$ -	14.00	$ 4,200.00
Zin Thaya Khin	Treasury	$ 300	20.20	$ 6,060.00	0.00	$ -	0.00	$ -	0.00	$ -	0.00	$ -	0.00	$ -	20.20	$ 6,060.00
Total (ex GST)				**$1,819,372.00**		**$482,394.50**		**$298,937.00**		**$41,364.50**		**$744,623.50**		**$138,904.50**		**$113,148.00**
GST				**$ 181,937.20**												
Total (Incl GST)				**$2,001,309.20**												
Total hours			**3508.90**		**849.80**		**588.00**		**100.70**		**1403.20**		**321.70**		**245.50**	
Avg hourly rate (ex GST)				**$ 518.50**		**$ 567.66**		**$ 508.40**		**$ 410.77**		**$ 530.66**		**$ 431.78**		**$ 460.89**

The below table sets out work performed by other professional services provided by the firm for the period 29 June to 30 June 2022:

Employee	Position	$/hour (excl GST)	Total actual hours	Total $ (excl GST)	Non Insolvency Services	
					Strategic Communications	
					Hrs	$
Stuart Carson	Managing Director	660	8.00	$ 5,280.00	8.00	$ 5,280.00
Total (ex GST)				**$ 5,280.00**		**$ 5,280.00**
GST				**$ 528.00**		
Total (Incl GST)				**$ 5,808.00**		
Total hours			**8.00**		**8.00**	
Avg hourly rate (ex GST)				**660**		

The below table sets out work performed by other professional services provided by the firm for the period 1 July to 28 August 2022:

Employee	Position	$/hour (excl GST)	Total actual hours	Total $ (excl GST)	Non Insolvency Services	
					Strategic Communications	
					Hrs	$
Stuart Carson	Managing Director	680	32.80	$ 22,304.00	32.80	$ 22,304.00
Lucy Wigney	Senior Consultant	500	9.00	$ 4,500.00	9.00	$ 4,500.00
Total (ex GST)				**$ 26,804.00**		**$ 26,804.00**
GST				**$ 2,680.40**		
Total (Incl GST)				**$ 29,484.40**		
Total hours			**41.80**		**41.80**	
Avg hourly rate (ex GST)				**641.24**		

Schedule C – Resolutions

Voluntary Administrators’ remuneration and disbursements

Resolution 1 – Remuneration from 29 June 2022 to 28 August 2022

“The remuneration of the Voluntary Administrators of Collection House Limited (Administrators Appointed) ACN 010 230 716, their partners and staff, for the period from 29 June 2022 to 28 August 2022, calculated at the hours spent at the rates detailed in the FTI Consulting Standard Rates (Corporate Finance & Restructuring Effective 1 July 2021) and the FTI Consulting Standard Rates (Corporate Finance & Restructuring Effective 1 July 2022), is approved for payment in the amount of $1,915,798.50, exclusive of GST, to be drawn from available funds immediately or as funds become available.”

Resolution 2 – Remuneration from 29 August 2022 to Execution of DOCA

“The future remuneration of the Voluntary Administrators of Collection House Limited (Administrators Appointed) ACN 010 230 716, their partners and staff, for the period from 29 August 2022 to the end of the Voluntary Administration, is determined at a sum equal to the cost of time spent by the Voluntary Administrators and their partners and staff, calculated at the hours spent at the rates detailed in the FTI Consulting Standard Rates (Corporate Finance & Restructuring Effective 1 July 2022), up to a capped amount of $584,201.50 (exclusive of GST), and the Voluntary Administrators can draw the remuneration from available funds as time is incurred on a monthly basis or as funds become available.”

Deed Administrators’ remuneration and disbursements

Resolution 3 – Execution to the effectuation of DOCA

“The future remuneration of the Deed Administrators of Collection House Limited (Subject to Deed of Company Arrangement) ACN 010 230 716, for the period from the execution of the DOCA to effectuation of the DOCA, is determined at a sum equal to the cost of time spent by the Deed Administrators and their partners and staff, calculated at the hours spent at the rates detailed in the FTI Consulting Standard Rates (Corporate Finance & Restructuring Effective 1 July 2022),up to a capped amount of $700,000 (exclusive of GST), and the Deed Administrators can draw the remuneration from available funds as time is incurred on a monthly basis or as funds become available.”

Creditors Trustees’ remuneration

Resolution 4 – Creditors’ Trustees’ Remuneration

“The future remuneration of the Creditors’ Trustees of Collection House Limited ACN 010 230 716 for the period from the commencement of the creditors’ trust to the finalisation and closure of the trust, calculated at the hours spent at the rates detailed in the FTI Consulting Standard Rates (Corporate Finance & Restructuring Effective 1 July 2022), is approved for payment in the amount of $400,000, exclusive of GST, to be drawn from available funds immediately or as funds become available.”

Schedule D – Summary of receipts and payments

Receipts and payments for the period 29 June 2022 to 28 August 2022

Receipts	**$**
Accounts Receivable (Pre-appointment)	1,595,268.28
Administration Funding	4,200,000.00
Cash at bank (WBC)	546,470.75
Credit Card Reimbursements	2,202.25
Credit Interest	975.20
Trading Receipts[1]	5,085,025.24
Total Receipts	**11,429,941.72**
Payments	
Allowances	(36,871.19)
Annual Leave	(504,258.10)
ASX Fees	(30,768.31)
Bank Charges	(22,297.86)
Data Centre Fees	(68,704.54)
Document Printing	(50,276.26)
General Office Expenses	(1,776.81)
GST Paid	(86,089.00)
Hire & Leasing	(191,910.50)
Insurance	(570,537.74)
Intercompany Loans	(1,552,185.08)
IT Hardware & Services	(166,683.45)
Legal Fees	(22,452.10)
Membership Fees & Sponsorships	(12,492.76)
Mercantile Agents	(313,947.88)
Merchant Settlements transferred to Trust Accounts	(492,354.52)
Merchant Charges and Payment Processing[1]	(10,342.34)
Novated Car Leases	(20,306.26)
Payroll Tax	(115,799.71)
Postal Services	(51,232.50)
Recruitment	(44,276.99)
Relocation & Storage Costs	(24,082.90)
Rent and property outgoings	(507,155.49)
Software & Subscriptions	(374,421.32)
Staff Expense Reimbursements	(1,185.53)
Subcontractors	(12,102.61)
Telephone & Utilities	(107,210.26)
Wages & Salaries	(3,659,233.79)
Total Payments	**(9,050,955.80)**
Net Receipts/(Payments)	**2,378,985.92**

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[1] Includes Accrued Revenue at appointment and Merchant Settlements transferred to Trust Accounts

Schedule E – FTI Consulting schedule of rates effective 1 July 2021

Typical classification	Standard Rates $/hour	General guide to classifications
Senior Managing Director/Appointee	720	Registered 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	660	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 Liquidator and/or Trustee. Alternatively, has extensive leadership/senior management experience in business or industry.
Senior Director	580	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 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	530	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	480	Typically an Australian Restructuring Insolvency & Turnaround Association 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	435	Assists with the planning and control of small to medium-sized administrations. May have the conduct of simpler administrations. Can supervise staff. Has experience performing more difficult tasks on larger administrations.
Consultant 2	390	Typically Institute of Chartered Accountants in Australia qualified chartered accountant (or similar). Required to control the tasks on small administrations and is responsible for assisting with tasks on medium to large-sized administrations.
Consultant 1	360	Qualified accountant with several years' experience. Required to assist with day-to-day tasks under the supervision of senior staff.
Associate 2	335	Typically a qualified accountant. Required to assist with day-to-day tasks under the supervision of senior staff.
Associate 1	300	Typically a university graduate. Required to assist with day-to-day tasks under the supervision of senior staff.
Treasury	290	Typically, qualified accountant and/or bookkeeper with at least 4 years' experience working in a treasury function in a professional services setting. Undertakes treasury activities and is skilled in bookkeeping, funds handling, banking, payroll, tax compliance, accounts receivable and accounts payable. May be responsible for the management of discreet, medium-complexity accounts services relating to business trade on activities.
Junior Associate	220	Undergraduate in the latter stage of their university degree.
Administration 2	220	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, accounting support services or similar skills.
Administration 1	185	Has appropriate skills and experience to support professional staff in an administrative capacity. May also have appropriate bookkeeping, accounting support services or similar skills.
Junior Accountant	180	Undergraduate in the early stage of their university degree.

The FTI Consulting Standard Rates above apply to the Corporate Finance & Restructuring practice and are subject to periodical review.

Schedule F – FTI Consulting schedule of rates effective 1 July 2022

Typical classification	Standard Rates $/hour	General guide to classifications
Senior Managing Director/Appointee	740	Registered 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	680	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 Liquidator and/or Trustee. Alternatively, has extensive leadership/senior management experience in business or industry.
Senior Director	620	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 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	550	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	500	Typically an Australian Restructuring Insolvency & Turnaround Association 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	450	Assists with the planning and control of small to medium-sized administrations. May have the conduct of simpler administrations. Can supervise staff. Has experience performing more difficult tasks on larger administrations.
Consultant 2	405	Typically Institute of Chartered Accountants in Australia qualified chartered accountant (or similar). Required to control the tasks on small administrations and is responsible for assisting with tasks on medium to large-sized administrations.
Consultant 1	375	Qualified accountant with several years' experience. Required to assist with day-to-day tasks under the supervision of senior staff.
Associate 2	350	Typically a qualified accountant. Required to assist with day-to-day tasks under the supervision of senior staff.
Associate 1	315	Typically a university graduate. Required to assist with day-to-day tasks under the supervision of senior staff.
Treasury	300	Typically, qualified accountant and/or bookkeeper with at least 4 years' experience working in a treasury function in a professional services setting. Undertakes treasury activities and is skilled in bookkeeping, funds handling, banking, payroll, tax compliance, accounts receivable and accounts payable. May be responsible for the management of discreet, medium-complexity accounts services relating to business trade on activities.
Junior Associate	250	Undergraduate in the latter stage of their university degree.
Administration 2	250	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, accounting support services or similar skills.
Administration 1	210	Has appropriate skills and experience to support professional staff in an administrative capacity. May also have appropriate bookkeeping, accounting support services or similar skills.
Junior Accountant	210	Undergraduate in the early stage of their university degree.

The FTI Consulting Standard Rates above apply to the Corporate Finance & Restructuring practice and are subject to periodical review.

18. Appendix 9 – DOCA proposal

Proposal for Deed of Company Arrangement in relation to Collection House Limited (administrators appointed) (ACN 010 230 716)

Made by Credit Corp Group Limited (ACN 092 697 151)

The terms of this proposal must be read in conjunction with certain defined terms as set out in the Dictionary at the end of the proposal. This proposal is final (and subject to the terms of an executed Deed of Company Arrangement).

1.	**Company**	Collection House Limited (administrators appointed) ACN 010 230 716 (**Company**) is the entity that is proposed to be the subject of the DOCA.
2.	**Administrators**	John Park, Benjamin Campbell and Kelly-Anne Trenfield of FTI Consulting.
3.	**Appointment Date**	29 June 2022.
4.	**Proponent**	The proponent of the DOCA is Credit Corp Group Limited (ACN 092 697 151) (**CCG**).
5.	**Purpose of proposal**	The purpose of this proposal is to articulate the material terms of the DOCA that CCG proposes in respect of the Company and which CCG requests the Administrators present to the meeting of Creditors of the Company that is convened and held pursuant to Part 5.3A of the Act. The proposed DOCA for the Company is intended to satisfy the objects of Part 5.3A of the Act, including to achieve better outcomes for the respective Creditors of the Company, compared to the expected outcome were the Company to be wound up, and to maximise the chances of the Company, or as much as possible of its operations, continuing in existence.
6.	**Key terms of the Deed of Company Arrangement**	In accordance with this proposal, the DOCA will contain the following key terms: (1) All of the Shares in the Company will be transferred by the Administrators to CCG, free and clear of any encumbrances as part of inter-conditional steps to occur at completion as set out at clause 12 below. (2) Subject to paragraph (4) below, CCG will contribute the total amount of A$11,000,000 to the Deed Administrators (being the CCG Contribution), being the funds available for distribution to creditors under the DOCA (being the Deed Fund). (3) The CCG Contribution will be paid in a single tranche as part of inter-conditional steps at completion of the DOCA (as further set out at clause 12 below). (4) If the DOCA terminates and does not effectuate in accordance with its terms, then the CCG Contribution will no longer be payable, subject to the terms of the relevant funding

		agreement to be entered into between the Administrators and CCG. (5) The only assets of the Company to be available for distribution to Admitted Creditors under the DOCA (and Creditors' Trust) will be the CCG Contribution and the Working Capital Amounts. (6) The Creditors' Trust Fund will be available for distribution to Admitted Creditors under the Creditors' Trust in accordance with the priority waterfall contained in clause 15 below. (7) Notwithstanding paragraph (6) above, Small Claim Creditors will be paid under the Creditors' Trust immediately following priority creditors as determined by application of sections 556, 560 and 561 of the Act and prior to remaining Admitted Creditors that are not Small Claim Creditors as provided by clause 15 below. (8) The DOCA will be effectuated upon, among other things, payment of the CCG Contribution to the Deed Administrators (which payment will be done as an inter-dependent step with other completion steps contained in the DOCA set out at clause 12 below). At that time, the Creditors' Trust will be formed (with the Creditors' Trust Fund paid to the trustees of that trust) and Admitted Creditors will have rights to receive distributions as beneficiaries under that trust (in the same order of priority as applies under the DOCA). (9) The Company will cease to comply with, and will not perform the Pre-Administration Contracts and will treat the Pre-Administration Contracts as coming to an end. (10) All claims against the Company will be released upon Completion under the DOCA.
7.	**Proposed Deed Administrators**	John Park, Benjamin Campbell and Kelly-Anne Trenfield of FTI Consulting. The Proposed Deed Administrators are also the proposed Trustees of the Creditors' Trust (**Trustees**).
8.	**Commencement date for the DOCA**	The date of execution of the DOCA contemplated by this proposal.
9.	**Property of the Company available for distribution**	The property of the Company available for distribution to Creditors pursuant to the Creditors' Trust to pay their Admitted Claims will be the Creditors' Trust Fund (being the Deed Fund) as paid to the trustees under the Creditors' Trust Deed and to be held on trust for the benefit of the beneficiaries of the Creditors' Trust).
10.	**Moratorium under the DOCA**	During the period of operation of the DOCA, the moratoria in sections 440A, 440D, 440F and 444E of the Act will apply to all Creditors and members of the Company.
11.	**Release of claims**	Upon and subject to effectuation of the DOCA, all claims against the Company (except for those due to Excluded Creditors) will be

		released and extinguished in full, in consideration for the Admitted Creditors becoming beneficiaries under the Creditors' Trust.
12.	**Completion under the DOCA – formation of Creditors' Trust**	The DOCA will only complete upon the following steps occurring (all of which are inter-dependent): (1) Release by Westpac of all security granted to it by the Company and any Subsidiaries. (2) The making of the ASIC Relief. (3) The making of the 444GA Orders. (4) The transfer of the Shares to CCG. (5) The payment by CCG to the Deed Administrators of the CCG Contribution. (6) Execution of the Creditors' Trust Deed (which is to take effect on and from Completion). (7) The Interim Funding will be nominally repaid by the Administrators to CCG and reflected in the CCG Contribution. (8) Receipt by CCG from the Administrators of evidence in writing (in the form set out in Schedule 3) that all Pre-Administration Contracts listed in Schedule 2 have been terminated or otherwise that counterparties to those Pre-Administration Contracts have been notified that the Company will cease to comply with, and will not perform its obligations under, and treat the Pre-Administration Contracts at an end. ((1) through (8) above (inclusive) together being the **Conditions** and each a **Condition**) Only CCG may waive the Conditions at items (1), (7) and (8) above (acting in its sole and absolute discretion). All other remaining conditions may only be waived on agreement in writing between the parties (such agreement not to be unreasonably withheld). Each of the parties will (at their own cost) do all things necessary and within their power to satisfy the Conditions (including, without limitation, obtaining and implementing the ASIC Relief and the 444GA Orders). Following completion of the steps immediately above, the following will occur (with these events to be interdependent): (1) the Creditors' Trust Deed will take effect pursuant to the terms of the Creditors' Trust Deed; (2) the Deed Administrators will transfer (and will cause the Company to transfer) the Deed Fund to the trustees of the

		Creditors' Trust (on trust for the beneficiaries of that trust) to form the Creditors' Trust Fund; and (3) following steps (1) and (2) above, the DOCA will then be fully effectuated and the Deed Administrators will publish notice to that effect under s445FA of the Act. **Consequence of non-satisfaction of the Conditions** (1) Subject to clause (2) below, if: (a) one or more of the Conditions is not satisfied or waived by the CP Satisfaction Date; or (b) the Deed Administrators and the Deed Proponent are of the opinion that one or more of the Conditions are incapable of being satisfied by the CP Satisfaction Date, then: (c) the Parties will cease to be bound by the DOCA on and from the CP Satisfaction Date and will have no liability under it; and (d) the Deed Administrators will convene a meeting of the Creditors to determine the future of the Company. (2) In circumstances where the Deed Proponent has reason to believe that it will not be able to satisfy the Conditions or otherwise effect Completion before the CP Satisfaction Date, the Deed Proponent may request an extension of the CP Satisfaction Date from the Deed Administrators for consideration (in their sole discretion). (3) In circumstances where the extension in clause (2) is not provided, or in circumstances where it is but the Long Stop Date has expired and the Conditions remain unsatisfied: (a) the Parties will cease to be bound by the DOCA on and from that date and will have no liability under it; and (b) the Deed Administrators will convene a meeting of the Creditors to determine the future of the Company.
13.	**Deed Period**	During the Deed Period, the parties agree that the Deed Administrators must use their best endeavours to change the Directors of the Deed Company in accordance with the written notification of the Proponent to the Deed Administrators, received prior to Completion.
14.	**Termination of**	The DOCA will continue in operation until the DOCA is terminated:

	DOCA	(1) upon its effectuation as set out in this proposal (see clause 12 above); (2) by an order of the Court under section 445D of the Act; (3) by a resolution of the Creditors at a meeting convened under Division 75 of Schedule 2 to the Act; or (4) automatically, if a Condition is not satisfied (or becomes incapable of being satisfied) or waived by the parties by the CP Satisfaction Date.
15.	**Order of distribution of the Creditors' Trust Fund**	Subject to the below provisions, distributions from the Creditors' Trust Fund (under the Creditors' Trust, once formed) are to be made in respect of Admitted Claims as follows: (1) (**Pool A**) first, in repaying the WBC VA Funding in the amount of $1,500,000 and the Interim Funding in the amount of $2,200,000; (2) (**Pool B**) second, in accordance with the priorities set out in sections 556, 560 and 561 of the Act as though those priorities were applied in the Creditors' Trust Deed in full; (3) (**Pool C**) third, Small Claim Creditors in respect of any Small Claim Dividend. (4) (**Pool D**) third, equally and rateably up to a specified amount of $500,000 to all Admitted Creditors who do not enjoy priority under section 556 of the Act, in accordance with section 555 of the Act (and the other applicable provisions of Part 5.6, Division 6 of the Act, including section 563A of that Act); and (5) (**Pool E**) fourth, remaining funds from the Creditors' Trust Fund to be paid to WBC (as security trustee) in respect of discharge of the claims and security in favour of WBC and CBA and in its own right as secured creditor under the guarantee facility. CCG will not receive any distributions under the DOCA or the Creditors' Trust other than in respect of the repayment of the Interim Funding.
16.	**Prescribed Provisions**	Except to the extent that they are inconsistent with the terms of the DOCA, the provisions of Schedule 8A of the Regulations will apply to the DOCA as well as the Creditors' Trust Deed
17.	**Priority to eligible employee creditors**	The DOCA will contain a provision as contemplated by s444DA of the Act.
18.	**Superannuation contribution debts**	Pursuant to section 444DB of the Act, for the DOCA (and the Creditors' Trust), the Deed Administrators (and Trustees of the Creditors' Trust) must determine that the whole, or any particular

		part, of a debt by way of superannuation contribution is not admissible to proof if a debt by way of superannuation guarantee charge: (1) has been paid; (2) is, or is to be, admissible to proof; and (3) the Deed Administrators (or Trustees of the Creditors' Trust, as applicable) are satisfied that the superannuation guarantee charge is attributable to the whole, or that part, ofthe first-mentioned debt.
19.	**Secured creditors, and owners/ lessors of property**	Other than as expressly provided for under the DOCA, the DOCA will not release: (1) any security held by a Creditor in respect of any claim, and (2) any security interest validly and effectively held by an owner or lessor in property of the Company.
20.	**Control of the Company**	(1) During the period of operation of the DOCA, the Deed Administrators will have stewardship of the Company and will continue to manage the operations of the Company. (2) CCG will not take part in the management or operations of the Company, except as expressly consented to by the Deed Administrators in writing. (3) Stewardship of the Company will return to its directors upon Completion.
21.	**Working Capital Amounts and trading liabilities during administration**	(1) If any Working Capital Amounts are received by the Administrators or Deed Administrators, or the Company, following completion of the DOCA as contemplated by clause 12, then those amounts must be transferred to the Trustees to form part of the Creditors' Trust Fund. (2) Subject only to paragraph (3) below, any debts or liabilities incurred by the Company during the period of its administration (a) for which the Administrators have personal liability under section 443A or 443B of the Corporations Act, and (b) that remain unpaid at the time of completion of the DOCA, will be satisfied from the Deed Fund and Creditors' Trust Fund. (3) Any debts or liabilities of a kind mentioned in paragraph 2 that are owed to an Excluded Creditor who is an eligible employee creditor will be paid by the Company following completion of the DOCA.
22.	**Administrators' and Deed Administrators' remuneration**	The Administrators, Deed Administrators and the Trustees of the Creditors' Trust) will be remunerated out of the Deed Fund and the Creditors' Trust Fund for their services at their usual hourly rates in accordance with Division 60 of Schedule 2 to the Act.
23.	**Company records**	The Deed Administrators and Trustees of the Creditors' Trust will

		be entitled to retain copies of (or to retain access to) the Company's records following completion of the DOCA, as is necessary or reasonably desirable for them to properly complete their roles.
24.	**Variation of DOCA**	The DOCA may only be varied by a resolution passed at a meeting of the Creditors of the Company convened in accordance with Division 75 of Schedule 2 to the Act, but only if the variation is not materially different from a proposed variation set out in a notice of meeting.
25.	**Advance of Interim Funding**	(1) CCG has agreed to provide the Interim Funding to the Administrators. (2) The Interim Funding will be documented and advanced as soon as practicable. (3) The Interim Funding will be repaid from the Deed Fund. Repayment will be made by direction by the Deed Administrators to CCG that a portion of the CCG Contribution be paid to CCG in repayment of the Interim Funding. (4) If the DOCA is terminated otherwise than upon completion of the DOCA in accordance with its terms, the Interim Funding will be immediately repaid by the Administrators (subject always to the Administrators having sufficient available cash to make such repayment) subject to the terms of the relevant funding agreement.
26.	**Governing law**	This proposal and any DOCA (together with any Creditors' Trust) is governed by the laws of the State of New South Wales.
27.	**Dictionary**	In this proposal: **444GA orders** means orders made by a court of competent jurisdiction pursuant to and for purposes of section 444GA of the Act in relation to the Company, authorising the Deed Administrators to transfer all Shares in the Company to CCG for a nil consideration, in terms otherwise reasonably acceptable to CCG. **Act** means the *Corporations Act 2001* (Cth). **Admitted Claim** means a claim against the Company as adjudicated by the Deed Administrators under the DOCA (or by the Trustees of the Creditors' Trust), but excluding Excluded Creditors. **Admitted Creditor** means a Creditor who has (or who is entitled to have) an Admitted Claim. **Appointment Date** has the same meaning as defined in clause 3 of this proposal. **ASIC** means the Australian Securities and Investments Commission. **ASIC relief** means relief granted by ASIC for the purposes of section 606 of the Corporations Act, in substance relieving CCG

(and the Company, to the extent relevant) from the application of section 606 of the Corporations Act with respect to CCG's acquisition of the Shares as contemplated by this proposal, substantially on the conditions contemplated at Part G of ASIC Regulatory Guide 6, and in terms otherwise reasonably acceptable to CCG.

CCG Contribution means the sum of A$11,000,000.

claim means any claim, cost, damages, debt, income, expense, tax, royalty, liability, loss, obligation, allegation, suit, action, demand, cause of action, proceedings, penalty (civil, criminal or otherwise), order or judgment of any kind however calculated or caused, howsoever arising in law or equity or under statute against the Company, and whether direct or indirect, future, contingent, consequential, incidental or economic, the circumstances giving rise to which occurred or arose before the Appointment Date, and includes (without limitation):

(1) any claim of any kind whatsoever under a Pre-Administration Contract including without limitation any claim for damages or loss in connection with the Company's failure to comply with or perform or termination of, a Pre-Administration Contract;

(2) any claim that in a winding up of the Company would be a subordinated claim for purposes of section 563A of the Act;

(3) any residual unsecured claim held by a Secured Creditor following realisation of its security; and

(4) without limiting (1) above, any warrant, option or similar instrument issued by the Company in respect of any of its Shares.

Conditions has the meaning given to that term at clause 12.

Completion means the date upon which each of the Conditions has been satisfied or waived in accordance with the DOCA.

Continuing Contracts means any contract of any kind whatsoever made by the Company with third parties prior to the Appointment Date, except for those specified in (or in accordance with) Schedule 2 to this proposal (being the Pre-Administration Contracts).

CP Satisfaction Date means 30 September 2022, unless otherwise extended by agreement of CCG and the Administrators.

Creditor means a person who has a claim against the Company.

Creditors' Trust means a trust to be entitled the "CHL Creditors Trust" (or another title agreed by the Deed Administrators and CCG), pursuant to which:

(1) the Deed Administrators as trustees will hold the Creditors' Trust Fund as the trust estate, on trust for the beneficiaries described below;

(2) persons who were (immediately prior to the effectuation of the DOCA) Admitted Creditors will be beneficiaries;

		(3) the beneficiaries will have interests in the trust estate commensurate with their entitlements to participate as Admitted Creditors under the DOCA. **Creditors' Trust Deed** means the trust deed to be entered into between the Company, the Deed Administrators, the Trustees and the CCG in accordance with the DOCA, which creates the Creditors' Trust. **Creditors' Trust Fund** is the Deed Fund. **Data Room** means the data room operated by the Administrators in relation to a process for the recapitalisation of the Company. **Deed Fund** is the CCG Contribution and any Working Capital Amounts as at the relevant time. **Deed Period means** the period commencing on the Commencement Date and ending on the earlier of the Termination Date or Completion. **DOCA** means a Deed of Company Arrangement for the Company in accordance with Part 5.3A of the Act to be entered into between the Company, CCG and the Deed Administrators. **eligible employee creditor** has the meaning given to that term in the Act. **Excluded Creditors** means any Creditor who has a claim against the Company: (1) because he/she is an eligible employee creditor, where such Creditor has continued his/her employment with the Company (or a Subsidiary) following completion of the DOCA; or (2) where such Creditor is a Subsidiary. **Interim Funding** means a loan in the sum of $2,200,000 to be advanced by CCG to the Administrators, on terms substantially in accordance with the existing administration funding provided to the Administrators by Westpac and on terms otherwise reasonably acceptable to CCG. **Pre-Administration Contract** means any contract (written or unwritten) (executed or executory) of any kind whatsoever entered into by the Company before the appointment of the Administrators as specified in Schedule 2 to this proposal, but does not mean a Continuing Contract. **Regulations** means *Corporations Regulations 2001* (Cth). **Secured Creditor** means any Creditor who has valid and effective security from the Company for its claim against the Company. **security** means any security interest or encumbrance of any kind whatsoever, howsoever arising, and includes (without limitation) a security interest registrable under the *Personal Property Securities Act* 2009 (Cth). **Shares** means all shares in the Company of any kind whatsoever

		(and includes any preference shares, ordinary shares or otherwise). **Small Claim** means any Admitted Claim with a value of A$20,000 or less. **Small Claim Creditor** means a Creditor with a Small Claim. **Small Claim Dividend** means a payment from the Creditors' Trust Fund under the Creditors' Trust to each Small Claim Creditor, as beneficiaries, in the amount equal to 50% of that Small Claim Creditor's Small Claim, or where $250,000 is insufficient to pay 50%, a lesser amount calculated on a pro rata basis. **Subsidiaries** means the entities described in Schedule 1 to this proposal. **Termination Date** means the date that the DOCA is terminated pursuant to clause 14 above. **Westpac** means Westpac Banking Corporation. **Working Capital Amounts** means at the time of completion of the DOCA as contemplated in clause 12 above: (1) cash on hand for the Company or Administrators; (2) accounts receivable due to the Company in respect of work done or services provided by the Company on or before that time.

Dated: 26 August 2022

Contacts:

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Schedule 1 - Subsidiaries

(1) Entities as set out in the Data Room and Administrators process letter dated 7 July 2022 as being wholly-owned subsidiaries of the Company.

Schedule 2 – Pre-Administration Contracts

(1) Lease agreement made in relation to the leased premises at 100 Skyring Terrace, Fortitude Valley QLD 4006

(2) Any contract made by the Company with any person in relation to Shares, options, warrants or similar instruments issued or to be issued by the Company.

Schedule 3 – Notice from Deed Administrators

This notice is given for the purposes of the Deed of Company Arrangement made in relation to Collection House Ltd (subject to deed of company arrangement) (**DOCA**). Terms defined in this notice have the meanings set out in the DOCA.

This notice concerns the Pre-Administration Contracts under the DOCA.

By this notice, we as Deed Administrators confirm to CCG for the purposes of the DOCA that all Pre-Administration Contracts known to the Administrators have been terminated or otherwise that counterparties to those Pre-Administration Contracts have been notified that the Company will cease to comply with, and will not perform its obligations under, and treat the Pre-Administration Contracts at an end.

ALLEN & OVERY

VIA EMAIL

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Our ref DATW/0097489-0000008 SYO1: 2002404901.1

5 September 2022

Dear Administrators

Collection House Limited (administrators appointed) ("Company") - DOCA proposal made by Credit Corp Group Limited

We refer to recent discussions with you regarding the deed of company arrangement proposal dated 26 August 2022 made by our client, Credit Corp Group Limited (CCG), in relation to the Company. Terms defined in the proposal have the same meanings when used in this letter.

The proposal contemplates that a step in completion of the DOCA will be releases by Westpac of various security. In connection with Westpac's decision as to whether or not to provide those releases, CCG confirms the following matters to the Administrators:

(1) All shares held by the Company or any Subsidiary in Volt Corporation Limited (ACN 622 084 959) (**Shares**) will form part of the Creditors' Trust Fund.

(2) Further to (1), as a step in completion of the DOCA, CCG and the Administrators will cause the Shares to be transferred to the Trustees to be held as an asset of the Creditors' Trust.

(3) Further to (2), CCG understands that the Creditors' Trust Deed will provide that Westpac (as facility agent and security trustee) will have priority to receive the proceeds of realisation by the Trustees of the Shares (which proceeds may include dividends or distributions paid on the Shares) in satisfaction of Westpac's claims against the Company.

The above confirmations are conditional on and subject to Westpac (as facility agent and security trustee) and the underlying lenders releasing (at completion of the DOCA) all of its security from the Company and Subsidiaries (including any guarantees provided by the Subsidiaries) on customary terms otherwise reasonably acceptable to CCG. We will prepare a draft deed of release in that regard for review by Westpac and the underlying lenders.

Allen & Overy is a partnership affiliated with Allen & Overy LLP, a limited liability partnership registered in England and Wales with registered office at One Bishops Square London E1 6AD.
Allen & Overy LLP or an affiliated undertaking has an office in each of: Abu Dhabi, Amsterdam, Antwerp, Bangkok, Beijing, Belfast, Boston, Bratislava, Brussels, Budapest, Casablanca, Dubai, Düsseldorf, Frankfurt, Hamburg, Hanoi, Ho Chi Minh City, Hong Kong, Istanbul, Jakarta (associated office), Johannesburg, London, Los Angeles, Luxembourg, Madrid, Milan, Munich, New York, Paris, Perth, Prague, Rome, San Francisco, São Paulo, Seoul, Shanghai, Silicon Valley, Singapore, Sydney, Tokyo, Warsaw, Washington, D.C. and Yangon.

If you would like to discuss the matter further at this stage, please do not hesitate to contact us.

Yours sincerely

David Walter
Partner

19. Appendix 10 - Information about creditors' trusts

19.1. Introduction on creditors' trusts

- The use of a creditors' trust involves potential risks and disadvantages when compared with the Company remaining subject to a DOCA. We explain those potential risks and disadvantages below.
- We also provide the additional information required by ASIC in accordance with Regulatory Guide 82 entitled "External Administrations: Deeds of company arrangement involving a creditors' trust". A copy of the regulatory guide is available from the ASIC website at https://download.asic.gov.au/media/4966380/rg82-published-17-december-2018.pdf or from FTI Consulting on request.

19.2. Risks and disadvantages

The Trustees will have a limited role under the Creditors' Trust. Their role is to:

- adjudicate and make a final determination on claims; and
- distribute the Creditors' Trust Fund to priority and ordinary creditors.

In those circumstances, and for the reasons set out below, the Administrators do not consider any potential risks associated with the proposed Creditors' Trust will have a material adverse effect on creditors in this case.

The risks of a creditors' trust compared to a company remaining subject to a DOCA can include:

- Creditors' claims against a company may be extinguished before the amount available for distribution to creditors has been ascertained. In this case, however, the actual amount of the Creditors' Trust Fund is ascertained at $11M.
- Creditors' claims against a company may be extinguished before all or some of the trust funds are received. In this case, funds of $11M will be received by the Trustees prior to extinguishment of the creditors' claims against the Company. In addition, upon extinguishment of the claims against the Company, new rights are created, as beneficiaries under the Creditors' Trust.
- The trustees may not have any right to terminate or vary the DOCA should the company not perform its contractual obligations under the DOCA. In this case, all contractual obligations of the Company under the DOCA will be fulfilled prior to the creation of the Creditors' Trust.
- Creditors forgo their statutory rights under the Act to seek the assistance of the Court, including the right to seek orders to terminate or vary the DOCA and to appeal against the adjudication of claims. Creditors do however have rights as beneficiaries under the Trusts Act and as outlined in the DOCA proposal, the Trustees will have the power to convene a meeting of beneficiaries to vary the Trust.

- Creditors may agree to the DOCA proposal without being aware of the implications of a creditors' trust. In this case, this report provides disclosure of material information about the DOCA and the Creditors' Trust.
- The additional complexity of the legal and documentary arrangements needed to support the use of a creditors' trust under a DOCA. This report provides disclosure of the legal and documentary information about the DOCA and the Creditors' Trust.
- The trustees' identity, skills, remuneration and insurance arrangements may not be commensurate with those of a deed administrator; these factors are addressed in the table below. For the reasons set out in the table, we do not believe the Trustees' identity, skills, remuneration and insurance arrangements pose a risk to creditors.
- Non-uniformity of the State and Territory Trustee Acts governing trusts and trustees; the Creditors' Trust will be governed by the Trusts Act. We do not believe the application of the act poses any risk for creditors.
- Differences in the ways trustees and registered liquidators are regulated and supervised, which may cause potential difficulties for ASIC and creditors to monitor and enforce proper conduct of the trustee. In a DOCA, creditors have the right to seek ASIC or court assistance under the Act. In a creditors' trust, the creditors (as beneficiaries) would not have those statutory rights and instead would have rights under the trust deed, in law or in equity. As the proposed Trustees are registered liquidators, creditors will still be able to seek assistance from ASIC and the supervisory jurisdiction the Court has over trustees. Accordingly, we do not believe this difference creates a material risk for creditors.

Item	Detail
Reasons for the Creditors' Trust	The Creditors' Trust is required to: 1. Expedite the return of the Company to trading without the stigma of the administration process. Placement of the Company into administration has potentially impacted trading performance. The Proponent has structured the transaction via a Creditors' Trust to minimise any further impact to trading performance; 2. Enable control of the Company to pass to its new governance structure; and 3. Provide the Company the best prospect of negotiating a return to usual trading terms with suppliers.
Key events	If creditors vote in favour of the DOCA proposal at the Second Meeting: 1. Within 15 business days of the second meeting of creditors, a DOCA and a trust deed which conform materially to the DOCA proposal, will be executed; 2. Relief from section 606 of the Act to be obtained from ASIC for the acquisition of 100% of the shares of the Company, thereby removing the Company from the ASX; 3. The Deed Administrators will obtain the leave of the Court pursuant to section 444GA of the Act to transfer the shares in the Company to the Proponent (or its nominee); 4. The Proponent will make payment of $11M to establish the Deed Fund;

Item	Detail
	5. The DOCA will be effectuated, the Creditors’ Trust will be settled, and the Deed Administrators will become the Trustees of the Creditors’ Trust; 6. The Deed Fund will be transferred to the Trustees of the Creditors’ Trust and will become the Creditors’ Trust Fund. The Trustees will hold the Creditors’ Trust Fund in accordance with the terms of the trust deed; 7. Following effectuation of the DOCA, the Company will no longer be subject to external administration and will not be required to use the notification ‘Subject to Deed of Company Arrangement’ on public documents; 8. Upon effectuation of the DOCA and the creation of the Creditors’ Trust, the claims of all participating creditors who are bound by the DOCA will be converted from a claim against the Company and a right to prove as creditor in the DOCA, to the right to participate as a beneficiary of the Creditors’ Trust. The effect being all creditors’ rights against the Company are released and creditors’ only recourse are as a passive beneficiary of the Creditors’ Trust; 9. As soon as practicable, dividends will be paid to admitted priority and ordinary creditors, unless any creditor appeals the adjudication of its submitted POD. Any dividend payment may be delayed if an appeal is commenced against an adjudication; and 10. On payment of the final dividend, the Creditors’ Trust will then be dissolved.
Return to creditors	The forecast return to creditors under the Creditors’ Trust is discussed in Section 8 of this report.
Trustee particulars	The Administrators will be the Trustees of the Creditors’ Trust. The Administrators are registered liquidators and have the relevant skills and experience to perform the required duties and functions as trustees of Creditors’ Trusts. The Administrators consider there is no conflict of interest in them acting as Trustees and they have adequate civil liability insurance (including professional indemnity and fidelity) which will cover conduct by them in their capacity as Trustees of the Creditors’ Trust. ASIC has certain supervisory powers (including the power to direct a registered liquidator to do certain things and disciplinary powers) in relation to the conduct of the Trustees. The Administrators will require any replacement trustee (if required) to also be a registered liquidator.
Remuneration and costs	The Creditors’ Trust will provide for payment of the following from Creditors’ Trust Funds in priority to any distribution to creditors: 1. Any approved remuneration owing to the Deed Administrators and the Administrators which remains unpaid as at the date of the DOCA being terminated and the Creditors’ Trust coming into effect. 2. Remuneration and costs due to the Trustees. The Trustees’ remuneration will be based on the hours spent by the Trustees, calculated in accordance with the FTI Consulting Standard Rates effective 1 July 2022, which is enclosed as Schedule 4 of the Remuneration Approval Report found in **Appendix 8** of this report. We have estimated the remuneration and costs of the Trustees to be between $300,000 and $400,000. This estimate assumes the adjudication of creditor claims does not require litigation or protracted negotiations and the distributions from the Creditors’ Trust Fund occur in the timeframes proposed.

Item	Detail
	It is not possible to estimate the quantum of Trustee fees which may otherwise be incurred. We do not consider additional professional fees will be incurred as a result of the use of the Creditors’ Trust, compared with the position if the Company remains subject to DOCA. In a DOCA, the Deed Administrators’ remuneration must be agreed by the committee of inspection or approved by resolution of creditors or by the Court. A creditor (among other parties) may apply to the Court to review the remuneration. In a Creditors’ Trust, there is no equivalent statutory procedure in the Trusts Act pursuant to which beneficiaries, the Committee of Creditors or the Court must agree or approve the Trustees’ remuneration. A beneficiary can seek to review or challenge the Trustees’ remuneration by application to the Supreme Court of Queensland, including pursuant to Part 54 of the Uniform Civil Procedure Rules 2005.
Indemnities	The Creditors’ Trust will provide the Trustees are entitled to be indemnified out of the Creditors’ Trust Fund for all actions, suits, proceedings, accounts, claims and demands arising out of or relating to the Administration, DOCA or Creditors’ Trust which may be commenced, incurred by or made on the Trustees by any person and against all costs, charges and expenses incurred by the Trustees in respect of them, provided the Trustees shall not be entitled to an indemnity in respect of any liabilities or demands to the extent the indemnification contravenes the Act or the Trusts Act or if the Trustees, or any partner, employee, authorised agent or delegate of the Trustees have acted negligently, in breach of fiduciary duty or in breach of trust. Accordingly, fees and costs of the Trustees, and costs associated with any legal actions which are required to be defended or taken will be a cost of the Creditors’ Trust Fund. These fees and costs may diminish the return to creditors. Given the Trustees’ limited role (being to adjudicate claims and distribute the Trust Fund) we do not envisage any material legal actions. The indemnity is continuing and takes effect from the commencement date of the Creditors’ Trust. No other indemnity has been or is to be provided to the Trustees by any related or third party.
Powers	The Trustees will have all the powers of a natural person or a corporation in connection with the exercise of their rights and compliance with their obligations under the Creditors’ Trust. The Trustees may exercise their rights and comply with their obligations under the Creditors’ Trust in any manner they think fit. A deed administrator is governed by the Act whilst a trustee is governed by the Trust Deed and the Trusts Act. The proposed role of the Trustees here is limited to calling for and adjudicating on claims and distributing the Creditors’ Trust Funds. The Administrators will require the Trust Deed to incorporate the same powers which would usually apply to a Deed Administrator. There are unlikely to be any deficiencies in the power of the Trustees to perform their limited functions, which may lead to applications to Court.
Claims of priority and ordinary creditors	The claims of priority and ordinary creditors will be dealt with in accordance with the terms of the DOCA and the Creditors’ Trust. The values of the claims are to be determined by the Trustees. The Trustees will have unrestricted and free access to all the books and records of the Company necessary to determine claims. The creditors’ priorities (as beneficiaries of the trust) will follow the priorities set out in section 556 of the Act, subject to the terms of the DOCA. Upon creation of the Creditors’ Trust all participating creditors’ claims which were bound by the DOCA will be converted from claims against the Company and a right to prove as creditors in the DOCA to the right to participate as a beneficiary of the Creditors’ Trust. The effect of this is all creditors’ rights against the Company are extinguished and creditors’ only recourse is as a passive beneficiary of the trust fund.

Item	Detail
Other creditor / beneficiary differences	The Creditors' Trust provides some differences for creditors compared to a DOCA, which include: 1. Any appeal to the Trustees' decision to reject a claim must be made within 14 days of the Trustees giving notice of rejection, or such longer period as the Trustees permit. In a liquidation, the Act (Regulation 5.6.54(1)(b)(i)) stipulates the appeal must be made within 14 days of the liquidator giving notice of rejection, or such longer period as the court permits. Beneficiaries of a creditors' trust do not have statutory powers to call creditor meetings like they do in a DOCA. However, the Trust Deed will stipulate the requirements of the Act and Regulations relating to creditors' meetings, and the ability of the creditors to require a meeting to be held, will also apply to the Creditors' Trust. 2. In a DOCA, creditors have rights to call a meeting of creditors, or apply to the court to vary or terminate the DOCA. In a creditors' trust, creditors do not have this right. However, the Trust Deed will stipulate the requirements of the Act and Regulations relating to creditors' meetings, and the ability of the creditors to require a meeting to be held, will also apply to the Creditors' Trust. 3. Beneficiaries of the Creditors' Trust will have the same ability to report the conduct of the Trustees to ASIC as they would in a DOCA, as the Trustees are registered liquidators. We do not consider these differences will have a material adverse effect on creditors.
FEG	Current and former employees should note effectuation of the DOCA will prohibit their ability to access the FEG scheme for any outstanding entitlements, in particular leave and retrenchment, as the FEG scheme is only available if a company goes into liquidation. Through the DOCA and Creditors' Trust, a return is anticipated for outstanding superannuation, which is not covered by the FEG scheme. Continuing employees will retain their leave and retrenchment entitlements with the Company through the DOCA and Creditors' Trust.
Compliance opinion	The Proponent of the DOCA is an entity unrelated to the Company, listed on the ASX with a market capitalisation that exceeds $1.3 billion (current as at 5 September 2022). The Proponent (as quoted in its 2022 Annual Report) considers it retains "*substantial headroom in our borrowing facility, which can be applied to any sizeable opportunities for additional investment as they arise*". In addition, from the Proponent's 2022 Annual Report it held net assets of c.$740M with cash and cash equivalents in excess of $29M. Based on the information provided by the Proponent and material publicly available, the Administrators consider the Proponent is capable of complying, and is likely to comply with its obligations to the Deed Administrators and Trustees, if the DOCA proposal is approved by creditors. The Credit Corp DOCA Proposal requires ASIC to approve takeover relief pursuant to section 606 of the Act. Without discussing the matter with ASIC, the Administrators are unable to say whether ASIC will grant this waiver.
Solvency statement	The Deed Administrators have formed the opinion the Company will be solvent at the date of effectuation of the DOCA, if the DOCA is wholly effectuated on the terms proposed, as all claims of creditors will be extinguished against the Company and will be transferred to the Creditors' Trust. Based on the Proponent's 2022 Annual Report, we consider sufficient resources are available for ongoing viable trading.

Item	Detail
Tax (company / trust)	The creation of a creditors' trust creates the potential for some taxation issues to arise, as compared to an ordinary DOCA proposal. These may mean the funds available to creditors are reduced in order to account for any taxation liabilities associated with the administration of the distribution process under a trust structure. The Trustees will ensure the DOCA provides for the costs of any forecast taxation liability to be paid into the Deed Fund. We do not expect there will be any material changes to the funds available for distribution as a result of the Creditors' Trust structure, or any taxation, capital gains or stamp duty liabilities will arise.
Tax (creditor / beneficiary)	There may be some implications for admitted creditors as a result of receiving a distribution from a trust in respect of a bad or doubtful debt, rather than from the debtor company being administered under a DOCA. Creditors are advised to seek their own tax advice as to their particular tax position. The Administrators are unable to provide advice on this issue.
Other	We have not identified any other material aspects or implications of the Creditors' Trust.