

## **Explanatory Statement**

Collection House Limited ACN 010 230 716 (Subject to Deed of Company Arrangement) (**CLH** or **Company**)

4 October 2022

## Explanatory Statement to shareholders and Independent Expert's Report

This Explanatory Statement provides information to the shareholders (**Shareholders**) of Collection House Limited ACN 010 230 716 (Subject to Deed of Company Arrangement) (**CLH or the Company**) in respect of the deed of company arrangement entered into by CLH, Credit Corp Group Limited ACN 092 697 151 (**CCP**) and the Deed Administrators on 21 September 2022 (**DOCA**).

It is a condition to completion and effectuation of the DOCA that the Deed Administrators obtain a Court order pursuant to section 444GA(1)(b) of the *Corporations Act 2001 (Cth)* (**Act**) granting leave to the Deed Administrators to transfer all of the CLH Shares to CCP for nil consideration. The Deed Administrators have made an application for this order in the Federal Court of Australia (**Section 444GA Application**).

On 4 October 2022, the Federal Court of Australia made procedural orders in relation to the Section 444GA Application, which included timetabling directions for the filing of notices of appearance by any interested parties and confirmation of the final hearing date (**Procedural Orders**).

The Section 444GA Application has been listed for a final hearing on 19 October 2022 at 2:15pm AEDT in the Federal Court of Australia.

If you wish to appear at the Court hearing and/or oppose the Section 444GA Application, you may do so by filing with the Court, and serving on the Deed Administrators and ASIC, a notice of appearance in the prescribed Court form indicating the grounds of opposition by no later than 12pm AEDT on 14 October 2022.

**Shareholders should consider the Independent Expert's Report in full before deciding whether to take any action in relation to the Section 444GA Application. If you are in any doubt as to the action you should take, you are recommended to obtain your own personal legal or financial advice from your legal or other professional adviser(s).**

A copy of the Explanatory Statement (including the Independent Expert's Report) has been provided to ASIC prior to the issuance of this Explanatory Statement. Neither ASIC nor any of its officers take any responsibility for its contents.

## Key information for Shareholders

Capitalised terms used in this Explanatory Statement have the meanings defined in the Glossary in Schedule 1, unless the context requires otherwise or unless a term has been defined in the text of the Explanatory Statement, and a word importing the singular includes the plural (and vice versa).

### 1. Purpose of the Explanatory Statement

This document is an Explanatory Statement issued by CLH in connection with the DOCA. If the Section 444GA Order is made and the DOCA is completed, all of your shares in CLH will be transferred to CCP for no consideration and you will cease to own those shares.

Section 4 of this report contains further information regarding the DOCA.

This Explanatory Statement contains information about:

- (a) the Section 444GA Application to the Court for approval to transfer all of the CLH Shares to CCP as part of the DOCA;
- (b) the steps that you need to take if you wish to appear at the Court hearing in respect of the Section 444GA Application, which has been listed for hearing on 19 October 2022 at 2:15pm AEDT; and
- (c) the effect of the DOCA on you as a Shareholder, in order to assist you in deciding whether to take action in respect of the Section 444GA Application.

An Independent Expert's Report prepared by the Expert, which contains an objective valuation of the CLH Shares, is attached to this document as **Attachment 1**.

### 2. Administration of CLH

On 29 June 2022, John Park, Benjamin Campbell and Kelly-Anne Trenfield were appointed as joint and several administrators (**Administrators**) of CLH. Notably, none of CLH's subsidiaries have been placed into any kind of external administration.

A copy of the group structure chart for CLH and its subsidiaries (together, the **CLH Group**) is contained at Appendix 2 of the Administrators' Section 75-225 Report (a copy of which is provided as **Attachment 3**). The CLH Group is comprised of a parent company, CLH, which is listed on the ASX (and which is the only entity in the CLH Group that is subject to external administration) and 14 subsidiaries; including 7 Australian incorporated subsidiaries, 6 New Zealand incorporated subsidiaries, and 1 Philippines incorporated subsidiary.

In the Administrators' Section 75-225 Report, the Administrators stated that, in their opinion, the earliest date on which CLH was insolvent was from at least April 2022 and that the insolvency of CLH was due to CLH making significant trading losses from FY20 onwards, primarily precipitating from COVID-induced restrictions impacting its core business model. Further reasons as to CLH's insolvency is summarised at sections 4.9, 4.10 and 6.3.2 of the Administrators' Section 75-225 Report.

As you would be aware, the CLH Shares have been suspended from trading on the ASX since 30 June 2022.

When CLH entered into voluntary administration, it owed approximately AUD\$23,900,000 to more than 560 external creditors, including but not limited to secured creditors, priority employee creditors, and unsecured creditors.

We refer to Appendix 4 of the Administrators' Section 75-225 Report, which provides a detailed overview of CLH's creditors.

### 3. Sale Process and formulation of the DOCA

Immediately after their appointment, the Administrators commenced a competitive and comprehensive sale process (**Sale Process**). The Sale Process occurred over a two-month period and in four phases:

- (a) **Phase One (7 July 2022 – 10 July 2022)** - In Phase One, the Administrators provided the potential purchasers (which were identified by the Administrators and CLH) with an investment flyer, a non-disclosure agreement and sale process letter and invited expressions of interest for the sale and/or recapitalisation of the Company;
- (b) **Phase Two (11 July 2022 – 27 July 2022)** - In Phase Two, 26 parties who had entered into non-disclosure agreements with the Administrators were given access to a virtual data room containing documents about the business and financial position of CLH and the Administrators conducted management presentations with certain interested parties. The Administrators subsequently received nine non-binding indicative offers (**NBIO**) and, based on those offers, formed a shortlist of four preferred parties (**Shortlisted Bidders**);
- (c) **Phase Three (27 July 2022 – 10 August 2022)** - In Phase Three, the Shortlisted Bidders were invited to make best and final offers on 3 August 2022. The Administrators received four final NBIOs on 3 August 2022. Following the Administrators' consideration and assessment of the four competing proposals, they selected one bidder on 10 August 2022, being CCP, to proceed to 'Phase Four' of the Sale Process. As part of reviewing each proposal, the Administrators assessed and considered the following:
  - (i) potential return to creditors, including priority employee claims, secured lenders' claims and unsecured creditor claims;
  - (ii) the time to complete each proposed transaction and the operational funding available as part of the offers;
  - (iii) the conditions attached to the offers and the ability to satisfy the conditions;
  - (iv) the ability of each party to complete the proposed transactions; and
  - (v) other commercial considerations relevant for the ongoing viability of the business.
- (d) **Phase Four (10 August 2022 – 30 August 2022)** - In Phase Four, the Administrators and CCP negotiated the terms of and entered into a binding agreement with CCP for the transfer of all of the CLH Shares through a deed of company arrangement and subsequent Creditors' Trust (subject to various conditions, including an order from the Court under section 444GA of the Act).

An overview of the Sale Process is provided in section 5.2 of the Administrators' Section 75-225 Report.

In the Administrators' Section 75-225 Report, the Administrators recommended that creditors vote in favour of the DOCA proposed by CCP.



## 4. Key information in relation to the DOCA

### 4.1 Overview

At the Second Meeting, the creditors of CLH resolved that CLH enter into the DOCA and that the Administrators be appointed as joint and several deed administrators (**Deed Administrators**).<sup>1</sup>

The DOCA was executed by all parties on 21 September 2022 and it is intended to compromise certain claims of creditors of CLH that arose on or prior to 29 June 2022.

The DOCA contemplates that the Deed Administrators will transfer all of the CLH Shares to CCP, free and clear of any encumbrances, on the condition that the orders sought by the Deed Administrators pursuant to the Section 444GA Application are made by the Court.

### 4.2 Conditions

Completion of the DOCA is conditional upon the satisfaction of certain Conditions, including:

- (a) the Deed Administrators obtaining ASIC Relief;
- (b) the Deed Administrators obtaining a Section 444GA Order;
- (c) transfer of the CLH shares to CCP; and
- (d) the Deed Administrators, the Trustees and CLH executing the Trust Deed.

### 4.3 Key Terms

The key terms of the DOCA include:

- (a) the establishment of the CLH Creditors' Trust, whereby upon the effectuation of the DOCA, all eligible creditors' claims against CLH will transfer to the CLH Creditors' Trust and a dividend will be paid in respect of those eligible creditor claims to satisfy those claims;
- (b) any Shareholder claims which are subordinated to the claims of other unsecured creditors under the Act will be extinguished, and Shareholders are not eligible to receive a dividend from the Creditors' Trust in respect of those claims;
- (c) CCP would assume control and continue to trade the business as a going concern; and
- (d) CLH will cease to comply with, and will not perform certain of its contracts which were entered into by CLH before the appointment of the Administrators and completion of the DOCA will therefore treat these contracts as coming to an end

If the conditions precedent under the DOCA are satisfied and completion occurs under the DOCA, CLH will be delisted from the ASX and CCP will continue to operate the CLH business as a going concern.

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<sup>1</sup> For completeness, we also note that a meeting of eligible employee creditors was held on 13 September 2022 pursuant to section 444DA of the Act whereby eligible employee creditors of CLH resolved that CLH enter into the DOCA and that the Administrators be the Deed Administrators.

## 5. Independent Expert's Report

As noted above, the Section 444GA Application has been commenced by the Deed Administrators in the Federal Court of Australia seeking leave of the Court pursuant to section 444GA(1)(b) of the Act for the transfer of the CLH Shares to CCP.

Under subsection 444GA(3) of the Act, the Court may only grant leave to transfer the CLH Shares to CCP if it is satisfied that the transfer would not unfairly prejudice the interests of the Shareholders. The Deed Administrators intend to rely on the Independent Expert's Report when addressing the issue of unfair prejudice before the Court.

The Expert was engaged to provide an independent opinion on whether the Share Transfer would unfairly prejudice the Shareholders. This involved the Expert valuing the CLH Shares on the liquidation value of the business of the Company as a whole (see ASIC regulatory guide 111.77). Where there is a residual business that could be sold, the Expert is to consider the value of that business and not just the assets and other undertakings that comprise that business interest. The valuation date used by the Expert in the assessment was [14 September 2022] (**Valuation Date**).

The Independent Expert's Report will be relied upon by the Deed Administrators for the purpose of the Section 444GA Application and also for the purpose of applying for ASIC Relief. See **Attachment 1** for a full copy of the Independent Expert's Report. Shareholders (and their advisers and any other interested parties) should read the Independent Expert's Report carefully and in its entirety. By way of summary, the key findings of the Expert, as set out in Independent Expert's Report, are as follows:

- (a) there is a material deficit of assets available to meet the claims against CLH and therefore, the CLH Shares have nil value as at the Valuation Date;
- (b) the sale process undertaken by the Administrators and the process for selecting CCP as the preferred bidder was reasonable having regard to the substantial risks an extended process would have presented; and
- (c) there would be no value available to CLH from the realisation of the shares held by CLH in Volt Corporation Limited.

## 6. Section 444GA Application

### 6.1 Overview

The Section 444GA Application has been filed in the Federal Court of Australia. A copy of the Interlocutory Process filed by the Deed Administrators is provided as **Attachment 4** of this Explanatory Statement. On 4 October 2022, the Court made the Procedural Orders pursuant to which:

- (a) a timetable was set for the preparation of the matter for final hearing, which includes the dates by which any interested person (including any Shareholder who wishes to oppose the Section 444GA Application) must file with the Court and serve on the Deed Administrators and ASIC a notice of appearance in the prescribed form and indicating the ground of opposition, being no later than 12pm AEDT on 14 October 2022; and
- (b) the final hearing date and time was set for 2:15pm AEDT on 19 October 2022.

A copy of the Procedural Orders is provided as **Attachment 5** of this Explanatory Statement. If you wish to appear at and/or oppose the Section 444GA Application at the final hearing, you will need to file with the Court and serve on the Deed Administrators and ASIC a notice of appearance in the prescribed Court form and indicate your grounds of opposition. Pursuant to paragraph 4 of the Procedural Orders, any appearance and grounds of opposition must be

filed and served by an interested party who wishes to oppose the Section 444GA Application at the final hearing by no later than 12pm AEDT on 14 October 2022.

The Deed Administrators will accept service of any appearance at Clayton Utz, Level 15, 1 Bligh Street, Sydney NSW 2000 (Attention: Timothy Sackar / Jillian Robertson) or [tsackar@claytonutz.com](mailto:tsackar@claytonutz.com) / [jrobertson@claytonutz.com](mailto:jrobertson@claytonutz.com).

## 6.2 Important Dates

We draw your attention to the following key dates in relation to the Section 444GA Application:

Event	Date
Notice of appearance and grounds of opposition to be served by any Shareholder (or other interested person) seeking to appear at the hearing of the Section 444GA Application	12pm AEDT on 14 October 2022
Hearing date for the Section 444GA Application	2:15pm AEDT on 19 October 2022
Proposed date for the Share Transfer	20 October 2022

*The dates, including the proposed hearing date, may be subject to any further directions made by the Court.*

## 6.3 What will happen if the Section 444GA Order is not made?

As the Section 444GA Order is one of the Conditions (see section 4.2 above) to completion of the DOCA, the DOCA will not be effectuated if the Section 444GA Order is not made. In those circumstances, should the Deed Administrators elect not to appeal, or should any such appeal fail, the Deed Administrators will convene a meeting of the creditors of CLH to determine the future of CLH. If this occurs the Deed Administrators' will require further funding in order to continue to operate the business of CLH. In the absence of further funding, or an alternate transaction capable of completing, CLH will be placed into liquidation.

## 6.4 Effect of the Section 444GA Order on Shareholders

If the Section 444GA Order is made and the DOCA is fully implemented, all of your shares in CLH will be transferred by the Deed Administrators to CCP and you will not receive any money or form of consideration.

## 6.5 Australian income tax consequences

This section of the Explanatory Statement is provided as general information for Shareholders who are Australian resident taxpayers holding their CLH Shares on capital account, not as trading stock, and who are not subject to the Taxation of Financial Arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) for the purposes of calculating any gains or losses arising from financial arrangements. It does not take account of the circumstances of any individual Shareholder. Each Shareholder should seek its own tax advice on the consequences for it of the DOCA being effectuated.

Upon the effectuation of the DOCA, the Share Transfer will give rise to a capital gains event (**CGT Event**) for Shareholders because it will trigger a CGT Event and may crystallise a capital loss. Depending upon each individual taxpayer's financial position and tax profile, this capital loss may be available to offset against the taxpayer's capital gains thereby potentially reducing the amount of tax otherwise payable by the taxpayer.

The Australian resident Shareholders who hold their CLH Shares on capital account will incur a capital loss to the extent the reduced cost base of the CLH Shares transferred exceeds the market value of the CLH Shares.

The reduced cost base in the CLH Shares includes:

- (a) the acquisition cost of the CLH Shares;
- (b) incidental acquisition costs incurred to acquire and hold the CLH Shares;
- (c) expenditure incurred to increase or preserve the value of the CLH Shares; and
- (d) capital expenditure incurred to establish, preserve or defend their title to the CLH Shares.

Given the transfer will occur by way of Court order, the time of the CGT Event for Shareholders will be when the Share Transfer takes effect in accordance with the DOCA.

## 7. **ASIC Relief**

As CLH is a publicly listed company on the ASX, ASIC Relief will be required to enable completion of the Share Transfer.

The Deed Administrators have engaged with ASIC by providing a copy of this Explanatory Statement (in draft) along with additional information relevant to the relief being sought.

## 8. **What do you need to do now?**

Shareholders (and their advisers and any other interested parties) should read this Explanatory Statement (including the documents referred to in this Explanatory Statement) in its entirety before making a decision regarding whether or not to take any action in relation to the Section 444GA Application.

Please note that this Explanatory Statement does not constitute financial product advice and has been prepared without reference to the investment objectives, financial situation, taxation position or particular needs of any and every Shareholder. Whether or not to take any action in relation to the DOCA or in respect of the Section 444GA Application is a decision for each individual Shareholder and may depend, amongst other things, on an assessment of the relevant Shareholder's individual financial circumstances. Accordingly, as the professional, financial, legal and taxation consequences of such a decision may be different for each particular Shareholder, each Shareholder should seek professional financial, legal and taxation advice before making a decision.

## 9. **What information is available to assist you?**

To assist you in deciding whether to take any action in relation to the Section 444GA Application, this Explanatory Statement attaches copies of the following documents:

- (e) Independent Expert's Report as Attachment 1;
- (f) DOCA and Trust Deed as Attachment 2;
- (g) Administrators' Section 75-225 Report to Creditors as Attachment 3;
- (h) Interlocutory Process filed by the Deed Administrators in relation to the Section 444GA Application as Attachment 4; and
- (i) Procedural Orders as Attachment 5.

Should you have any queries regarding this Explanatory Statement, the Independent Expert's Report, the Section 444GA Application or the Procedural Orders, please email [CollectionHouse@fticonsulting.com](mailto:CollectionHouse@fticonsulting.com).

## Schedule 1 - Glossary of terms

In this Explanatory Statement, capitalised terms have the meanings set out in the following table:

<b>Act</b>	<i>Corporations Act 2001</i> (Cth)
<b>ASIC Relief</b>	ASIC granting an exemption pursuant to section 655A(1)(a) of the Act from the application of section 606 of the Act to permit the transfer of all of the CLH Shares to CCP
<b>Administrators</b>	John Park, Benjamin Campbell and Kelly-Anne Trenfield of FTI Consulting
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	Australian Securities Exchange
<b>CCP</b>	Credit Corp Group Limited ACN 092 697 151
<b>CLH</b>	Collection House Limited ACN 010 230 716 (Subject to Deed of Company Arrangement)
<b>CLH Creditors' Trust</b>	Has the meaning as defined in the DOCA
<b>CLH Group</b>	CLH and the CLH Subsidiaries
<b>CLH Shares</b>	All the issued share capital of CLH
<b>Conditions</b>	The conditions set out in clause [5] of the DOCA.
<b>Court</b>	Federal Court of Australia
<b>Deed Administrators</b>	John Park, Benjamin Campbell and Kelly-Anne Trenfield of FTI Consulting
<b>DOCA</b>	The deed of company arrangement entered into between CLH, CCP and the Deed Administrators on 21 September 2022 annexed to this Explanatory Statement as Attachment 2
<b>DOCA Completion</b>	Completion of the DOCA in accordance with its terms.
<b>Expert</b>	Jennifer Nettleton of KordaMentha Pty Ltd
<b>Explanatory Statement</b>	This document as described in section 1
<b>Independent Expert's Report</b>	The report by the Expert as described in section 5 and as annexed to this Explanatory Statement as Attachment 1
<b>NBIO</b>	Non-binding indicative offer
<b>Sale Process</b>	The competitive and comprehensive sale process of CLH undertaken by the Administrators from July to August 2022

<b>Second Meeting</b>	The second meeting of creditors of CLH held on 13 September 2022 in accordance with section 439A of the Corporations Act
<b>Section 75-225 Report</b>	The report prepared by the Administrators in accordance with section 75-225 of the <i>Insolvency Practice Rules (Corporations) 2016</i> dated 5 September 2022 as annexed to this Explanatory Statement as Attachment 3
<b>Section 444GA Application</b>	The application by the Deed Administrators pursuant to section 444GA of the Corporations Act as described in section 6
<b>Section 444GA Order</b>	The orders sought by the Deed Administrators pursuant to the Section 444GA Application
<b>Shareholders</b>	Means the shareholders of CLH as at the date of the Explanatory Statement
<b>Share Transfer</b>	The transfer of the CLH Shares to CCP pursuant to the DOCA
<b>Shortlisted Bidders</b>	The parties selected by the Administrators to participate in Phase 2 of the Sale Process
<b>Trustees</b>	John Park, Benjamin Campbell and Kelly-Anne Trenfield of FTI Consulting in their capacity as trustees of the CLH Creditors' Trust
<b>Trust Deed</b>	The document entitled 'Trust Deed' between CLH, the Deed Administrators, the Trustees and CCP, substantially in form of that contained in Schedule 5 to the DOCA

**Attachment 1 - Independent Expert's Report**





# **Collection House Limited**

(Subject to Deed of Company Arrangement)

## **Independent Expert Report of Jenny Nettleton**

30 September 2022

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Appendix A Curriculum vitae of Jenny Nettleton

Appendix B Recoverable value in the Subsidiaries

## Glossary

Abbreviation	Definition
\$	Australian dollars
Act	The Corporations Act 2001 (Cth)
Administrators	John Park, Kelly-Anne Trenfield and Ben Campbell of FTI Consulting in their capacity as Administrators or subsequent capacity as Deed Administrators of the Company (as the context requires)
ASIC	Australian Securities and Investments Commission
CBA	Commonwealth Bank of Australia
the Company	Collection House Limited (Subject to Deed of Company Arrangement)
Court	The Federal Court of Australia
Credit Corp	Credit Corp Group Limited
DoCA	The deed of company arrangement for the Company proposed by Credit Corp
EBITDA	Earnings before interest, tax, depreciation, amortisation
Facility C	The secured loan facility provided by the Westpac and CBA and secured by CLH's shareholding in Volt
FYXX	Financial year ended 30 June 20XX
Group	The Company and the Subsidiaries
High Case	Assessment of a high or better outcome in a liquidation scenario, compared to the lesser or Low Case
Lion Finance	Lion Finance Pty Ltd
Low Case	Assessment of the low or lesser outcome in a liquidation scenario, compared to the better or High Case
Management	Senior employees of the Company
NZD \$	New Zealand dollars
PDL	Purchased debtor ledger
Regulatory Guide 111	Regulatory Guide 111 Content of Expert Reports published by ASIC in October 2020
Report	This independent expert report
RML	Receivables Management (NZ) Limited and its subsidiaries
Subsidiaries	<p><b>Controlled entities – incorporated in Australia</b></p> <p>CLH Business Services Pty Ltd            CLH Legal Group Pty Ltd            Collective Learning and Development Pty Ltd            Lion Finance Pty Ltd            Midstate CreditCollect Pty Ltd            Safe Horizons Pty Ltd (formerly Cash flow Accelerator Pty Ltd)            ThinkMe Finance Pty Ltd</p> <p><b>Controlled entities – incorporated in New Zealand</b></p> <p>Collection House (NZ) Limited incorporating its subsidiary Lion Finance Limited            Receivables Management (NZ) Limited incorporating its subsidiaries Receivables Management (International) Limited, Receivables Finance Limited and Southern Receivables Limited</p> <p><b>Controlled entities – incorporated in the Philippines</b></p> <p>Collection House International BPO, Inc</p>
Second Report to Creditors	The report of the Administrators pursuant to section 75-225 of the Insolvency Practice Rules (Corporations) 2016 dated 5 September 2022
Section 444GA	Section 444GA of the Act
Secured Creditors	Westpac and CBA as the providers of debt financing to the Company but excluding Westpac in its capacity as the provider of a bank guarantee facility to the Company

<b>Abbreviation</b>	<b>Definition</b>
<b>Security Group</b>	The Company and the Subsidiaries, but excluding Collection House International BPO, Inc and Collection House Business Services Pty Ltd
<b>Volt</b>	Volt Corporation Limited
<b>Westpac</b>	Westpac Banking Corporation

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# 1 Overview

## 1.1 Background

On 29 June 2022, John Park, Ben Campbell and Kelly-Anne Trenfield were appointed Administrators of the Company pursuant to section 436A(1) of the Act.

On 19 July 2022, the Federal Court made orders extending the period in which the Administrators were required to convene the second meeting of the Company's creditors until 26 August 2022. On 24 August 2022, the Federal Court made further orders extending the convening period until 30 September 2022.

Following a sale and recapitalisation process, the Administrators received several offers to acquire the Company's business. Ultimately, the Administrators accepted a deed of company arrangement proposal from Credit Corp. The terms of the DoCA facilitate a sale of the Company to Credit Corp in return for a contribution to establish a creditors' trust, which will provide a return to creditors of the Company.

The Administrators issued their Second Report to Creditors on 5 September 2022 and the second meeting of creditors was held on 13 September 2022. At this meeting, creditors resolved that the Company execute the DoCA. The DoCA was executed on 21 September 2022 and the Administrators became the Deed Administrators.

### 1.1.1 Terms of the DoCA

The DoCA provides that Credit Corp will contribute \$11.0 million towards a creditors' trust which is to be established for the benefit of creditors of the Company, with funds to be distributed in accordance with the terms of the DoCA.

Credit Corp will acquire the Company by way of a transfer of shares from existing shareholders, which will occur subject to the Deed Administrators obtaining an order from the Court pursuant to Section 444GA(1)(b) of the Act. The DoCA requires the Deed Administrators to make an application to Court to allow the share transfer to occur as soon as practicable.

Section 444GA of the Act provides as follows:

*(1) The administrator of a deed of company arrangement may transfer shares in the company if the administrator has obtained:*

- a. the written consent of the owner of the shares; or*
- b. the leave of the Court.*

*(2) A person is not entitled to oppose an application for leave under subsection (1) unless the person is:*

- a. a member of the company; or*
- b. a creditor of the company; or*
- c. any other interested person; or*
- d. ASIC.*

*(3) The Court may only give leave under subsection (1) if it is satisfied that the transfer would not unfairly prejudice the interests of members of the company."*

The transfer of the shares in the Company also requires ASIC to grant relief from the takeover provisions contained in section 606 of the Act. ASIC has set out in "Regulatory Guide 6 Takeovers: Exceptions to the general prohibition" that it will generally grant relief where:

1. explanatory materials have been provided to shareholders at least 14 days before the s444GA hearing including an independent expert report ('IER') prepared consistent with the guidance contained in Regulatory Guide 111
2. the IER is prepared by an expert other than the administrator or a member from the same firm as the administrator
3. the IER concludes that there is no residual equity value in the company for shareholders
4. the court grants leave under s444GA.



## 1.2 Scope of this Report

I have been instructed by Clayton Utz, on behalf of the Administrators, to prepare an independent expert report for:

- a prospective application by the Administrators pursuant to Section 444GA of the Act to implement the proposed DoCA in respect of the Company
- ASIC granting relief from Section 606 of the Act, and
- inclusion in the explanatory statement to be made available to shareholders of the Company as part of the proposed sale and recapitalisation.

I have also been instructed to comment on the sale process that was undertaken by the Administrators and the process by which they selected the preferred bidder.

## 1.3 Requirements of Regulatory Guide 111

In accordance with ASIC Regulatory Guide 111, I am required to provide an independent opinion “of the value, if any, of shareholders’ residual equity.”<sup>1</sup> The residual value to shareholders is to be derived by “assessing the value of the company’s assets and/ or business operations, less borrowings, other liabilities and creditor claims.”<sup>2</sup> In accordance with ASIC’s guidance, experts should generally value “shareholders’ residual equity in a company under administration on a ‘winding up’ or ‘liquidation’ basis where that is the likely or necessary consequence of the transfer of shares not being approved.”<sup>3</sup>

## 1.4 Independence of expert and compliance with professional standards

I have read ASIC Regulatory Guide 112 on independence for experts and am of the opinion that:

- there is no actual, or perceived, conflict of interest
- there is no actual, or perceived, threat to independence
- there is no other reason for which the engagement could not be accepted.

I have complied with the requirements of APES 225 – Valuation Services, the professional code of practice of CPA Australia and the Institute of Chartered Accountants Australia and New Zealand.

## 1.5 Limitations, restrictions and reliance

This Report has been prepared, and may be relied on, solely for the purpose contemplated in section 1.2 of this Report. This Report, or any part of it, may only be published or distributed:

- as an annexure to the explanatory statement to be provided to the Company’s shareholders and others (including ASIC as part of the evidence in support of the application under Section 444GA of the Act)
- for use in the proceedings before the Court relating to the application under Section 444GA of the Act
- in accordance with any law or by order of a court of competent jurisdiction.

My express written consent, and the express written consent of KordaMentha, must be obtained prior to relying upon, publishing or distributing this Report, or part of it, for any purpose other than that detailed above. Neither I nor KordaMentha accept responsibility to anyone if this Report is used for any other purpose.

My opinion is based on economic, market and other external conditions prevailing at the date of this Report. Such conditions can change over relatively short periods of time and these changes can be material.

The information used in this Report has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to the value of the assets and liabilities of the Company. While I do not warrant that my enquiries have identified all of the matters that an audit, or due diligence and/or tax investigation might disclose, I believe that the information is reasonable for the scope of my work set out in Section 1.2 and that there are reasonable grounds for determining the residual value of the equity in the Company as set out in Section 2.1.

<sup>1</sup> ASIC Regulatory Guide 111 at RG 111.70

<sup>2</sup> ASIC Regulatory Guide 111 at RG 111.71

<sup>3</sup> ASIC Regulatory Guide 111 at RG 111.73





The statements and opinions given in this Report are given in good faith and in the belief that such statements and opinions are not false or misleading.

This Report should be read in the context of the full qualifications, limitations and consents set out in this Report.

## **1.6 Curriculum vitae**

I am a Partner with KordaMentha, a registered liquidator and have over 25 years' experience across all aspects of corporate turnaround and restructuring. I am a Chartered Accountant and member of the Australian Restructuring Insolvency and Turnaround Association.

My curriculum vitae is attached at Appendix A.

## **1.7 Assistance by colleagues**

I have selected colleagues to assist me to arrive at my opinions in this matter. My colleagues carried out the work that I decided they should perform. I have reviewed their work and original documents to the extent considered necessary to form my opinions. The opinions expressed in this Report are my own.

## **1.8 Information**

In the preparation of this Report, I have utilised information in respect of the Company from a variety of sources, including Company's books and records made available by the Administrators, information prepared by the Administrators as well as public sources. Documents utilised to support my opinions in this Report are noted in text or by way of footnote.

I have not conducted an audit of any information supplied to me. My colleagues and I have reviewed and made sufficient enquiries of the information made available to us and based on that review, believe that the information is reasonable for the scope of my work set out in Section 1.2 and that there are reasonable grounds for the values set out in the Report.

This report has been prepared without any consultation, instruction, collaboration or input from the directors of the Company. I have not relied on any information, representation or opinion expressed by the directors of the Company on or after the date of the Administrators' appointment on 29 June 2022 in the preparation of this report and have relied solely on information provided by the Administrators and Management.

A glossary of terms is set out at the beginning of this Report.

## **1.9 Statement regarding expert witness code**

I am aware that this Report will be tendered to the Court as part of the evidence in support of the application by the Deed Administrators under section 444GA of the Act, which is a condition of the DoCA. I have read the Federal Court of Australia's "Expert Evidence Practice Note" including Annexure A "Harmonised Expert Witness Code of Conduct" and have prepared this Report on the basis that I am bound by the Code of Conduct.

## **1.10 Cost of this Report**

KordaMentha will be remunerated on an hourly rates basis for the time spent preparing this Report. The fees payable to KordaMentha are not contingent on the conclusions of this Report, the outcome of the DoCA, or obtaining approval from ASIC or the Court.



## 2 Summary of findings

### 2.1 Opinion on the value of the shares in the Company

Based on my assessment that there is a material deficit of assets available to meet the claims against the Company, it is my opinion that the shares in the Company have nil value as at the date of this Report.

### 2.2 Residual equity value

The table below sets out my findings in relation to the value of the Company's assets, claims against those assets and the resulting negative equity position of between \$61.6 million and \$73.9 million.

Company assets	Section reference	Low Case (\$'000)	High Case (\$'000)
Business of the Company	6.2	-	-
Cash at bank	6.3	624	624
Accounts receivable	6.3	3,051	3,051
Plant and equipment	6.4	193	214
Interest in Subsidiaries (intercompany loans and shareholding)	6.5	-	-
Shareholding in Volt	6.6	-	-
Intellectual property	6.7	-	-
Claims available to a liquidator	6.8	-	1,148
<b>Total asset value</b>		<b>3,868</b>	<b>5,037</b>
<b>Claims against the assets</b>			
Administration trading shortfall	7.1	10,722	9,205
Administrators' remuneration and expenses	7.1	2,500	2,400
Legal fees and expenses	7.1	1,100	900
Liquidation costs	7.1	600	500
Priority employee claims	7.2	9,842	9,842
Secured debt owing to Westpac	7.3	6,396	6,396
Less: estimated realisation from RML	B.3	(543)	(666)
Unsecured creditor claims	7.4	15,916	6,807
Related party creditor claims	7.4.2	31,220	31,220
<b>Total claims against the assets of the Company</b>		<b>77,753</b>	<b>66,604</b>
<b>Net equity</b>		<b>(73,885)</b>	<b>(61,567)</b>

### 2.3 Opinion on the sale process undertaken by the Administrators

I have been asked to comment on the appropriateness of the sale process undertaken by the Administrators and the process for selecting Credit Corp as the preferred bidder.

In my opinion, having conducted a number of sale processes in external administrations, the process undertaken the Administrators was reasonable having regard to the substantial risks an extended process would have presented. The reasons for my opinion are set out in section 8.

## 3 Industry and Company overview

### 3.1 Industry

The Australian debt collection industry is estimated to have generated \$1.45 billion in annual revenue in FY22 and is forecast to increase to \$1.48 billion in FY23. In Australia, the industry is comprised of over 600 businesses and employs more than 6,000 individuals.<sup>4</sup> Banks, credit unions, private equity firms, building societies and other finance-related companies make up the largest customer segment in the industry, though commercial firms, government and utility providers have grown as a share of industry revenue over the past five years.

Debt collection firms recover payments from consumers and businesses that do not meet their credit obligations. Firms primarily generate revenue via two channels:

- Firms may act as an agent on behalf of a creditor for which the firm receives a fee for service and/or percentage of the total amount collected. Contingent collections are expected to account for 32% of industry revenue in FY23.
- Firms can buy bad debts from the original creditors at a discount to face value. Purchased debt ledgers represent the industry's largest product segment and are expected to account for 64% of revenue in FY23<sup>5</sup>. PDLs are typically purchased at a considerable discount to the face value of the debts, often at values between 5% and 10% to account for the fact that the debtors are delinquent and primary collection recovery efforts have been exhausted.

Firms also perform related services, such as debt collection training, credit management, hardship management and insolvency management. Over the past five years, activity has swung away from portfolio acquisitions towards higher value contingent fee services.

In FY21, industry revenue was \$1.32 billion, a 14% decline from FY20. The decline in FY21 followed a sustained contraction in the industry from a peak of \$1.65 billion in FY18. The decline in industry revenue has been attributed to reduced collection activity following the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the 'Royal Commission') which delivered its report to the Commonwealth Government on 1 February 2019. Additionally, corporate and personal insolvencies have been at historically low levels due to changes in the way banks and other credit providers have managed delinquent debtors.

Government assistance to businesses and individuals in response to the COVID-19 pandemic caused bankruptcy and insolvency numbers to fall in FY20 and FY21. Businesses also temporarily suspended the sale of delinquent debts to industry operators in response to pandemic relief packages, while Government restrictions on debt collection activity from March 2020 through to December 2020 temporarily prevented creditors from collecting debts, negatively impacting the revenue of debt collection firms. Although insolvencies increased in FY22 and more businesses and government agencies outsourced their debt collection activities, demand for debt collection services have decreased over the past five years.<sup>6</sup>

### 3.2 Company overview

The Company provides end-to-end receivable management services. It is the parent entity of 14 controlled entities located across Australia, New Zealand and the Philippines, with a head office in Brisbane. The Company was founded in 1994 and listed on the Australian Securities Exchange in 2000 (ASX ticker CLH).<sup>7</sup> As at 30 June 2022, the Group employed approximately 675 staff. The Company's market capitalisation prior to its suspension from quotation following the appointment of the Administrators was \$9.6 million.

<sup>4</sup> IBISWorld Industry Report N7293A Debt Collection in Australia, August 2022

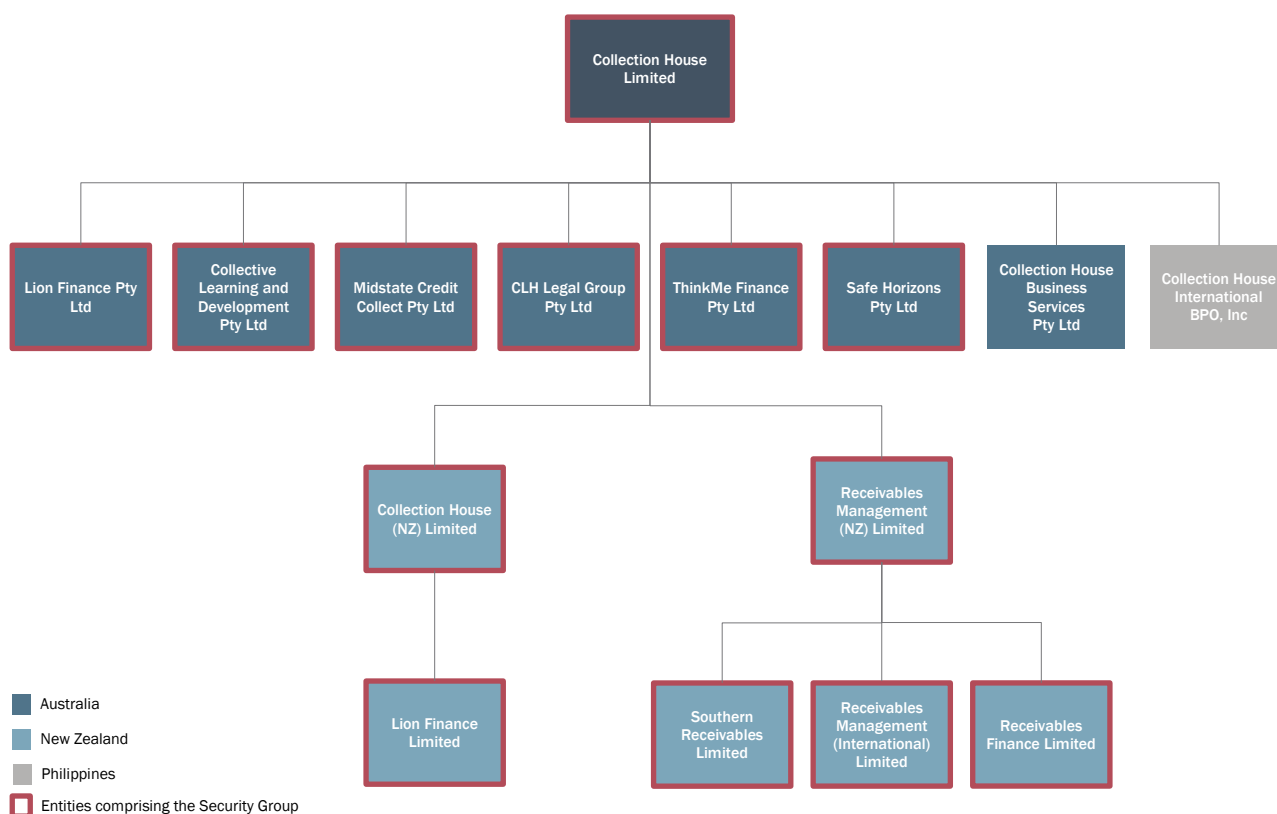
<sup>5</sup> IBISWorld Industry Report N7293A Debt Collection in Australia, August 2022

<sup>6</sup> IBISWorld Industry Report N7293A Debt Collection in Australia, August 2022

<sup>7</sup> Collection House Group website "Who We Are", retrieved from <https://www.collectionhouse.com.au/who-we-are/>

### 3.2.1 Corporate structure

The corporate structure of the Group is set out below, noting those entities comprising the Security Group, being those companies, which have guaranteed the debt owing to Westpac.



### 3.2.2 Debt financing

Westpac has provided a bank guarantee facility which was drawn to \$8.2 million as at 30 June 2022 to support obligations to:

- Landlords, pursuant to leases for the Group's office premises, totalling \$8.1 million
- The Australian Financial Security Authority in the amount of \$50,000.

The Company has provided Westpac the following security in to support the bank guarantee facility:

- Security over cash deposits totalling \$1.4 million
- A general security agreement over all its assets.

The Westpac bank guarantee facility is also supported by secured guarantees provided by the Subsidiaries (other than Collection House International BPO, Inc and CLH Business Services Pty Ltd). These subsidiaries have entered into general security agreements in favour of Westpac.

The net amount that the Administrators expect will be payable to Westpac is \$6.4 million, being the value of the bank guarantees likely to be presented for payment, net of the cash collateral held by Westpac.

Separately, the Company is indebted to CBA and Westpac for a residual loan facility of \$5.0 million ('Facility C') which is secured over the Company's shareholding in Volt on a limited recourse basis.



### 3.2.3 Recent history

The Group has had to restructure its business and redesign its operating model as a result of industry wide changes and impacts. Prior to the Royal Commission, the Group derived approximately 58% of its revenue and 96% of EBITDA from its Australian and New Zealand PDL business.<sup>8</sup> In the wake of the Royal Commission, major banks reviewed their engagement with debt collection agencies. Financial services companies determined they needed to move towards a more customer-focussed approach, evidenced in multiple publications from industry bodies and media throughout 2019 and 2020.<sup>9</sup>

In January 2019, the Company acquired 10.8 million shares in Volt Corporation Limited, which through its subsidiary Volt Ltd (formerly Volt Bank Ltd) operated as an online authorised deposit-taking institution with an Australian banking license. The Company sold down 1.7 million shares in February 2022 for \$1.0 million.

#### PDL write-down

In February 2020, the Company announced it was undertaking a comprehensive review of its operating model and collection strategies in response to recent industry changes and feedback from external stakeholders. The Company was reconsidering the assumptions underlying the forecast level and timing of collection cashflows generated from its PDL assets, and as such, noted a material adjustment to the book value of its PDL assets may occur.<sup>10</sup> The Company subsequently wrote-down the book value of its PDL assets by \$89.9 million in its half-year accounts for the period ended 31 December 2019, which were released to the ASX on 2 June 2020. The revised PDL value post write-down was \$337.6 million.<sup>11</sup> The impairment of the PDL assets resulted in the Company breaching its covenants in respect of financial facilities provided by the Secured Creditors.

During April 2020, the Group entered into a standstill agreement with the Secured Creditors. The standstill agreement modified the financial covenants to support the Company's ongoing operational strategic review and recapitalisation process.<sup>12</sup>

#### First sell-down of PDL assets ('the PDL Transaction')

During December 2020, the Company executed an agreement for the sale of a portion of its PDLs to Credit Corp for approximately \$160.0 million. The PDLs were predominantly held by Lion Finance. The PDL Transaction included:

- A mechanism for an adjustment to the total purchase price in favour of the Group (capped at \$15.0 million) to be finally determined on the eighth anniversary of the transaction
- A short-term loan from Credit Corp of \$15.0 million<sup>7</sup>, which was repaid from FY21 tax return proceeds.

The Company used the proceeds of the PDL Transaction to reduce its secured debt facilities with the Secured Creditors from \$197.2 million to \$60.0 million. The Group retained a small portfolio of New Zealand PDL assets (held by RML and Lion Finance).

The PDL Transaction crystallised a loss of \$111.5 million on the already written-down value of the Group's PDL assets, which was reflected in the Group's FY20 accounts (released to the ASX on 23 December 2020). Total impairments for FY20 totalled \$238.9 million.

#### Second sell-down of PDL assets ('the NZ PDL Transaction')

During February 2022, the Group entered into a binding agreement to sell its New Zealand PDL assets to Credit Corp for approximately \$12.0 million. Credit Corp acquired substantially all of the Group's outstanding secured debt of approximately \$52.0 million as part of the NZ PDL Transaction, resulting in a gross transaction value of \$64.0 million.<sup>13</sup> As a consequence of the NZ PDL Transaction, the Group recognised a gain of \$50.8 million.

<sup>8</sup> Company Annual Report 2019 at page 49

<sup>9</sup> Company ASX Announcement "Response to ASX Query Letter", 12 March 2020

<sup>10</sup> Company ASX Announcement "Suspension from Official Quotation", 18 February 2020

<sup>11</sup> Company Update, June 2020

<sup>12</sup> ASX Announcement "CLH Executes Standstill Agreement and Company Update", 9 April 2020

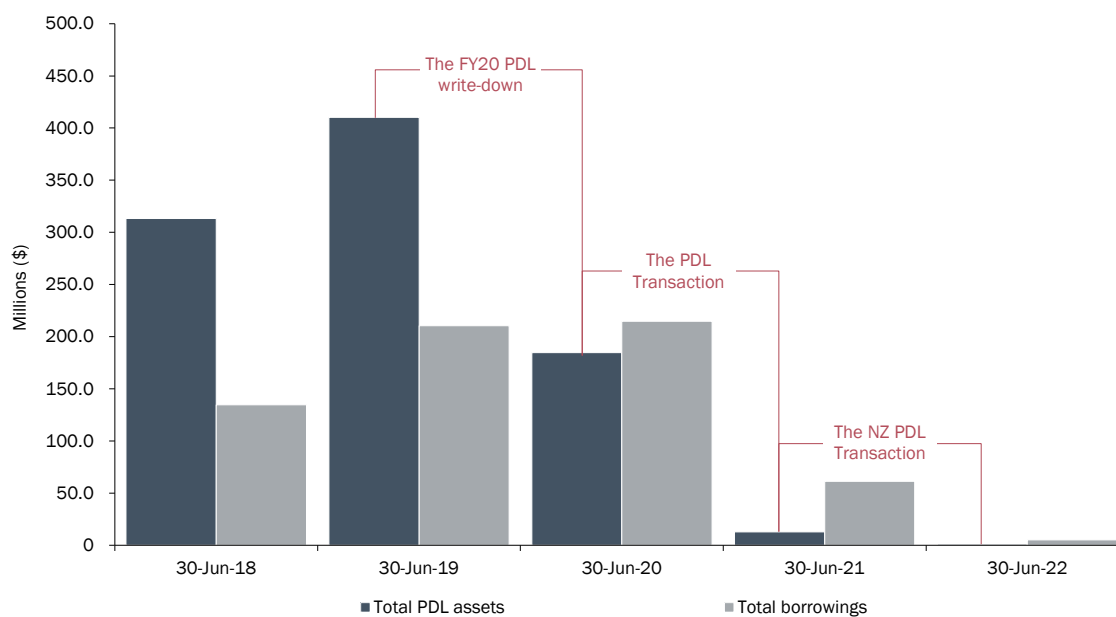
<sup>12</sup> FY20 Appendix 4E, December 2020

<sup>13</sup> ASX Announcement "Recapitalisation Transaction", 23 February 2022



The book value of the Group's remaining PDL assets as at 30 June 2022 was \$1.1 million. The book value of the Group's PDL assets, and its secured debt per the financial statements are shown in the graph below.

#### Consolidated group – total PDL assets and borrowings



The Company's remaining secured borrowings of approximately \$5.0 million are secured on a limited-recourse basis against the Company's shareholding in Volt.<sup>14</sup> On 29 June 2022, Volt announced that its Series F capital raising had failed to garner investor support and that it would return all funds to depositors and hand back its banking licence to APRA.

<sup>14</sup> ASX Announcement "Recapitalisation Transaction Completed", 26 April 2022. The Company also has a bank guarantee facility with the Secured Creditors, which is secured against the assets of the Company and the Security Group.



### 3.3 Recent financial performance

#### 3.3.1 Profit and loss

The consolidated profit and loss statement for the Group is summarised in the table below. The results for FY18 to FY21 are based on audited annual accounts. The FY22 financial results are based on unaudited management accounts provided by the Administrators.

##### Profit and loss – Group consolidated

(\$'000)	FY18	FY19	FY20	FY21	FY22
<b>Operating income</b>					
Purchased debt ledger income	75,002	88,051	81,696	18,308	5,750
Collection services revenue	69,038	72,508	68,485	55,457	42,537
Other revenue	(177)	450	1,466	1,484	2,335
<b>Revenue from continuing operations</b>	<b>143,863</b>	<b>161,009</b>	<b>151,647</b>	<b>75,249</b>	<b>50,622</b>
<b>Operating expenses</b>					
Direct costs	(24,793)	(22,427)	(18,483)	(10,368)	(5,270)
Employee-related costs	(52,115)	(57,100)	(57,426)	(50,734)	(47,230)
Corporate/administrative costs	(17,681)	(24,789)	(20,375)	(18,993)	(13,660)
<b>Total operating expenses</b>	<b>(94,589)</b>	<b>(104,316)</b>	<b>(96,284)</b>	<b>(80,095)</b>	<b>(66,160)</b>
<b>EBITDA</b>	<b>49,274</b>	<b>56,693</b>	<b>55,363</b>	<b>(4,846)</b>	<b>(15,538)</b>
Depreciation and amortisation	(4,820)	(4,606)	(10,409)	(12,068)	(8,048)
<b>EBIT</b>	<b>44,454</b>	<b>52,087</b>	<b>44,954</b>	<b>(16,914)</b>	<b>(23,586)</b>
Finance costs	(5,778)	(7,658)	(9,751)	(6,947)	(4,052)
One-off advisory costs & restructuring expenses	(1,082)	(828)	(3,363)	(8,007)	(139)
Impairment gain/(loss)	-	-	(238,890)	-	51,056
Income tax expense	(11,471)	(12,913)	61,981	(120)	(50,486)
<b>Net profit</b>	<b>26,123</b>	<b>30,688</b>	<b>(145,069)</b>	<b>(31,988)</b>	<b>(27,207)</b>

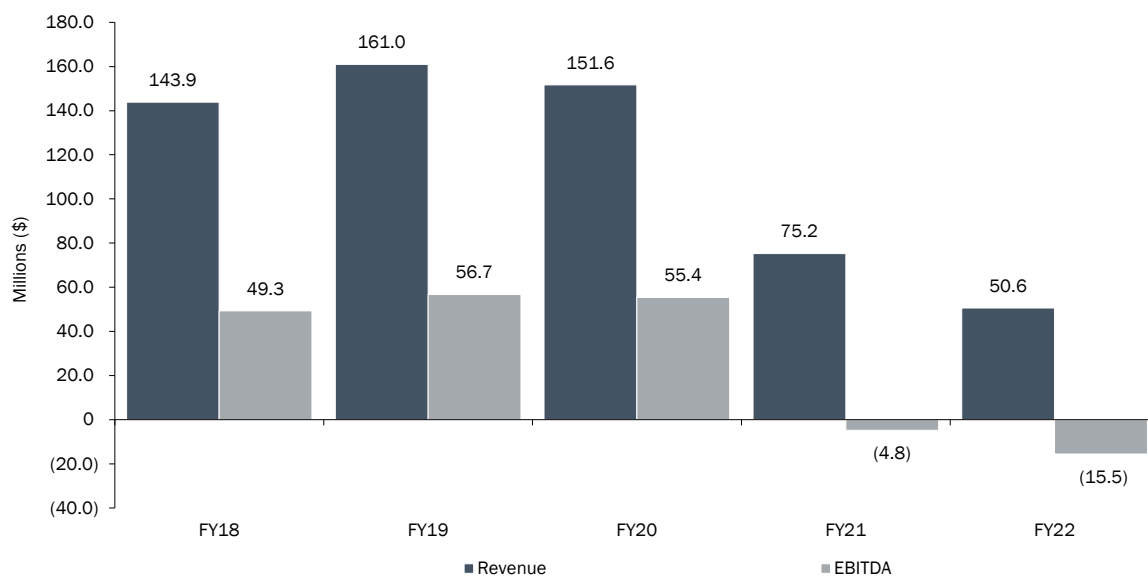
##### Commentary on financial performance of the Group

The Group's revenue declined 65% over the four years to FY22. In FY18, PDL income accounted for over 50% of the Group's revenue. After the completion of the PDL Transaction in December 2020, PDL income decreased by 78% to \$18.3 million. After the NZ PDL Transaction in February 2022, PDL income decreased by a further 15% of its FY20 level to just under \$6.0 million. Collection services revenue declined by almost 40% over the four-year period, largely attributable to changing debt collection practices post Royal Commission and relief provided to debtors in response to COVID-19.

Whilst revenue decreased, employee costs declined at a much slower rate. EBITDA decreased by over 130% over the four-year period, while net profit has declined from \$26.1 million in FY18 to a net loss of \$27.2 million in FY22. The impairment loss in FY20 relates to the write down of the PDL assets, and the gain in FY22 relates to book value adjustments in relation to the NZ PDL Transaction.

The chart below shows the Group's revenue and EBITDA for the past five financial years.

**Consolidated Group Revenue and EBITDA FY18 to FY22**



### 3.3.2 Balance sheet

The consolidated balance sheet for the Group is shown in the table below, based on audited accounts for FY18 to FY21. The balances at 30 June 2022 are based on unaudited management accounts provided by the Administrators.

#### Balance sheet – Group consolidated

(\$'000)	Jun-18	Jun-19	Jun-20	Jun-21	Jun-22
Cash and cash equivalents	509	1,598	9,656	7,288	1,900
Trade and other receivables	20,382	12,871	13,311	10,134	9,674
Purchased debt ledgers	54,215	50,766	172,541	2,920	831
Other current assets	42	(3,615)	5,605	14,154	1,776
<b>Total current assets</b>	<b>75,148</b>	<b>61,620</b>	<b>201,113</b>	<b>34,496</b>	<b>14,181</b>
Trade and other receivables	498	558	741	546	102
Purchased debt ledgers	259,192	359,537	12,187	9,961	235
Equity Investments	-	8,500	4,868	3,516	2,951
Property, plant and equipment	2,084	2,410	28,020	17,580	12,606
Intangible assets	34,041	34,141	33,288	28,091	26,117
Deferred tax assets	-	(1,505)	63,732	51,889	0
<b>Total non-current assets</b>	<b>295,815</b>	<b>403,641</b>	<b>142,836</b>	<b>111,583</b>	<b>42,011</b>
<b>Total assets</b>	<b>370,963</b>	<b>465,261</b>	<b>343,949</b>	<b>146,079</b>	<b>56,192</b>
Trade and other payables	14,404	14,609	13,234	9,028	9,831
Intercompany Loans	-	0	(19)	31	80
Borrowings	2,601	14,669	214,857	11,733	5,066
Other current liabilities	8,664	3,926	11,945	11,752	11,964
<b>Total current liabilities</b>	<b>25,669</b>	<b>33,204</b>	<b>240,017</b>	<b>32,544</b>	<b>26,941</b>
Borrowings	131,900	195,933	-	49,419	-
Other non-current liabilities	6,817	5,156	30,816	24,304	17,850
<b>Total non-current liabilities</b>	<b>138,717</b>	<b>201,089</b>	<b>30,816</b>	<b>73,723</b>	<b>17,850</b>
<b>Total liabilities</b>	<b>164,386</b>	<b>234,293</b>	<b>270,833</b>	<b>106,267</b>	<b>44,791</b>
<b>Net assets</b>	<b>206,577</b>	<b>230,968</b>	<b>73,116</b>	<b>39,812</b>	<b>11,401</b>

#### Comments on balance sheet – assets

The Group's total asset value declined by 85% over the four years to 30 June 2022. At the end of FY22, the Group's balance sheet recorded a net asset position of \$11.4 million, from a high of \$231.0 million at the end of FY19.

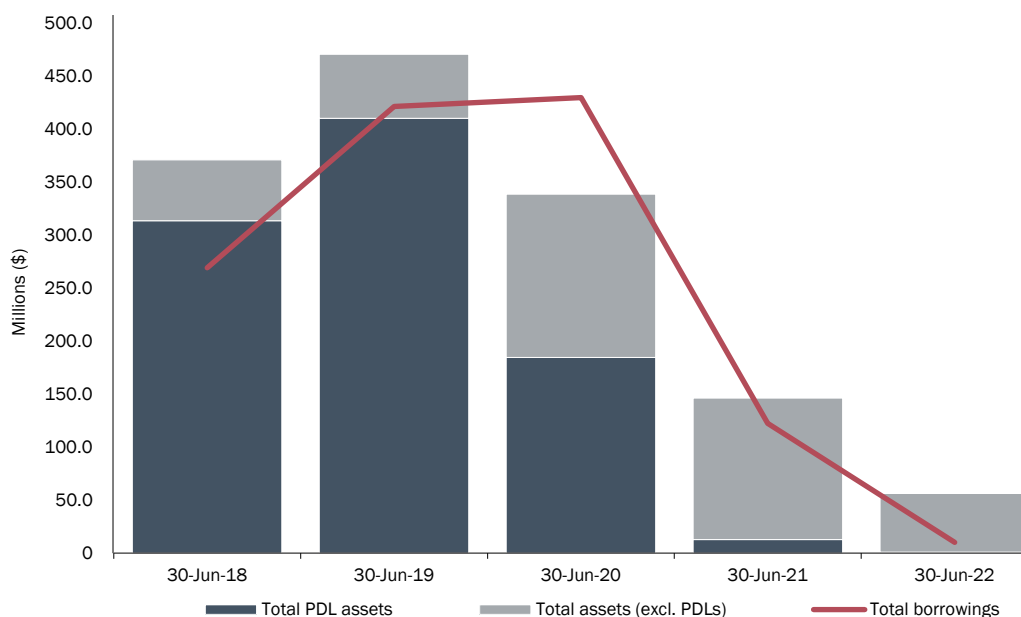
As at 30 June 2022, the Group's assets totalled \$56.2 million, and primarily comprised:

- \$26.1 million of intangible assets
- \$12.6 million of property plant and equipment, of which \$11.4 million was the book value of the right of use leasehold property assets (the value of the unexpired portion of office leases)
- \$9.7 million in trade and other receivables, including prepayments of \$4.0 million and accrued revenue of \$3.3 million
- PDL assets of \$1.1 million. In FY18, the total PDL book value was \$313.4 million, accounting for 85% of the Group's total asset value.



The decline in the Group's asset base is due to the realisation of, and decline in the value of, PDL assets over time, as shown in the chart below.

#### Consolidated Group PDL assets as a proportion of total assets



#### Comments on balance sheet - liabilities

As at 30 June 2022, the Group's liabilities totalled \$44.8 million, comprised of:

- Borrowings of \$5.1 million, including Facility C debts of \$5.0 million and cash secured credit card balances
- Trade and other payables of \$9.8 million
- Other current and non-current liabilities of \$29.8 million, including provisions for employee leave entitlements of \$3.8 million and the present value of future property lease payments of \$17.5 million.

### 3.3.3 Statement of Cash flows

The consolidated cash flow statement for the Group for the period FY18 to FY21 is set out below. I have not been provided with a cash flow statement for FY22.

#### Cash flow – Group consolidated

(\$'000)	FY18	FY19	FY20	FY21
Net cash flows from operating activities	85,863	86,821	65,349	13,971
Net cash flows from investing activities	(82,716)	(145,834)	(42,539)	150,185
Net cash flows from financing activities	(6,459)	62,225	(14,874)	(166,261)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(3,312)</b>	<b>3,212</b>	<b>7,936</b>	<b>(2,105)</b>
Effects of exchange rate changes	69	476	124	(263)
<b>Cash and cash equivalents at end of year</b>	<b>(2,092)</b>	<b>1,596</b>	<b>9,656</b>	<b>7,288</b>

#### Comments on cash flow statement

Net cash generated from operations declined by 84% over the three years to FY21. This is in line with the sell-down of the Group's cash-generating PDL assets. The investing inflow of \$150.2 million in FY21 is attributable to the sale proceeds from the PDL Transaction. Following this transaction, the Group was able to repay a large portion its secured debt, resulting in a financing outflow of \$166.3 million.

## 4 DoCA proposal

The DoCA proposed by Credit Corp and signed by the Company on 21 September 2022 provides for the following:

- The transfer of all shares in the Company to Credit Corp or its nominee pursuant to Section 444GA of the Act
- The release of all claims against the Company (other than claims of continuing employee not settled through the DoCA)
- The payment of the consideration of \$11.0 million to constitute a trust in favour of the Company's creditors, with distribution of those funds to be made in accordance with the payment waterfall outlined below
- Interim funding of \$2.2 million to be provided to the Administrators by Credit Corp, repayable via the payment waterfall. This funding is to allow for the continued trading of the Company, for the period between acceptance of Credit Corp's offer and effectuation of the DoCA
- The Company's shareholding in Volt to be transferred to the trustees of the trust and held for the benefit of the Secured Creditors pursuant to their limited recourse security interest.

### 4.1 Waterfall of payments under the terms of the DoCA and proposed creditors' trust

The terms of the DoCA provide that the \$11.0 million contribution will be applied as follows:

- Firstly:
  - in partial repayment of an advance made by Westpac to enable the continued trading of the Company in Administration. The return to Westpac is limited to \$1.5 million out of its total advance of \$4.2 million
  - repayment of interim funding of \$2.2 million advanced by Credit Corp
- Secondly, in payment of all costs and expenses of the Administration and Deed Administration
- Thirdly, 100% of outstanding employee entitlements, being leave entitlements of employees of the Company (estimated to be approximately \$1.1 million) who have resigned during the Administration period
- Fourthly, the lesser of \$250,000 or the amount required to fund a return of 50 cents in the dollar to all creditors whose admitted claim is \$20,000 or less ('Small Claim Creditors')
- Fifthly, \$500,000 to fund a return to all other third-party creditors
- Finally, any surplus is to be paid to Westpac.

As detailed in Section 8.1 of the Second Report to Creditors, it is estimated:

- third party creditors who are not Small Claim Creditors will receive a dividend of between 3% and 8% of their claim
- Westpac will receive a dividend of between 5% and 22% of its claim relative to the bank guarantee facility.

Related party creditors are excluded from claiming in the DoCA.

### 4.2 Conditions precedent

Completion of the DoCA (and transfer of shares in the Company to Credit Corp) will occur once the following conditions have been met:

1. The Secured Creditors release all securities held in respect to the Company and the Security Group
2. ASIC provides relief from section 606 of the Act
3. The Court makes orders pursuant to Section 444GA
4. Credit Corp pays its contribution of \$11.0 million to the Administrators
5. The shares in the Company are transferred to Credit Corp
6. The Creditors' Trust Deed is executed
7. The interim funding is repaid to Credit Corp
8. The Administrators confirm that certain pre-Administration contracts have been terminated.



The Administrators have estimated that sale of the Company via the DoCA will provide a total return to employee, secured and unsecured creditors of between \$2.5 and \$4.3 million (after accounting for the trading outcome and priority costs)<sup>15</sup>, against claims estimated at between \$19.0 and \$28.4 million<sup>16</sup> (excluding intercompany claims).

If the DoCA does not complete in accordance with its terms and the share transfer to Credit Corp does not occur, the DoCA will be terminated, and the Company will be placed into liquidation.

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<sup>15</sup> Second Report to Creditors at page 44

<sup>16</sup> Second Report to Creditors at pages 44 and 45

## 5 Valuation of residual equity

### 5.1 Valuation approach

I am required to assess the residual equity value in the Company on a liquidation basis in accordance with Regulatory Guide 111. Where there is a residual business that could be sold, I am to consider the value of that business and not just the assets and other undertakings that comprise that business interest.

In addition, liquidators have the ability to challenge transactions that were entered prior to the commencement of an administration that were detrimental to the financial position of the Company and the outcome for creditors. Such claims, if successful, can void transactions and result in returns to the Company in liquidation. Any returns from claims that could be brought by a liquidator are also to be considered in the assessment of the residual equity value in the Company in accordance with Regulatory Guide 111.

The Company and its subsidiaries have not entered into a deed of cross guarantee in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785. On this basis, the value of equity in the Company is comprised of the value of the Company's assets including shares held in the Subsidiaries and its claim against the Subsidiaries for intercompany debts owing, less the debts due by the Company.

The Group's Australian companies are consolidated for income tax and GST purposes, and the Company is the head company of both consolidated groups. This has resulted in tax related intercompany balances being recorded between the Company and its subsidiaries, some of which are material in quantum.

Regulatory Guide 111 requires that I "*consider valuation evidence provided by the sales process conducted by the administrator (if any)*". In forming my opinion, I have had consideration to the results of the Administrators sale process, which is discussed in section 8. Where the sale process provides guidance on the realisable value of assets of the Company, I have included commentary in my analysis.



## 5.2 Value of residual equity

In liquidation, I have assessed that there would be a deficiency of assets available to meet the claims against the Company of between \$61.6 million and \$73.9 million and nil residual equity as outlined in the table below.

### Assessment of residual equity in the Company

Company assets	Section reference	Low Case (\$'000)	High Case (\$'000)
Business of the Company	6.2	-	-
Cash at bank	6.3	624	624
Accounts receivable	6.3	3,051	3,051
Plant and equipment	6.4	193	214
Interest in Subsidiaries (intercompany loans and shareholding)	6.5	-	-
Shareholding in Volt	6.6	-	-
Intellectual property	6.7	-	-
Claims available to a liquidator	6.8	-	1,148
<b>Total asset value</b>		<b>3,868</b>	<b>5,037</b>
<b>Claims against the assets</b>			
Administration trading shortfall	7.1	10,722	9,205
Administrators' remuneration and expenses	7.1	2,500	2,400
Legal fees and expenses	7.1	1,100	900
Liquidation costs	7.1	600	500
Priority employee claims	7.2	9,842	9,842
Secured debt owing to Westpac	7.3	6,396	6,396
Less: estimated realisation from RML	B.3	(543)	(666)
Unsecured creditor claims	7.4	15,916	6,807
Related party creditor claims	7.4.2	31,220	31,220
<b>Total claims against the assets of the Company</b>		<b>77,753</b>	<b>66,604</b>
<b>Net equity</b>		<b>(73,885)</b>	<b>(61,567)</b>

## 6 Value of the Company's assets

I have assessed the value of the Company's assets in liquidation at between \$3.9 million and \$5.0 million as set out in the table below and detailed further in this section.

### Value of the Company's assets in liquidation

Company assets	Section reference	Low Case (\$'000)	High Case (\$'000)
Business of the Company	6.2	-	-
Cash at bank	6.3	624	624
Accounts receivable	6.3	3,051	3,051
Plant and equipment	6.4	193	214
Interest in Subsidiaries (intercompany loans and shareholding)	6.5	-	-
Shareholding in Volt	6.6	-	-
Intellectual property	6.7	-	-
Claims available to a liquidator	6.8	-	1,148
<b>Total asset value</b>		<b>3,868</b>	<b>5,037</b>

I have not attributed any value to:

- carry-forward tax losses in liquidation, which may have been reflected in the Credit Corp offer
- right of use assets in relation to the Company's property leases, as these have all been effectively terminated.

### 6.1.1 Impact on the Company's business in the event of liquidation

If the terms of the DoCA are not implemented (including the transfer of the shares in the Company pursuant to section 444GA of the Act), then the DoCA will terminate with the outcome being that the Company will be placed into liquidation by a resolution of creditors or by order of the Court. For the reasons detailed below, it is my opinion that in the event of liquidation, the operations of the Company could not be maintained (even for a short period of time) to undertake a further sale process for the Company's business. In the event of liquidation, a liquidator would have no choice other than to realise the Company's business assets on a piecemeal basis.

#### Reasons why the Company's business could not continue in liquidation

Liquidators are only permitted to trade the Company's business insofar as it enables the beneficial disposal or winding up of the Company.<sup>17</sup> Liquidators are also restricted from entering into agreements that last for a period of more than three months without the consent of the Court, a resolution of creditors or the approval of a committee of inspection.<sup>18</sup> As such, it is not practicable for a liquidator to trade a business for an extended period of time.

As discussed elsewhere in this Report, the Company's business was loss making prior to administration and has required substantial funding to continue operating during the administration period. As such, liquidators would require funding to continue to trade the Group's business. It would be highly unlikely that a party would provide funding to the Company in a liquidation.

If the DoCA does not complete and liquidators are appointed, I anticipate that the following would occur:

1. A liquidator would take immediate steps to cease business operations to minimise any losses and diminution of assets. The employment of most, if not all, staff would be terminated immediately

<sup>17</sup> Section 493 of the Act

<sup>18</sup> Section 477(2B) of the Act

2. The Company's customers would terminate their agreements and transfer collection activity to another service provider<sup>19</sup>
3. In circumstances where customers cannot immediately transfer their collection activity to another supplier due to a reliance on the Company's systems and processes, a liquidator may facilitate the continued operation of the business on a limited basis, subject to the liquidators receiving adequate funding from the customer to do so. I understand that there are only three material customers who may fall into this category, but am informed by the Administrators that, in their opinion, only one customer would likely be prepared to provide any funding to facilitate an orderly wind-down and transition. I am informed by the Administrators that none of the Company's customers participated in the sale and recapitalisation process and therefore it would be unlikely they would make an offer to acquire part of the business.

## 6.2 Collection business including customer contracts

For the reasons set out in section 6.1.1, I have attributed no value to the Company's collection services business or its customer contracts in liquidation.

## 6.3 Cash and receivables

The Second Report to Creditors sets out the following in relation to the recoverability of circulating assets that existed at the date of the Administrators' appointment:<sup>20</sup>

(\$'000)	Low Case	High Case
Cash at bank	624	624
Accounts receivable	3,051	3,051

For the purposes of my valuation, I have adopted the Administrators' assessment as to the recoverable value of the receivables, given they have been managing the affairs of the Company since their appointment on 29 June 2022.

## 6.4 Plant and equipment

The Administrators instructed an independent valuation firm to appraise the Company's plant and equipment, which is primarily comprised of information technology equipment such as computers, servers, phone systems as well as general office equipment. The value of the plant and equipment in liquidation was estimated to be \$238,161 excluding GST and before realisation costs. The Administrators have assessed the recoverable value in liquidation as set out in the table below:<sup>21</sup>

(\$'000)	Low Case	High Case
Plant and equipment	193	214

The Administrators have discounted the appraised value in liquidation by 10% in their 'low' case. In each case, the Administrators have allowed 10% for realisation costs and expenses. These adjustments are reasonable and arguably may understate the costs in collecting, processing, and realising over 700 assets across three offices. The cost of removing low value items often exceeds the value realised at auction. For the purposes of my assessment, I have adopted the Administrators' assumed realisable values as set out below. However, in my opinion, it is likely that the realised values would be even lower once realisation costs are fully accounted for.

I note that the Administrators have assumed nil realisable value for leasehold improvements. In my experience, office fit cannot be realised and would be of nil value in a liquidation.

<sup>19</sup> The Administrators have provided me with a schedule of the ten largest customers (by revenue for FY22) which details the termination clauses within their contracts, as well as comments from the Company's management as to whether the contracts are, from a customer perspective, easily terminable. The contracts include numerous termination rights, including for convenience, for failure to meet service level agreement requirements as well as for reasons of insolvency of the Company. The Company's customers are likely to have several bases on which they could terminate their agreements in the event of liquidation. As such, excepting any customers who require time to transition their collection processes, all customers would likely terminate without hesitation or delay, leaving little to no residual business.

<sup>20</sup> Second Report to Creditors at page 44

<sup>21</sup> Second Report to Creditors at page 45

## 6.5 Recoverable value in the Subsidiaries

I am required to assess the value of the Company's interest in the Subsidiaries, both as a creditor and shareholder. I am informed by the Administrators:

- The businesses carried on by the Subsidiaries are generally reliant on the Company for the provision of corporate services, that is, management, finance, human resources and information technology support
- In some instances, the Subsidiaries are wholly reliant on the Company or other Group entities for the provision of staff for the operation of the business
- In some instances, the Company or other Group companies are the primary customers of Subsidiaries
- In some instances, the Subsidiaries are reliant on the Company for ongoing funding support.

Accordingly, the impact on the Subsidiaries if the Company was to be placed into liquidation has to be considered on a case-by-case basis to understand whether the business of the Subsidiary (or shares in the Subsidiary) could be sold as a going-concern or whether they would need to be wound-up in insolvency and their assets realised for the benefit of creditors (and the Company as shareholder if there is a surplus after paying creditors).

It is also relevant that those Subsidiaries which are also part of the Security Group are subject to a general security agreement in favour of Westpac. Based on the estimated outcome for the Company in a liquidation scenario, there will be a shortfall to Westpac and hence claims against the Security Group.

### Summary of the valuation of loans due from Subsidiaries and shares in Subsidiaries

I have determined that there is no recoverable value in the Company's subsidiaries, either through repayment of intercompany loans (where debts are payable to the Company) or through realisation of the shares held, after the claim of Westpac is considered.

The only subsidiary that I have estimated would have net realisations available for creditor claims in a liquidation process is Receivables Management (NZ) Limited ('RML'). RML and its subsidiaries, which operate in New Zealand, own a PDL portfolio which could be realised. However, these companies are part of the Security Group, and as such the available funds would be paid to Westpac in part satisfaction of its claim, resulting in no surplus for unsecured creditors or shareholders.

My findings on the value of the Subsidiaries is summarised below and detailed further at Appendix B.

Subsidiary	Section ref	Low Case (\$'000)	High Case (\$'000)
Lion Finance Pty Ltd	B.1	Nil	Nil
Collection House (NZ) Limited and its subsidiaries	B.2	Nil	Nil
Receivables Management (NZ) Limited and its subsidiaries	B.3	Nil	Nil
Midstate CreditCollect Pty Ltd	B.4	Nil	Nil
Collection House International BPO, Inc	B.5	Nil	Nil
CLH Legal Group Pty Ltd	B.6	Nil	Nil
ThinkMe Finance Pty Ltd	B.7	Nil	Nil
Collective Learning & Development Pty Ltd	B.8	Nil	Nil
Safe Horizons Pty Ltd	B.9	Nil	Nil
CLH Business Services Pty Ltd	B.10	Nil	Nil
<b>Total</b>		<b>Nil</b>	<b>Nil</b>

## 6.6 Shares in Volt

The Company holds a minority interest of 9.1 million shares in Volt Corporation Limited, or approximately 1% of the shares on issue. Volt was until recently a neo-bank offering online banking services including loans and deposits. In June 2022, Volt announced that it would cease its banking operations after failing to obtain support for a further capital raise of \$200.0 million. Volt has returned all deposits to customer, and its banking licence to APRA. It was reported in the Australian Financial



Review on 30 June 2022 that Volt appointed Rothschild to sell its software platform.<sup>22</sup> Volt's financial accounts lodged with ASIC for the financial year ended 31 March 2022 were prepared on a non-going concern basis and recorded a net asset position of \$9.2 million.<sup>23</sup>

#### Realisable value of the shares in Volt

The book value of the Company's shareholding in Volt was \$3.0 million as at 30 June 2022. The book value was calculated on a share price of 32.5 cents per share. This calculation preceded the decision by Volt to cease operations and hand back its banking licence. Based on the number of Volt shares on issue, this would imply an equity value of Volt of \$210.8 million, which is inconsistent with Volt's stated net asset position as at 31 March 2022 of \$9.2 million. Volt's net asset position at 31 March 2022 values the Company's shareholding at \$0.1 million based on the Company's pro-rata share of the net asset value. However, as the outcome of the sale process being conducted by Rothschild is not yet known, there is no independent source to confirm the value of Volt and the value of the Company's minority shareholding. In my opinion, the value is likely less than that carried in the Company's accounts.

I note that the proceeds of the realisation of the shares in Volt are security for the Secured Creditors, who were owed a principal debt of \$5.0 million at 30 June 2022.

In my opinion, there will be no value available to the Company from the realisation of the Company's Volt shares.

(\$'000)	Low Case	High Case
Value of shares in Volt	-	2,951
Less: amount owing to the Secured Creditors	(5,014)	(5,014)
<b>Net value available to the Company</b>	<b>-</b>	<b>-</b>

## 6.7 Intangible assets

The Company has developed its own debt collection management software called C5. Software in development and work in progress had a book value of \$4.3 million as at 30 June 2022. I note that book values of intellectual property assets do not necessarily reflect the value of the underlying asset, due to rules restricting when and how internally generated software assets can be recognised.

From my discussions with the Administrators, I understand that there would likely be limited interest in the Company's intellectual property assets other than in a going concern sale of the Company's business. While intangible assets are difficult to value in the absence of an independent assessment, I note that based on the assessed deficit to creditors in a liquidation, the intellectual property assets would need to have a value of above \$61.6 million (in the High Case) to result in there being any residual equity value in the Company. When considered against the outcome of the sale and recapitalisation process (which achieved a best offer of \$11.0 million for the entire Group), it is evident that even if the intellectual property assets could be realised, the value would not be sufficient to generate a return to equity.

## 6.8 Claims available to a liquidator

If the Company is placed into liquidation, a liquidator is required to undertake further investigations into the circumstances surrounding the insolvency of the Company. In certain circumstances, those investigations might give rise to claims available to the liquidator. The Administrators have formed a view, based on their investigations, that there may be voidable unfair preference recoveries relating to eight payments to creditors totalling \$1.4 million<sup>24</sup>. The Administrators have estimated that the potential recovery of these amounts of between nil and \$1.1 million, net of assumed legal costs.

(\$'000)	Low Case	High Case
Unfair preference recoveries	-	1,148

The Administrators did not identify any other potential claims that may be available to a liquidator.

<sup>22</sup> <https://www.afr.com/street-talk/volt-retains-rothschild-for-closing-down-sale-phones-run-hot-20220630-p5axy7>

<sup>23</sup> Volt Corporation Limited Annual Report for the year ended 31 March 2022 dated 2 August 2022

<sup>24</sup> Second Report to Creditors at page 29

## 7 Claims by creditors

In circumstances where the Company is placed into liquidation, total claims are estimated at between \$66.6 million and \$77.8 million as outlined below:

### Summary of claims in the event of liquidation

Claim	Section Ref	Low Case (\$'000)	High Case (\$'000)
<b>Trading and administration costs</b>			
Administration trading shortfall	7.1	10,722	9,205
Administrators' remuneration and expenses	7.1	2,500	2,400
Legal fees and expenses	7.1	1,100	900
Liquidation costs	7.1	600	500
<b>Total trading and administration costs</b>		<b>14,922</b>	<b>13,005</b>
<b>Creditor claims</b>			
Priority employee claims	7.2	9,842	9,842
Secured debt owing to Westpac	7.3	6,396	6,396
Less: estimated realisation from RML	B.3	(543)	(666)
Unsecured creditor claims	7.4	15,916	6,807
Related party creditor claims	7.4.2	31,220	31,220
<b>Total creditor claims</b>		<b>62,831</b>	<b>53,599</b>
<b>Total claims against the assets of the Company</b>		<b>77,753</b>	<b>66,604</b>

### 7.1 Costs and expenses of the administration and liquidation

As detailed in the Second Report to Creditors, the Administrators have estimated that the total cost of the Administration up until the Company is placed into liquidation will be between \$12.5 million \$14.3 million<sup>25</sup>. This estimate includes:

- Net funds used to continue operating the Company's business of between \$9.2 and \$10.7 million
- The Administrators' remuneration and expenses of \$2.4 and \$2.5 million
- Legal fees incurred of between \$0.9 and \$1.1 million.

In addition, the Administrators have estimated that in the event of the Company's liquidation, Liquidation fees would be between \$0.5 million and \$0.6 million.<sup>26</sup>

### 7.2 Employee entitlements in liquidation

I have been provided a schedule of employees for the Company with calculations setting out their accrued entitlements, as well as notice and severance amounts that would be payable upon liquidation of the Company. The amounts below have been calculated as at 29 June 2022. Subject to the date of termination, these values may increase with additional leave and service accruals.

Entitlement	(\$'000)
Wages and superannuation	832
Leave entitlements	2,803
Notice and severance pay	6,207
<b>Total</b>	<b>9,842</b>

<sup>25</sup> Second Report to Creditors at page 44

<sup>26</sup> Second Report to Creditors at page 44

### 7.3 Secured Creditors' claims

As noted in section 3.2.2 of this Report, the Company has a loan facility (Facility C) with the Secured Creditors. Only the shortfall under the bank guarantee facility provided by Westpac has been included in the table above owing to the fact that Facility C is secured on a limited recourse basis only against the shareholding in Volt.

As set out at Appendix B.3, I have estimated that there may be a return to Westpac in respect to the bank guarantee facility of between \$0.5 million and \$0.7 million from the external administration of RML. This return has been shown as a deduction against the claim of Westpac.

### 7.4 Unsecured claims

#### 7.4.1 Trade and other creditor claims

Estimated unsecured creditor claims of \$6.8 million (High Case) to \$15.9 million (Low Case) are based on claims submitted by creditors, or where a claim has not been lodged, the Company's books and records.<sup>27</sup> The Low Case also includes a \$9.4 million estimate of contingent claims the Company's landlords may make as a result of the Administrators not exercising the Company's rights in respect to leases and, in effect, giving rise to a termination event. The estimate is net of the bank guarantees that landlords hold. Based on the calculations provided to me, the Administrators' estimate of landlord claims appropriately considers:

- The rental rates that would apply under current market conditions compared to the rates documented in the various leases
- Estimated re-letting time and incentives required to attract new tenants
- Make-good costs to restore leasehold properties to their original state.

I have not undertaken an independent assessment of the Administrators' assumptions.

#### 7.4.2 Intercompany creditors

In the event of a liquidation of the Company, the Administrators have assessed that the following entities would likely have claims against the Company in the winding up:<sup>28</sup>

- Lion Finance Limited in the amount of \$4.4 million
- CLH Legal in the amount of \$21.5 million
- RML in the amount of \$4.4 million
- CLH International in the amount of \$0.9 million

Other group entities are net debtors of the Company.

I note that the intercompany loan balances recorded in the management accounts for the year ended 30 June 2022 which form the basis of my assessment of the recoverable value of the Company's interests (intercompany loans and shareholdings) in the Subsidiaries as set out in Appendix B do not reconcile to the intercompany creditor amounts detailed above. The Company's Management has advised that subsequent tax related entries have been made in the management accounts which were used by the Administrators for the purpose of the Second Report to Creditors.

I have reviewed the updated intercompany loan matrix and do not believe my opinion on the recoverable value of the Subsidiaries would change if the intercompany loan balances were different, because I have not attributed any value to intercompany loan assets of the Subsidiaries.

<sup>27</sup> Second Report to Creditors at page 45

<sup>28</sup> Second Report to Creditors at page 20



## 8 Sale and recapitalisation process

I have been asked to comment on the sale process that was undertaken by the Administrators and the process by which they determined the preferred bidder.

I have been provided with the following information by the Administrators about the sale process:

- The Second Report to Creditors, including the disclosures in relation to the sale process detailed at section 5.2 of that report
- A file note prepared by the Administrators and addressed to KordaMentha which included or annexed the following information:
  - The timeline of events surrounding the sale process
  - The process letter provided to interested parties
  - Copies of the advertisement and short-form investment flyer
  - A summary of the first round offers received from nine parties (bidder names redacted) received on 27 July 2022
  - A summary of the best and final offers received from four interested parties (bidder names redacted) on 3 August 2022
- Financial and non-financial Company records about the Company contained in a virtual data room that the Administrators established for the purpose of the sale process.

I have reviewed and considered the information provided and it is my opinion that the process undertaken by the Administrators was reasonable having regard to the substantial risks an extended process would have presented.

I have not reviewed other decisions made by the Administrators in the course of the administration, including decisions concerning the basis on which the business of the Company would be traded through the administration period.

### 8.1.1 Comments on the sale process

#### Timeline

The Administrators' sale and recapitalisation campaign commenced on 7 July 2022<sup>29</sup>, when the Administrators sent an investment flyer to 50 potential interested parties.

On 8 July 2022, an advertisement was published in the Australian Financial Review and an announcement on the sale process was published on the ASX Announcement platform.

From 11 July 2022 onwards, the Administrators granted access to a virtual data room to 26 interested parties and conducted management presentations with nine of those parties. Nine parties submitted indicative offers on 27 July 2022 (after the time for offers had been extended from 22 July 2022).

Interested parties had 20 days from the date of first contact to formulate and submit indicative offers to the Administrators. While this timeline may appear short in the context of a non-distressed business sale process, the Administrators' sale timeline was predicated on the following:

- The Company was operating at a loss and required funding to continue trading in Administration. Funding of \$4.2 million was obtained from Westpac to allow the Company to continue trading through an accelerated sale and recapitalisation process run by the Administrators.<sup>30</sup> The Administrators consider that Westpac would have been unlikely to provide funding for a longer sale process.
- An extended sale process timeline would diminish the assets of the Company that would be available to creditors, given trading losses and the costs of the administration.
- Unless amended by an order of the Court, Administrators are personally liable for debts incurred while in control of a Company where there are insufficient assets available to meet any trading losses. An extended sale process would likely have created an unacceptable personal risk to the Administrators.
- Administration processes often result in the loss of customers and supplier support given uncertainty. An extended trading period may result in the diminution of value of the business as a consequence.

<sup>29</sup> Section 5.2 of the Second Report to Creditors

<sup>30</sup> Second Report to Creditors at page 47



In my opinion, the Administrators needed to manage several competing commercial objectives in managing the sale process including:

- Minimising trading losses and costs
- Balancing the benefit of avoiding crystallisation of notice and redundancy obligations to employees by achieving a sale of the Company or its business versus crystallisation of those obligations if a sale was not achieved
- Maximising competitive tension amongst potential interested parties
- Allowing an acceptable timeline for due diligence and negotiations during the sale process.

The 'first round' and then 'best and final offers' confirmed interested parties' assessment of the value of the Company and maintained an accelerated sale process, which was likely the best way to manage the competing commercial objectives set out above.

#### **Selection of Credit Corp as the preferred bidder**

Based on the information provided to me, the selection of Credit Corp as the preferred bidder on 10 August 2022 was reasonable having regard to the value and structure of its bid in comparison to the offers from the other shortlisted parties. The alternate offers would not have resulted in a different outcome for the Company's shareholders compared to the result from the completion of the DoCA proposed by Credit Corp.

Dated: 30 September 2022



Jenny Nettleton  
Partner

Level 5, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000



## Appendix A Curriculum vitae of Jenny Nettleton



### Jenny Nettleton

Partner | Restructuring | Sydney

[jnettleton@kordamentha.com](mailto:jnettleton@kordamentha.com)

+61 2 8257 3044

Jenny is motivated to help clients solve problems. She thrives on taking a hands-on approach, working as a team with the client and other stakeholders to achieve the best possible outcome.

Jenny has over 25 years' experience in the restructuring sector, working with Australia's major financiers and other stakeholders in formal insolvencies, financial review engagements and preparing expert's reports.

Jenny's strong attention to detail, project management skills and her passion for the technical aspects of restructuring mean that success can be achieved in the most complex of situations.

#### *Expertise*

- Financial reviews
- Business restructuring
- Formal insolvencies.

#### *Education and accreditation*

- Bachelor of Accounting (UNSW)
- Masters in Management (MGSM)
- Registered liquidator.

#### *Significant engagements*

- Ten Network
- Boart Longyear – Scheme expert report
- Quintis Limited
- Arrium
- K Care group
- Springsure Creek Coal
- Chassis Brakes
- Confidential consulting engagements.

#### *Memberships*

- Chartered Accountants Australia and New Zealand
- Australian Restructuring Insolvency and Turnaround Association.



## Appendix B Recoverable value in the Subsidiaries

As noted in section 7.4.2, the intercompany loan balances recorded in the management accounts for the year ended 30 June 2022 which form the basis of my assessment of the recoverable value of the Company's interests (intercompany loans and shareholdings) in the Subsidiaries do not reconcile to the intercompany creditor amounts detailed in section 7.4.2 and the Second Report to Creditors. The Company's Management has advised that subsequent tax related entries have been made in the management accounts which were used by the Administrators for the purpose of the Second Report to Creditors. I have reviewed the updated intercompany loan matrix and do not believe my opinion on the recoverable value of the Subsidiaries would change if the intercompany loan balances were different, because I have not attributed any value to intercompany loan assets of the Subsidiaries.

### B.1 Lion Finance Pty Ltd ('Lion Finance')

Lion Finance was the primary entity which purchased and realised PDL assets until those assets were sold as part of the PDL Transaction in December 2020 and more recently as part of the NZ PDL transaction in February 2022.

#### Profit and loss for the year ended 30 June 2022

The profit and loss statement for Lion Finance for the year ended 30 June 2022 is set out below based on unaudited management accounts provided by the Administrators. Results for the month of June 2022 are also shown to reflect the operating performance of Lion Finance since the last tranche of PDL assets was sold in February 2022. Lion Finance does not have any employees and is reliant on the Company for provision of corporate services.

Lion Finance Pty Ltd (\$'000)	Year ended 30 June 2022	Month ended 30 June 2022
<b>Operating income</b>		
Purchased debt ledger income	3,948	41
Collection services revenue	161	37
Other revenue	(37)	-
<b>Revenue from continuing operations</b>	<b>4,072</b>	<b>78</b>
<b>Operating expenses</b>		
Direct costs	(2)	-
Employee-related costs	-	-
Corporate/administrative costs	(751)	(68)
<b>EBITDA</b>	<b>3,319</b>	<b>10</b>
Depreciation and amortisation	-	-
<b>EBIT</b>	<b>3,319</b>	<b>10</b>
PDL impairment gain/(loss)	1,782	126
Income tax expense	(762)	-
<b>Net profit</b>	<b>4,339</b>	<b>136</b>

## Balance sheet at 30 June 2022

The balance sheet for Lion Finance based on unaudited management accounts at 30 June 2022 is set out below. Included against the balance sheet is my assessment of the recoverable value range in liquidation. My reasoning for the liquidation values is set out below the table.

Lion Finance Pty Ltd (\$'000)	Book value	Liquidation Value (Low Case)	Liquidation Value (High Case)
<b>Current assets</b>			
Cash and cash equivalents	186	186	186
Trade and other receivables	122	-	61
Purchased debt ledgers	21	-	-
Intercompany loan receivable	26,249	-	-
<b>Total current assets</b>	<b>26,578</b>	<b>186</b>	<b>247</b>
<b>Non-current assets</b>			
Purchased debt ledgers	-	-	-
<b>Total non-current assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>26,578</b>	<b>186</b>	<b>247</b>
<b>Current liabilities</b>			
Trade and other payables	510	-	-
Intercompany loan payable (tax related)	99,408	-	-
<b>Total current liabilities</b>	<b>99,918</b>	<b>-</b>	<b>-</b>
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>99,918</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>(73,340)</b>	<b>-</b>	<b>-</b>

## Outcome if the Company is placed into liquidation

If the Company is placed into liquidation, the directors of Lion Finance would need to consider its financial position. A prudent director would likely take steps to place Lion Finance into liquidation for the following reasons:

- The corporate functions that Lion Finance relies upon the Company to provide would not be available which would make ongoing trading difficult.
- Lion Finance has a net asset deficiency and a contingent liability to Westpac, estimated to be \$6.4 million.

At 30 June 2022, Lion Finance held PDL assets with a residual book value of \$21,086:

- \$21,086 relates to debtors for which the original vendor (the originator of the debts) did not consent to the sale to Credit Corp
- Lion Finance holds residual debts owed by bankrupt and insolvent borrowers which Credit Corp excluded from its PDL purchases. The face value of these residual PDL debts is approximately \$19.5 million. However, owing to the delinquent nature of what are already defaulting debtors, the book amount of these accounts has been written down to zero.

Notwithstanding the book value of the residual PDL portfolios has been written down to nil, revenue continues to be generated from insolvent debtors. In June 2022, these collections amounted to approximately \$78,000 (including recovery of legal fees and other sundry costs). From information provided by Management, I am informed that the residual portfolio has generated approximately \$70,000 per month in revenue for the four months to 31 August 2022. However, the monthly collections are unpredictable, with collections of \$134,000 in May 2022 and \$38,000 in June 2022 (excluding recovery of legal and other costs). The collection prospects of any debtor book declines over time as those debtors who can pay are the first to do so (or in this case, where the insolvent estate has assets) with the residual balance generally difficult, if not impossible to collect.



If Lion Finance was placed into liquidation, a liquidator would need to consider whether to:

- engage staff on a temporary or casual basis to continue managing the collection of the residual PDL assets
- utilise their own staff to manage the collection of the residual PDL assets
- undertake a short sale process to realise the residual portfolio for some value (even if minimal).

#### Comments on the recoverable value of assets in liquidation

In my opinion, there is likely to be minimal recoverable value in liquidation other than cash at bank. The receivables balance at 30 June 2022 comprised accrued revenue. Accruals generally have limited recoverable value in liquidation. Accordingly, I have assumed nil to 50% recovery in my low and high case assessment respectively.

Given the limited and uncertain month-to-month recoveries and insolvent nature of the residual debtors, any value realised through a run-off of the remaining portfolios would likely be uneconomic after accounting for the costs of maintaining Lion Finance in liquidation.

If a sale of the portfolio was pursued to facilitate a faster resolution of Lion Finance's affairs, a material recovery after costs is unlikely. I am advised by the Company's Management that sale transactions for insolvent debtor accounts do not generally occur and would be unlikely to attract any interest at a value that would see any material recovery.

As set out below, in the event that Lion Finance was liquidated, I estimate that the costs of liquidation would likely exceed the realisable value of the assets. The costs of managing the continued collection, or sale, of the residual PDL assets would likely be greater than the recoverable value of assets. I have estimated between \$200,000 and \$300,000 in costs to liquidate the business.

#### Estimated outcome if Lion Finance is placed into liquidation

Asset/liability (\$'000)	Liquidation Value (Low Case)	Liquidation Value (High Case)
Cash at bank	186	186
Accounts receivable	-	61
<b>Total recoveries</b>	<b>186</b>	<b>247</b>
Cost of liquidation	(200)	(300)
<b>Surplus/(shortfall) available to Westpac</b>	<b>(14)</b>	<b>(53)</b>

#### *Contingent asset – purchase price adjustment on PDL Transaction with Credit Corp*

I note that the PDL Transaction included an adjustment mechanism in favour of Lion Finance which may result in further consideration of up to \$15.0 million. This additional contingent consideration is subject to the portfolio achieving cumulative realisation targets over a period of eight years (i.e., the future successful collection of the PDL assets by Credit Corp against set targets). The Administrators have attributed nil value to this contingent asset.<sup>31</sup> I have similarly attributed nil value to this contingent asset as I have no basis on which to assess the range of potential outcomes, and the amount would not be ascertained until 2028.

#### Value of intercompany loan and shareholding

In my opinion, in the event that the Company is placed into liquidation, it would follow that Lion Finance would be placed into liquidation. I estimate there would be nil return to Westpac or unsecured creditors, hence there would be no value in the loan due to the Company or the Company's shareholding in Lion Finance.

<sup>31</sup> Second Report to Creditors at page 73

## B.2 Collection House (NZ) Limited ('CLH NZ')

CLH NZ is incorporated in New Zealand and provides collection services to New Zealand clients. As at 30 June 2022, CLH NZ had 58 staff. I am advised by the Company's Management that historically this business was largely self-sufficient other than general corporate support provided by the Company. CLH NZ has one subsidiary, Lion Finance Limited (also incorporated in New Zealand).

### Profit and loss for the year ended 30 June 2022

The profit and loss statement for CLH NZ (not consolidated with Lion Finance Limited) for the year ended 30 June 2022 is set out below based on unaudited management accounts provided by the Administrators.

Collection House (NZ) Limited	(\$'000)
<b>Operating income</b>	
Purchased debt ledger income	-
Collection services revenue	5,764
<b>Revenue from continuing operations</b>	<b>5,764</b>
<b>Operating expenses</b>	
Direct costs	(512)
Employee-related costs	(3,631)
Corporate/administrative costs	(1,571)
<b>EBITDA</b>	<b>50</b>
Depreciation and amortisation	(403)
<b>EBIT</b>	<b>(353)</b>
Finance costs	(6)
PDL impairment gain/(loss)	(11)
Income tax expense	(263)
<b>Net profit</b>	<b>(633)</b>

The management accounts record an income tax expense for FY22, despite limited EBITDA. The Company's Management has advised this expense relates to the write off of deferred tax assets in FY22, and that no income tax expense for FY22 has been recognised.

## Balance sheet as at 30 June 2022

The balance sheet for CLH NZ based on unaudited management accounts at 30 June 2022 is set out below. Included against the balance sheet is my assessment of the recoverable value range in liquidation. My reasoning for the liquidation values is set out below the table.

Collection House (NZ) Limited (\$'000)	Book value	Liquidation Value (Low Case)	Liquidation Value (High Case)
<b>Current assets</b>			
Cash and cash equivalents	189	189	189
Trade and other receivables	337	168	236
Intercompany loan receivable (tax related)	184	-	-
<b>Total current assets</b>	<b>710</b>	<b>357</b>	<b>425</b>
<b>Non-current assets</b>			
Equity Investments	0	-	-
Property, plant and equipment	72	-	-
Intangible assets	167	-	-
<b>Total non-current assets</b>	<b>239</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>949</b>	<b>357</b>	<b>425</b>
<b>Current liabilities</b>			
Trade and other payables	376	-	-
Intercompany loan payable	7,217	-	-
Provisions	236	-	-
Other current liabilities	112	-	-
<b>Total current liabilities</b>	<b>7,941</b>	<b>-</b>	<b>-</b>
<b>Non-current liabilities</b>			
Other financial liabilities	(67)	-	-
<b>Total non-current liabilities</b>	<b>(67)</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>7,874</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>(6,925)</b>	<b>-</b>	<b>-</b>

## Outcome if the Company is placed into liquidation

If the Company was placed into liquidation, the directors of CLH NZ would need to consider its financial position. A prudent director would likely take steps to place CLH NZ into external administration pursuant to New Zealand law for the following reasons:

- The business is marginal and has required parent support during the administration period to sustain operations
- CLH NZ has been loss making and had a net liability position of \$7.0 million as at 30 June 2022. In addition, CLH NZ has a contingent liability to Westpac, estimated to be \$6.4 million.

## Comments on the recoverable value of assets in liquidation

In my opinion, there is likely to be minimal recoverable value in liquidation other than cash at bank.

I note that the Administrators received a combined offer for the sale of the shares in CLH NZ and RML for NZD \$450,000 or the assets of CLH NZ and RML for NZD \$550,000. Based on my analysis of the assets of RML (see Appendix B.3), the offer values the assets or shares in CLH NZ at an immaterial value, and on this basis, I have assumed that the realisation of the Company's interest in CLH NZ would be by way of realisation of individual assets only. I also note there would be limited funds to trade CLH NZ to facilitate a going-concern sale.

Any recoveries would be from its cash balances and its trade receivables. I have estimated trade debtor collections at between 50% and 70% owing to a smaller balance of accrued but unbilled revenue in the total receivable balance. The intangible assets, tax assets and the plant and equipment are unlikely to have any value in a forced sale scenario.

CLH NZ's interest in its subsidiary Lion Finance Limited has nil book value. Lion Finance Limited sold its assets as part of the NZ PDL transaction during February 2022. As at 30 June 2022, Lion Finance Limited had a net asset position of \$8.6 million, being \$7,000 cash at bank and intercompany loan asset of \$8.6 million. I have attributed no value to the equity interest in Lion Finance Limited.

Employee entitlements payable upon termination were estimated to be \$348,000 as at 29 June 2022.<sup>32</sup> New Zealand law provides priority for employee claims in liquidation subject to individual limits. After costs (estimated at \$100,000), there is unlikely to be a return to creditors, as set out in the table below.

#### Estimated outcome if CLH NZ is placed into liquidation

Asset/liability (\$'000)	Liquidation Value (Low Case)	Liquidation Value (High Case)
Cash at bank	189	189
Accounts receivable	168	236
<b>Total recoveries</b>	<b>357</b>	<b>425</b>
Cost of liquidation	(100)	(100)
Employee entitlements	(348)	(348)
<b>Surplus/(shortfall) available to Westpac</b>	<b>(91)</b>	<b>(23)</b>

#### Value of intercompany loan and shareholding in CLH NZ

In my opinion, in the event that the Company is placed into liquidation, it would follow that CLH NZ would be placed into external administration under the laws of New Zealand. I estimate there would be nil return to Westpac or unsecured creditors (except employees), hence there would be no value in the loan due to the Company or the Company's shareholding in CLH NZ.

<sup>32</sup> Entitlements were NZD \$390,000 as at 29 June 2022, converted at NZD \$1.12 : \$1



### B.3 Receivables Management (NZ) Limited ('RML')

RML is a New Zealand incorporated holding company for three subsidiaries, all of which are incorporated in New Zealand. RML, through its subsidiary Southern Receivables Limited ('SRL'), buys and realises PDL assets. Southern Receivables Limited has entered into a forward flow purchase agreement with a third-party to acquire PDL books. The third-party has the option to put PDL assets to SRL each month.

SRL is yet to achieve sufficient scale to be self-funding, as the cash flow it is generating from the collection of PDL assets is not yet sufficient to fund its operations and its purchase commitments to the third party financier. The Administrators have provided a cash flow forecast which estimates the Company will need to advance \$0.5 million to RML between 30 June and 2 November 2022 to fund SRL's forward flow purchase commitments to the third-party financier.

#### Consolidation of RML accounts

I have not been provided separate accounts for RML and each of its subsidiaries. The accounts for RML consolidate its operations with those of its subsidiaries. I am advised by the Company's Management that the accounts have not been separately prepared historically. However, Management has confirmed the PDL assets are legally owned by SRL. SRL is also the employing entity.

#### Consolidated profit and loss for the year ended 30 June 2022

The consolidated profit and loss statement for RML and its subsidiaries for the year ended 30 June 2022 is set out below based on unaudited management accounts provided by the Administrators.

Receivables Management (NZ) Limited and its subsidiaries	(\$'000)
<b>Operating income</b>	
Purchased debt ledger income	1,707
Collection services revenue	27
Other revenue	144
<b>Revenue from continuing operations</b>	<b>1,878</b>
<b>Operating expenses</b>	
Direct costs	(195)
Employee-related costs	(2,097)
Corporate/administrative costs	(662)
<b>EBITDA</b>	<b>(1,076)</b>
Depreciation and amortisation	(120)
<b>EBIT</b>	<b>(1,196)</b>
Finance costs	(46)
One-off advisory costs & restructuring expenses	-
PDL impairment gain/loss	60
Income tax expense	(903)
<b>Net profit</b>	<b>(2,085)</b>

The management accounts record an income tax expense for FY22, despite negative EBITDA. The Company's Management has advised this expense relates to the write off of deferred tax assets in FY22, and that no income tax expense for FY22 has been recognised.

**Balance sheet at 30 June 2022**

The balance sheet for RML and its subsidiaries based on unaudited management accounts at 30 June 2022 is set out below. Included against the balance sheet is my assessment of the recoverable value range in liquidation. My reasoning for the liquidation values is set out below the table.

Receivables Management (NZ) Limited (\$'000)	Book value	Liquidation Value (Low Case)	Liquidation Value (High Case)
<b>Current assets</b>			
Cash and cash equivalents	77	77	77
Trade and other receivables	324	162	227
Purchased debt ledgers	810	567	729
Intercompany loan receivable (tax related)	106	-	-
<b>Total current assets</b>	<b>1,317</b>	<b>806</b>	<b>1,033</b>
<b>Non-current assets</b>			
Purchased debt ledgers	235	166	212
Property, plant and equipment	716	-	-
Intangible assets	0	-	-
<b>Total non-current assets</b>	<b>951</b>	<b>166</b>	<b>212</b>
<b>Total assets</b>	<b>2,268</b>	<b>972</b>	<b>1,245</b>
<b>Current liabilities</b>			
Trade and other payables	282	-	-
Intercompany loan payable	5,830	-	-
Borrowings	1	-	-
Provisions	72	-	-
Other current liabilities	91	-	-
<b>Total current liabilities</b>	<b>6,276</b>	<b>-</b>	<b>-</b>
<b>Non-current liabilities</b>			
Other financial liabilities	722	-	-
<b>Total non-current liabilities</b>	<b>722</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>6,998</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>(4,730)</b>	<b>-</b>	<b>-</b>

**Outcome if the Company is placed into liquidation**

If the Company was placed into liquidation, the directors of RML would need to consider its financial position. A prudent director would likely take steps to RML and its subsidiaries into external administration pursuant to New Zealand law for the following reasons:

- Without ongoing support from the Company, RML would be unable to meet its financial commitments and would be insolvent:
  - RML incurred an EBITDA loss of \$1.1 million in FY22, and its employee related costs exceeded its revenue
  - RML has insufficient cash resources to meet its forward flow purchase obligations to the third-party financier
- RML has a net liability position of \$4.7 million at 30 June 2022. In addition, RML and its subsidiaries are part of the Security Group and there is a contingent liability to Westpac, estimated at \$6.4 million.

### Comments on the recoverable value of assets in liquidation

In the event that RML and its subsidiaries were to be liquidated, I have estimated that realisations from the PDL assets would be between 70% and 90% of book value (before costs). The PDL assets have only recently been acquired and it is reasonable to assume that another credit collection business would pay close to book value for the assets after applying a modest discount for transaction risk.

Similarly, the receivables would likely be recoverable. I have estimated recoveries would be between 50% and 70% owing to the fact that a portion of the trade debtor balance relates to accrued (unbilled) revenue, the recovery of which is generally more uncertain than invoiced amounts.

I note that the Administrators received an offer to acquire the assets in CLH NZ and RML (and their subsidiaries) for NZD\$550,000 or alternatively, NZD\$450,000 for the shares in those entities. The offer states that a higher value may be offered based on more due diligence. The initial offer values the assets of RML at less than the amount I have assumed would be recoverable on a break-up basis and would not result in a higher return to creditors. Accordingly, I have not considered the offer further in my assessment.

In the event that RML was wound up, I would expect that any recoveries net of costs would fund outstanding employee entitlements (New Zealand law provides priority for employee claims in liquidation subject to individual limits) and provide a return to Westpac. There would be no recovery to the Company in respect to its unsecured intercompany loan balance or its shareholding in RML.

A summary of this position is set out in the table below, which included assumed liquidation costs of between \$250,000 and \$400,000 to allow for a more complex administration and divestment process for the valuable PDL assets.

Asset / liability (\$'000)	Liquidation Value (Low Case)	Liquidation Value (High Case)
Cash at bank	77	77
Accounts receivable	162	227
Current PDL assets	567	729
Non-current PDL assets	166	212
<b>Total recoveries</b>	<b>972</b>	<b>1,245</b>
Cost of liquidation	(250)	(400)
Employee entitlements <sup>33</sup>	(179)	(179)
<b>Surplus/(shortfall) available to Westpac</b>	<b>543</b>	<b>666</b>

### Value of intercompany loan receivable and shareholding

In my opinion, in the event that the Company is placed into liquidation, it would follow that RML and its subsidiaries would be placed into external administration under the laws of New Zealand. I estimate there would be a return to employees and a surplus of between \$0.5 million and \$0.7 million available to Westpac pursuant to its security. There would be no return to unsecured creditors, hence there would be no value in the loan due to the Company or the Company's shareholding in RML.

<sup>33</sup> As at 29 June 2022, total leave and redundancy entitlements were estimated to be NZD \$0.2 million based on calculations provided to me by the Administrators. Converted at NZD \$1.12 : \$1.

#### B.4 Midstate CreditCollect Pty Ltd ('Midstate')

Midstate provides collection services to local governments. Midstate had 13 employees as at 30 June 2022. Midstate relies on the Group for its legal services (which are provided by CLH Legal) and corporate services which are provided by the Company.

##### Profit and loss for the year ended 30 June 2022

The profit and loss statement for Midstate for the year ended 30 June 2022 is set out below based on unaudited management accounts provided by the Administrators.

Midstate CreditCollect Pty Ltd	(\$'000)
<b>Operating income</b>	
Collection services revenue	3,119
Interest income	0
<b>Revenue from continuing operations</b>	<b>3,119</b>
<b>Operating expenses</b>	
Direct costs	(880)
Employee-related costs	(1,671)
Corporate/administrative costs	(379)
<b>EBITDA</b>	<b>189</b>
Depreciation and amortisation	(402)
<b>EBIT</b>	<b>(213)</b>
Finance costs	(6)
Income tax (expense)/benefit	168
<b>Net profit</b>	<b>(51)</b>



**Balance sheet at 30 June 2022**

The balance sheet for Midstate based on unaudited management accounts at 30 June 2022 is set out below. Included against the balance sheet is my assessment of the recoverable value range in liquidation. My reasoning for the liquidation values is set out below the table.

Midstate CreditCollect Pty Ltd (\$'000)	Book value	Liquidation Value (Low Case)	Liquidation Value (High Case)
<b>Current assets</b>			
Cash and cash equivalents	311	311	311
Trade and other receivables	594	297	416
Intercompany loan receivable (tax related)	1,710	-	-
<b>Total current assets</b>	<b>2,615</b>	<b>608</b>	<b>727</b>
<b>Non-current assets</b>			
Property, plant and equipment	101	-	-
Intangible assets	1,180	-	-
<b>Total non-current assets</b>	<b>1,281</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>3,896</b>	<b>608</b>	<b>727</b>
<b>Current liabilities</b>			
Trade and other payables	278	-	-
Intercompany loan payable	7,736	-	-
Provisions	213	-	-
Other current liabilities	86	-	-
<b>Total current liabilities</b>	<b>8,313</b>	<b>-</b>	<b>-</b>
<b>Non-current liabilities</b>			
Provisions	33	-	-
Other financial liabilities	15	-	-
<b>Total non-current liabilities</b>	<b>48</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>8,361</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>(4,465)</b>	<b>-</b>	<b>-</b>

**Outcome if the Company is placed into liquidation**

If the Company was placed into liquidation, the directors of Midstate would need to consider its financial position. A prudent director would likely take steps to place Midstate into liquidation for the following reasons:

- Midstate had a net liability position \$4.5 million at 30 June 2022. It does not have sufficient realisable assets to meet its liabilities. Midstate is also part of the Security Group and would have a contingent liability to Westpac, estimated to be \$6.4 million
- Midstate relies upon legal services provided by CLH Legal. Its capacity to perform its collection duties without the support of CLH Legal is uncertain
- The corporate functions that Midstate relies upon the Company to provide would not be available which would make ongoing trading difficult.

**Comments on the recoverable value of assets in liquidation**

The Administrators received an indicative offer of \$200,000 for the shares in Midstate<sup>34</sup>. If this offer was capable of acceptance in circumstances where Midstate was placed into liquidation, I am of the opinion the entirety of the consideration would be eroded by costs of the transaction and the liquidation.

<sup>34</sup> Appendix 4 – Summary of ROCAP Part A of the Second Report to Creditors

I have also considered the value of the assets on a break-up basis. The balance sheet of Midstate largely comprises intangible assets (customer contracts) and working capital assets. In circumstances where the business could not be sold as a going-concern and the assets had to be liquidated:

- Cash and trade receivables may be collectable. Owing to the local government customer base, I have estimated that the collectability of receivables and accrued income would be between 50% and 70% of the book values as at 30 June 2022 (before costs)
- I estimate there would be nil recovery for the plant and equipment, which largely reflects the value of leasehold improvements. Minor residual assets are generally uneconomic to deal with in a liquidation
- There would be no value in intellectual property, which comprises customer contracts. In a liquidation, the contracts would not be transferrable and would have no value.

After realisation and other costs, I estimate that there would be nil return to any creditors other than employees. As at 29 June 2022, accrued leave entitlements and termination were \$0.6 million. Assuming administration costs of \$150,000, there would likely be nil return available to Westpac and nil return to unsecured creditors, as set out in the table below.

#### Estimated outcome if Midstate is placed into liquidation

Asset/liability (\$'000)	Liquidation Value (Low Case)	Liquidation Value (High Case)
Cash at bank	311	311
Accounts receivable	297	416
<b>Total recoveries</b>	<b>608</b>	<b>727</b>
Cost of liquidation	(150)	(150)
Employee entitlements	(600)	(600)
<b>Surplus/(shortfall) available to Westpac</b>	<b>(142)</b>	<b>(23)</b>

#### Value of intercompany loan and shareholding

In my opinion, in the event that the Company is placed into liquidation, it would follow that Midstate would be placed into liquidation. I estimate there would be nil return to Westpac or unsecured creditors (except employees), hence there would be no value in the loan due to the Company or the Company's shareholding in Midstate.

## B.5 Collection House International BPO, Inc ('CLH International')

CLH International is incorporated in the Philippines and provides collection services primarily to Group companies. In FY22, CLH International derived \$2.1 million or 84% off its revenue from intercompany charges, with only \$0.4 million generated from the provision of services to third-party customers. CLH International made a small operating profit (EBITDA) of \$0.4 million in FY22, but a loss of \$0.2 million after tax. The external income derived by CLH International is insufficient to cover its current level of corporate/administrative costs.

### Profit and loss for the year ended 30 June 2022

The profit and loss statement for CLH International for the year ended 30 June 2022 is set out below based on unaudited management accounts provided by the Administrators.

Collection House International BPO, Inc	(\$'000)
<b>Operating income</b>	
Collection services revenue	402
Management service fees	2,181
<b>Revenue from continuing operations</b>	<b>2,583</b>
<b>Operating expenses</b>	
Direct costs	(15)
Employee-related costs	(1,347)
Corporate/administrative costs	(843)
<b>EBITDA</b>	<b>378</b>
Depreciation and amortisation	(515)
<b>EBIT</b>	<b>(137)</b>
Finance costs	(24)
Income tax expense	(45)
<b>Net profit</b>	<b>(206)</b>

**Balance sheet as at 30 June 2022**

The balance sheet for CLH International based on unaudited management accounts at 30 June 2022 is set out below. Included against the balance sheet is my assessment of recoverable value range in liquidation. My reasoning for the liquidation values is set out below the table.

Collection House International BPO, Inc (\$'000)	Book value	Liquidation Value (Low Case)	Liquidation Value (High Case)
<b>Current assets</b>			
Cash and cash equivalents	51	51	51
Trade and other receivables	246	-	45
Intercompany loan receivable	1,040	-	-
Other current assets	123	-	-
<b>Total current assets</b>	<b>1,460</b>	<b>51</b>	<b>96</b>
<b>Non-current assets</b>			
Property, plant and equipment	641	-	-
Intangible assets	6	-	-
Deferred tax assets	0	-	-
<b>Total non-current assets</b>	<b>648</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>2,107</b>	<b>51</b>	<b>96</b>
<b>Current liabilities</b>			
Trade and other payables	(133)	-	-
Provisions	11	-	-
Other current liabilities	280	-	-
<b>Total current liabilities</b>	<b>158</b>	<b>-</b>	<b>-</b>
<b>Non-current liabilities</b>			
Other financial liabilities	116	-	-
<b>Total non-current liabilities</b>	<b>116</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>274</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>1,833</b>	<b>-</b>	<b>-</b>

**Outcome if the Company is placed into liquidation**

If the Company was placed into liquidation, CLH International would be without the ongoing revenue and support from the Group. A prudent director would likely take steps to place CLH International into liquidation under the laws of the Philippines.

**Comments on the recoverable value of assets in liquidation**

The balance sheet for CLH International records a net asset position of \$1.8 million as at 30 June 2022. Of this, \$0.6 million relates to leasehold improvements and right of use assets (the value in use of leasehold assets) and \$1.0 million relates to intercompany loans due from the Company.

In a liquidation scenario, I have estimated cash at bank and some minor recoveries of trade receivables. I have estimated 50% recovery of the accrued revenue balance of \$90,000 at 30 June 2022. The balance of trade receivables comprises prepaid expenses of \$150,000 which are generally unrecoverable in liquidation.

Given the low level of asset recoveries, I have assumed that any assets realised would be expended in the administration of the liquidation process.

## Value of shareholding

In my opinion, in the event that the Company is placed into liquidation, it would follow that CLH International would be placed into liquidation under the laws of the Philippines. I estimate there would be nil return to any class of creditors, hence there would be no value in the Company's shareholding in CLH International.



## B.6 CLH Legal Group Pty Ltd ('CLH Legal')

CLH Legal provides legal services to the Company and its subsidiaries and limited third-party clients. As at June 2022, CLH Legal employed 17 staff across Queensland, Victoria and New South Wales.

### Profit and loss for the year ended 30 June 2022

The profit and loss statement for the year ended 30 June 2022 is set out below based on unaudited management accounts provided by the Administrators.

<b>CLH Legal Group Pty Limited</b>	<b>(\$'000)</b>
<b>Operating income</b>	
Legal services – internal	2,592
Legal services – third parties	845
Filing and bailiff fees	1,106
<b>Revenue from continuing operations</b>	<b>4,543</b>
<b>Operating expenses</b>	
Direct costs – filing, bailiff fees and other	(1,119)
Employee-related costs	(2,830)
Corporate/administrative costs	(615)
<b>EBITDA</b>	<b>(21)</b>
Depreciation and amortisation	(298)
<b>EBIT</b>	<b>(319)</b>
Income tax expense	(62)
<b>Net profit</b>	<b>(381)</b>

For the year ended 30 June 2022, third-party revenue totalled \$0.8 million. CLH Legal operated at a loss in FY22 and without internal revenue, is unlikely to have the scale required to be sustainable.

The management accounts record an income tax expense for FY22, despite negative EBITDA. The Company's Management has advised this expense relates to the write off of deferred tax assets in FY22, and that no income tax expense for FY22 has been recognised.

**Balance sheet as at 30 June 2022**

The balance sheet for CLH Legal based on unaudited management accounts at 30 June 2022 is set out below. Included against the balance sheet is my assessment of recoverable value range in liquidation. My reasoning for the liquidation values is set out below the table.

<b>CLH Legal Group Pty Ltd (\$'000)</b>	<b>Book Value</b>	<b>Liquidation Value (Low Case)</b>	<b>Liquidation Value (High Case)</b>
<b>Current assets</b>			
Cash and cash equivalents	29	29	29
Trade and other receivables	1,723	318	445
Intercompany loan receivable	36,335	-	-
<b>Total current assets</b>	<b>38,087</b>	<b>347</b>	<b>474</b>
<b>Non-current assets</b>			
Property, plant and equipment	3	-	-
Intangible assets	3,709	-	-
<b>Total non-current assets</b>	<b>3,712</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>41,799</b>	<b>347</b>	<b>474</b>
<b>Current liabilities</b>			
Trade and other payables	461	-	-
Intercompany loan payable (tax related)	13,530	-	-
Provisions	426	-	-
<b>Total current liabilities</b>	<b>14,417</b>	<b>-</b>	<b>-</b>
<b>Non-current liabilities</b>			
Provisions	29	-	-
<b>Total non-current liabilities</b>	<b>29</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>14,446</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>27,353</b>	<b>-</b>	<b>-</b>

**Outcome if the Company is placed into liquidation**

If the Company was placed into liquidation, the directors of CLH Legal would need to consider its financial position. A prudent director would likely take steps to place CLH Legal into liquidation for the following reasons:

- CLH Legal is highly reliant on the Company and its subsidiary entities for its revenue, without which, CLH Legal is unlikely to be a going-concern
- As at 30 June 2022, CLH Legal had a net asset position of \$27.4 million, which includes an intercompany loan receivable balance of \$35.3 million. This is predominately due from the Company for legal services rendered and would not be recoverable
- CLH Legal is part of the Security Group and would have a contingent liability Westpac, with a debt estimated at \$6.4 million.

**Comments on the recoverable value of assets in liquidation**

In my opinion, there is likely to be minimal recoverable value in liquidation other than cash at bank.

I have estimated that recoveries from trade receivables of between 50% and 70% of that portion of the balance that relates to trade debtors (\$635,000) and have attributed nil value to accrued revenue which makes up the balance.

Employee creditor claims as at 29 June 2022 totalled \$1.1 million. After costs, there is unlikely to be a return to creditors, as set out in the table below.

#### Estimated outcome if CLH Legal is placed into liquidation

Asset/liability (\$'000)	Liquidation Value (Low Case)	Liquidation Value (High Case)
Cash at bank	29	29
Accounts receivable	318	445
<b>Total recoveries</b>	<b>347</b>	<b>474</b>
Cost of liquidation	(100)	(100)
Employee entitlements	(1,126)	(1,126)
<b>Surplus/(shortfall) available to Westpac</b>	<b>(879)</b>	<b>(752)</b>

#### Value of shareholding

In my opinion, in the event that the Company is placed into liquidation, it would follow that CLH Legal would be placed into liquidation. I estimate there would be nil return to Westpac or unsecured creditors (except employees), hence there would be no value in the Company's shareholding in CLH Legal.



## B.7 ThinkMe Finance Pty Ltd ('ThinkMe Finance')

ThinkMe Finance previously provided specialised lending services. At 30 June 2022, it had a residual loan book of \$0.1 million which generated minimal income in FY22.

### Profit and loss for the year ended 30 June 2022

The profit and loss statement for ThinkMe Finance for the year ended 30 June 2022 is set out below based on unaudited management accounts provided by the Administrators. Results for the month of June 2022 are also shown.

ThinkMe Finance Pty Ltd (\$'000)	Year ended 30 June 2022	Month ended 30 June 2022
<b>Operating income</b>		
Collection services revenue	14	1
Interest income	398	9
<b>Revenue from continuing operations</b>	<b>412</b>	<b>10</b>
<b>Operating expenses</b>		
Direct costs	(1)	-
Employee-related costs	(5)	3
Corporate/administrative costs	(33)	(1)
<b>EBITDA</b>	<b>373</b>	<b>12</b>
Depreciation and amortisation	(7)	-
<b>EBIT</b>	<b>366</b>	<b>12</b>

ThinkMe Finance generated minimal income in June 2022, reflective of a small residual loan book in run-off.

**Balance sheet at 30 June 2022**

The balance sheet for ThinkMe Finance based on unaudited management accounts at 30 June 2022 is set out below. Included against the balance sheet is my assessment of recoverable value range in liquidation. My reasoning for the liquidation values is set out below the table.

ThinkMe Finance Pty Ltd (\$'000)	Book value	Liquidation Value (Low Case)	Liquidation Value (High Case)
<b>Current assets</b>			
Cash and cash equivalents	7	7	7
Loan assets	93	-	46
Intercompany loan receivable (tax related)	1,235	-	-
<b>Total current assets</b>	<b>1,335</b>	<b>7</b>	<b>53</b>
<b>Total non-current assets</b>			
	-	-	-
<b>Total assets</b>	<b>1,335</b>	<b>7</b>	<b>53</b>
<b>Current liabilities</b>			
Trade and other payables	5	-	-
Intercompany loan payable	4,193	-	-
<b>Total current liabilities</b>	<b>4,198</b>	-	-
<b>Non-current liabilities</b>			
Provisions	0	-	-
<b>Total non-current liabilities</b>	<b>0</b>	-	-
<b>Total liabilities</b>	<b>4,198</b>	-	-
<b>Net assets/(liabilities)</b>	<b>(2,863)</b>	-	-

ThinkMe Finance had a net liability position of \$2.9 million as at 30 June 2022 due to a net intercompany loan of \$3.0 million payable to the Company. The residual loan book had a balance of only \$0.1 million.

**Outcome if the Company is placed into liquidation**

If the Company was placed into liquidation, the directors of ThinkMe Finance would need to consider its financial position. A prudent director would likely take steps to place ThinkMe Finance into liquidation for the following reasons:

- ThinkMe Finance does not trade and only has a small residual loan book that is uneconomic to collect without the operational support provided by the Company
- ThinkMe Finance has minimal realisable assets to meet liabilities. It is also a member of the Security Group, hence has a contingent liability to Westpac estimated at \$6.4 million.

I have estimated the realisable value for the residual loan assets to be between nil and 50% after allowing for collection or the costs of transacting the portfolio to a third party.

Any realisations would be unlikely to cover the costs of a liquidation (estimated at \$0.1 million) as set out below.

**Estimated outcome if ThinkMe Finance is placed into liquidation**

Asset/liability (\$'000)	Liquidation Value (Low Case)	Liquidation Value (High Case)
Cash at bank	7	7
Loan assets	-	46
<b>Total recoveries</b>	<b>7</b>	<b>53</b>
Cost of liquidation	(100)	(100)
<b>Surplus/(shortfall) available to Westpac</b>	<b>(93)</b>	<b>(47)</b>

## Value of intercompany loan and shareholding

In my opinion, in the event that the Company is placed into liquidation, it would follow that ThinkMe Finance would be placed into liquidation. I estimate there would be nil return to Westpc or unsecured creditors, hence there would be no value in the loan due to the Company or the Company's shareholding in ThinkMe Finance.



## B.8 Collective Learning & Development Pty Ltd ('CLAD')

CLAD is a registered training organisation accredited with the Australian Skills Quality Authority. Its revenue is solely derived from government funding of its training programs. All revenue is associated with the delivery of training for Group employees. CLAD does not provide training services to any external parties.

### Profit and loss for the year ended 30 June 2022

The profit and loss statement for CLAD for the year ended 30 June 2022 is set out below based on unaudited management accounts provided by the Administrators.

Collective Learning & Development Pty Ltd	(\$'000)
<b>Operating income</b>	
Professional services income	21
Government subsidies	1,750
<b>Revenue from continuing operations</b>	<b>1,771</b>
<b>Operating expenses</b>	
Direct costs	(1)
Employee-related costs	(464)
Corporate/administrative costs	(238)
<b>EBITDA</b>	<b>1,068</b>
Depreciation and amortisation	(78)
<b>EBIT</b>	<b>990</b>
Income tax expense	(150)
<b>Net profit</b>	<b>840</b>

### Balance sheet as at 30 June 2022

The balance sheet for CLAD based on unaudited management accounts at 30 June 2022 is set out below. Included against the balance sheet is my assessment of recoverable value range in liquidation. My reasoning for the liquidation values is set out below the table.

Collective Learning & Development Pty Ltd (\$'000)	Book value	Liquidation Value (Low Case)	Liquidation Value (High Case)
<b>Current assets</b>			
Cash and cash equivalents	5	5	5
Trade and other receivables	560	-	115
<b>Total current assets</b>	<b>565</b>	<b>5</b>	<b>120</b>
<b>Non-current assets</b>			
Property, plant and equipment	1	-	-
Intangible assets	87	-	-
<b>Total non-current assets</b>	<b>88</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>653</b>	<b>5</b>	<b>120</b>
<b>Current liabilities</b>			
Intercompany loan payable	190	-	-
Current tax liability	19	-	-
<b>Total current liabilities</b>	<b>209</b>	<b>-</b>	<b>-</b>
<b>Non-current liabilities</b>			
Provisions	1	-	-
<b>Total non-current liabilities</b>	<b>1</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>210</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>443</b>	<b>-</b>	<b>-</b>

#### Outcome if the Company is placed into liquidation

If the Company is placed into liquidation, the directors of CLAD would need to consider its financial position. A prudent director would likely take steps to place CLAD into liquidation for the following reasons:

- CLAD will no longer have a source of revenue if the Company ceases operations as it did not provide training to third-parties
- As a member of the Security Group, CLAD would have a contingent liability to Westpac, estimated at \$6.4 million and would be balance sheet insolvent.

#### Comments on the recoverable value of assets in liquidation

CLAD's balance sheet as at 30 June 2022 comprised receivables of \$0.6 million and minimal cash at bank. Trade receivables included accrued revenue of \$0.5 million. I have assumed that in a winding-up, the receivables may have a realisable value of between nil and 25% of book value owing to a significant component of the balance being accrued but unbilled government subsidies. It is unlikely that these amounts would be collectable in circumstances where training was not completed and students did not obtain their qualification.

I estimate that whatever assets are realised would be utilised to fund the liquidation as set out in the table below.

#### Estimated outcome if CLAD is placed into liquidation

Asset/liability (\$'000)	Liquidation Value (Low Case)	Liquidation Value (High Case)
Cash at bank	5	5
Trade and other receivables	-	115
<b>Total recoveries</b>	<b>5</b>	<b>120</b>
Cost of liquidation	(100)	(150)
<b>Surplus/(shortfall) available to Westpac</b>	<b>(95)</b>	<b>(30)</b>

## Recoverable value of intercompany loan and shareholding to the Company

In my opinion, in the event that the Company is placed into liquidation, it would follow that CLAD would be placed into liquidation. I estimate there would be nil return to Westpac or unsecured creditors, hence there would be no value in the loan due to the Company or the Company's shareholding in CLAD.



## B.9 Safe Horizons Pty Ltd

Safe Horizons is a dormant entity which previously provided financial hardship services. Safe Horizons generated nil revenue in FY22. Its balance sheet comprised intercompany assets and liabilities, with a net liability of \$0.3 million.

### Balance sheet at 30 June 2022

The balance sheet for Safe Horizons based on unaudited management accounts at 30 June 2022 is set out below.

Safe Horizons Pty Ltd	(\$'000)
<b>Current assets</b>	
Intercompany receivable	131
<b>Total current assets</b>	<b>131</b>
<b>Non-current assets</b>	-
Other non-current assets	-
<b>Total non-current assets</b>	-
<b>Total assets</b>	<b>131</b>
<b>Current liabilities</b>	
Intercompany loans	438
<b>Total current liabilities</b>	<b>438</b>
<b>Non-current liabilities</b>	
Other financial liabilities	-
<b>Total non-current liabilities</b>	-
<b>Total liabilities</b>	<b>438</b>
<b>Net assets</b>	<b>(307)</b>

### Outcome if the Company is placed into liquidation

If the Company was placed into liquidation, the directors of Safe Horizons would need to consider its financial position. A prudent director would likely take steps to place Safe Horizons into liquidation given it has a net liability position of \$0.3 million and a contingent liability to Westpac, estimated at \$6.4 million.

### Comments on the recoverable value of assets in liquidation

Safe Horizons' only asset is an intercompany receivable which would have no value.

### Value of shareholding

In my opinion, in the event that the Company is placed into liquidation, it would follow that Safe Horizons would be placed into liquidation. I estimate there would be nil return to Westpac or unsecured creditors, hence there would be no value in the loan due to the Company or the Company's shareholding in Safe Horizons.

**B.10 CLH Business Services Pty Ltd**

CLH Business Services historically provided outsources customer service solutions. The entity is dormant and had no assets and as such, the shareholding is of nil value.





**Attachment 2 - DOCA**

# Deed of Company Arrangement

**Collection House Limited (Administrators Appointed)**

Deed Company or CLH

**John Park, Benjamin Campbell and Kelly-Anne Trenfield in their capacities  
as joint and several voluntary administrators of the Deed Company**

Deed Administrators

**Credit Corp Group Limited**

Deed Proponent or CCP

Clayton Utz  
Level 15 1 Bligh Street  
Sydney NSW 2000  
GPO Box 9806  
Sydney NSW 2001  
Tel +61 2 9353 4000  
Fax +61 2 8220 6700  
[www.claytonutz.com](http://www.claytonutz.com)

Our reference 20556/19580/81024764

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# Deed of Company Arrangement

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**Date** 21 September 2022

**Parties** **Collection House Limited (ACN 010 230 716) (Administrators Appointed)** of c/o FTI Consulting, Level 20, Central Plaza 1, 345 Queen Street, Brisbane QLD 4000 (**Deed Company** or **CLH**)

**John Park, Benjamin Campbell and Kelly-Anne Trenfield in their capacities as joint and several voluntary administrators of the Deed Company** of FTI Consulting, Level 20, Central Plaza 1, 345 Queen Street, Brisbane QLD 4000 (**Deed Administrators**)

**Credit Corp Group Limited (ACN 092 697 151)** of Level 15, 201-217 Kent Street, Sydney NSW 2000 (**Deed Proponent** or **CCP**)

## Background

- A. On 29 June 2022, John Park, Benjamin Campbell and Kelly-Anne Trenfield of FTI Consulting were appointed as joint and several administrators of the Deed Company pursuant to section 436A of the Corporations Act.
- B. At a meeting held on 13 September 2022 and convened pursuant to section 439A of the Corporations Act (**Second Meeting**), the Creditors of the Deed Company resolved that the Deed Company execute the deed of company arrangement proposed by the Deed Proponent under section 444B(2) of the Corporations Act (**Section 439C Resolution**).
- C. The Deed Company, the Deed Administrators and the Deed Proponent have agreed to execute this Deed to give effect to the Section 439C Resolution.
- D. The Deed Administrators have consented to be the administrators of this Deed.
- E. Subject to the terms of this Deed, this Deed:
  - (a) binds all Creditors of the Deed Company, in accordance with section 444D of the Corporations Act and also binds the Deed Company and its Officers and Members in accordance with section 444G of the Corporations Act; and
  - (b) will result in the transfer of all of the CLH Shares in accordance with clause 6.3 of this Deed.

## Operative provisions

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### 1. Definitions and interpretation

#### 1.1 Definitions

In this Deed:

**Accounts Receivable** means amounts payable to the Deed Company in respect of work or services provided by the Deed Company to customers up to Completion and which were invoiced by the Deed Company on or before Completion.

**Accrued Revenue** means work or services provided by the Deed Company to customers up to Completion which at Completion have not yet been invoiced.

**Administration Debt** means any:

- (a) debt referred to in section 443A(1) of the Corporations Act which was incurred by the Administrators during the Administration Period;
- (b) liability to the Commissioner of Taxation referred to in section 443BA(1); and
- (c) other debts or liabilities referred to in section 443D(aa) of the Corporations Act, in respect of which the Administrators are entitled to be indemnified under section 443D of the Corporations Act.

**Administration Period** means in respect of the Deed Company, the period of time commencing on the Appointment Date of the Deed Company and concluding on the Commencement Date.

**Administrators** means John Park, Benjamin Campbell and Kelly-Anne Trenfield in their capacities as joint and several voluntary administrators of the Deed Company.

**Appointment Date** means 29 June 2022.

**ASIC** means the Australian Securities and Investments Commission.

**ASIC Relief** means such exemptions and modifications from Chapter 6 of the Corporations Act, granted by ASIC pursuant to section 655A of the Corporations Act as are necessary to permit the transfer of the CLH Shares to CCP (or its nominee).

**Business Day** means a day (other than a Saturday or Sunday) on which banks are open for business generally in Sydney.

**CBA** means the Commonwealth Bank of Australia.

**CCP Contribution Amount** means the amount of AUD \$11,000,000 inclusive of any applicable taxes.

**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 Deed 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):

- (a) any claim of any kind whatsoever under a Pre-Administration Contract including without limitation any claim for damages or loss in connection with the Deed Company's failure to comply with or perform or termination of, a Pre-Administration Contract;
- (b) any claim that in a winding up of the Deed Company would be a subordinated claim for purposes of section 563A of the Corporations Act;
- (c) any residual unsecured claim held by a Secured Creditor following realisation of its Security; and
- (d) without limiting (a) above, any warrant, option or similar instrument issued by the Deed Company in respect of any of the CLH Shares,

save that a Claim does not include an Excluded Claim.

**CLH Bank Account** means the following AUD bank account operated by the Deed Administrators:

Account name:	Collection House Limited (Administrators Appointed)
BSB:	036-022
Account number:	544708

**CLH Shares** means all shares on issue (including ordinary shares, preference shares or otherwise) by the Deed Company as at the Appointment Date.

**CLH Subsidiaries** means the subsidiaries of the Deed Company, listed in Schedule 1 to this Deed, none of which are subject to any form of external administration process.

**Commencement Date** means the date this Deed is executed by all Parties to it.

**Completion** means the date after the CP Satisfaction Date and at a time that each of the Completion Steps have occurred.

**Completion Steps** means the completion steps contained in clause 6.2(b) of this Deed.

**Conditions** means the conditions precedent contained in clause 5.1 of this Deed.

**Continuing Employees** means those Employees who were employed by a Deed Company (or a CLH Subsidiary) as at the Commencement Date and who remain Employees as at Completion.

**Continuing Contracts** means any contract of any kind whatsoever made by the Deed Company with third parties prior to the Appointment Date, excluding Pre-Administration Contracts.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Costs** includes costs, charges, fees, government charges, taxes and expenses, including those incurred in connection with advisers, incurred in connection with the performance of the Administrators' and Deed Administrators' duties, obligations and responsibilities under the Corporations Act and this Deed during the Administration Period and the Deed Period and includes any Administration Debt.

**Court** has the meaning of "Court" in s 58AA of the Corporations Act.

**CP Satisfaction Date** means 14 October 2022 unless otherwise extended by agreement of CCP and the Deed Administrators (which must not be unreasonably withheld).

**Creditor** means any person who has a Claim against the Deed Company.

**Deed** means this Deed of Company Arrangement between the Parties.

**Deed Administrators' Costs** means costs, charges and expenses, including those incurred in connection with advisers, incurred in connection with the performance of the Deed Administrators' duties, obligations and responsibilities under the Corporations Act and this Deed during the Administration Period and the Deed Period.

**Deed Period** means the period commencing on the Commencement Date and ending on the Termination Date.

**Directors** has the meaning ascribed to that term in section 9 of the Corporations Act.

**Employee** means any person who was an employee of the Deed Company at or prior to the Appointment Date and any person whose debt or claim would, in a winding up of the company,

be payable in priority to other unsecured debts and claims in accordance with paragraphs 556(1)(e), (g) or (h) or sections 560 or 561 of the Corporations Act.

**End Date** means 3 Business Days after the date each of the Conditions are satisfied or waived (as applicable) in accordance with this Deed.

**Enforcement Process** has the meaning ascribed to that term in section 9 of the Corporations Act.

**Excluded Claim** means any:

- (a) Claims of Continuing Employees in their respective capacity as an Employee; or
- (b) any Claim of a Creditor who is a CLH Subsidiary.

**Excluded Creditor** means any Creditor with an Excluded Claim.

**GST Act** means *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

**Interim Funding Agreement** means the funding agreement entered into by CCP and the Deed Administrators dated 26 August 2022.

**Interim Funding Amount** means a loan in the sum of \$2,200,000 advanced by the Deed Proponent to the Administrators in accordance with the Interim Funding Agreement.

**Insolvency Practice Rules** means the *Insolvency Practice Rules (Corporations) 2016* (Cth).

**Insolvency Practice Schedule** means Schedule 2 of the Corporations Act.

**Members** means all the shareholders of the Deed Company.

**Officers** has the meaning ascribed to that term in section 9 of the Corporations Act.

**Parties** means the Deed Company, the Deed Administrators and the Deed Proponent and "Party" means any one of them.

**Payment Direction** means a written payment direction in a form to be agreed between the Deed Administrators, the Deed Company and the Deed Proponent providing for:

- (a) deduction of the Interim Funding Amount from the CCP Contribution Amount, in satisfaction of the obligation of the Deed Administrators to repay the Interim Funding Amount to the Deed Proponent; and
- (b) the Deed Proponent accepting that deduction as discharging any rights that it has to recover the Interim Funding Amount from the Trust,

such deduction satisfying the Deed Proponent's obligation to pay the CCP Contribution Amount in accordance with this Deed.

**PPSA** means the *Personal Property Securities Act 2009* (Cth) and any regulations made pursuant to it.

**Pre-Administration Contracts** mean the contracts specified in Schedule 2 to this Deed (and excludes the Continuing Contracts).

**Pre-Administration Contracts Notice** means the notice substantially in the form set out in Schedule 3 to be issued by the Deed Administrators immediately prior to issuing notice of effectuation of this Deed.



**Prepaid Expenses** means the unexpired term or proportionate term of expenses of the Deed Company that the Administrators or Deed Administrators have paid prior to Completion where the period of work or services extends beyond Completion.

**Prescribed Provisions** means the provisions set out in Schedule 8A to the Regulations.

**Proportionate Post Wages** means:

- (a) the proportionate amount incurred by the Deed Administrator up to Completion from the subsequent wage payment of Continuing Employees after Completion and paid by the Deed Company; and
- (b) the respective payroll tax calculated from the proportionate wages as provided in paragraph (a) above.

**Regulations** means the *Corporations Regulations 2001* (Cth).

**Remuneration** means the remuneration payable to the Administrators and Deed Administrators for acting as:

- (a) the administrators of the Deed Company under Part 5.3A of the Corporations Act; and
- (b) the Deed Administrators of the Deed Company under this Deed.

**Second Meeting** has the meaning given to that term in Recital B.

**Section 439C Resolution** has the meaning given to that term in Recital B.

**Section 444GA Order** means an order of a Court granting leave to the Deed Administrators to transfer the CLH Shares pursuant to section 444GA(1)(b) of the Corporations Act free from all Security.

**Secured Creditor** means any Creditor holding Security over any property of the Deed Company (including Westpac and CBA) securing all of any part of the Creditor's Claim.

**Security** means a mortgage, charge, pledge, lien, security interest, title retention, preferential right, trust arrangement, contractual right of set-off, and any other encumbrance, security agreement or arrangement in favour of any person, including any Security Interest (as that term is defined in section 12 of the PPSA).

**Security Trust Deed** means the security trust deed for the Collection House Security Trust dated 28 January 2014 between, amongst others, the Deed Company, Westpac (in its own capacity and as Security Trustee) and CBA, as amended from time to time

**Share Transfer** has the meaning given to it pursuant to 6.3.

**Termination Date** means the date that this Deed is terminated pursuant to either clause 7.1 or 7.2 of this Deed.

**Trust** means the CLH Creditors' Trust to be established under the Trust Deed.

**Trust Creditor** means a Creditor who has a Claim except to the extent that that Claim is an Excluded Claim.

**Trust Deed** means the trust deed to be entered into between the Deed Company, the Deed Administrators, the Trustees and the Deed Proponent, substantially in the form of that contained in Schedule 4, which creates the Trust.

**Trust Fund** has the meaning given to that term in the Trust Deed.

**Trustees** means the trustees of the Trust established under the Trust Deed, being John Park, Benjamin Campbell and Kelly-Anne Trenfield in their capacity as joint and several deed administrators of the Deed Company.

**Volt Shares** has the meaning given to that term in the Trust Deed.

**Volt Share Proceeds** has the meaning given to that term in the Trust Deed.

**Westpac** means Westpac Banking Corporation ACN 007 457 141 in its own capacity and as Security Trustee under the Security Trust Deed.

**Westpac and CBA Release** means the agreement of Westpac and CBA to release:

- (a) all Security granted to them by the Deed Company and CLH Subsidiaries (as applicable);
- (b) any guarantees provided by the CLH Subsidiaries for any indebtedness of the Deed Company; and
- (c) any borrowings provided by Westpac and CBA to a CLH Subsidiary, in each case on and from Completion.

**Working Capital Amounts** has the meaning given to it in clause 6.7.

## 1.2 Interpretation

In this Deed:

- (a) headings are for convenience only and do not affect interpretation;

and unless the context indicates a contrary intention:

- (b) an obligation or a liability assumed by, or a right conferred on, 2 or more persons binds or benefits them jointly and severally;
- (c) “**person**” includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture (whether incorporated or unincorporated), a partnership and a trust;
- (d) a reference to a Party includes that Party’s executors, administrators, successors and permitted assigns, including persons taking by way of novation and, in the case of a trustee, includes a substituted or an additional trustee;
- (e) a reference to a document (including this Deed) is to that document as varied, novated, ratified or replaced from time to time;
- (f) a reference to a statute includes its delegated legislation and a reference to a statute or delegated legislation or a provision of either includes consolidations, amendments, re-enactments and replacements;
- (g) a word importing the singular includes the plural (and vice versa), and a word indicating a gender includes every other gender;
- (h) a reference to a party, clause, schedule, exhibit, attachment or annexure is a reference to a party, clause, schedule, exhibit, attachment or annexure to or of this Deed, and a reference to this Deed includes all schedules, exhibits, attachments and annexures to it;
- (i) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;

- (j) “includes” in any form is not a word of limitation; and
- (k) a reference to “\$” or “AUD” is to Australian currency.

### 1.3 Inconsistency

- (a) If there is any inconsistency between the provisions of this Deed and the Corporations Act, the Regulations, the Insolvency Practice Schedule, or the Insolvency Practice Rules, this Deed prevails to the extent permitted by law.
- (b) If there is any inconsistency between this Deed and the constitution of the Deed Company or any other obligations binding on the Deed Company, then this Deed prevails to the extent of that inconsistency, and all persons bound by this Deed agree to sign all documents and do all things necessary to remove such inconsistency.

### 1.4 Business Days

Except where otherwise expressly provided, if the day on or by which any act, matter or thing is to be done as required by this Deed is a day other than a Business Day, that act, matter or thing will be done on the immediately succeeding Business Day.

### 1.5 Bar to claims

Subject to section 444D of the Corporations Act, this Deed may be pleaded and tendered by:

- (a) the Deed Company or the Deed Administrators against any person having or asserting a Claim released, discharged and extinguished by clause 12.3; and
- (b) the recipient of any release or covenant contained in this Deed,

as an absolute bar and defence to any legal proceeding brought or made at any time in respect of a claim, release or covenant as the case may be.

### 1.6 Prescribed Provisions

The Prescribed Provisions are deemed to be incorporated in and form part of this Deed, save that to the extent of any inconsistency between the terms of this Deed and the Prescribed Provisions, the terms of this Deed will prevail.

### 1.7 Required provisions

To the extent that the Corporations Act requires any provision to be included in this Deed which is not expressly included in this Deed, such provision will be deemed to be included in this Deed.

### 1.8 Deed components

This Deed includes any Schedule.

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## 2. Execution by all Parties

- (a) This Deed is subject to and conditional upon:
  - (i) the Section 439C Resolution being passed in respect of the Deed Company; and
  - (ii) the execution of this Deed by each person named as a Party to it.

- (b) If as a result of clause 2(a), this Deed has not come into full force and effect on or prior to the expiration of 15 Business Days (or such further period as the Court allows) after the Section 439C Resolution is passed, then this Deed will terminate automatically.

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### **3. Operation of this Deed**

#### **3.1 Commencement Date**

Subject to clause 2(a), this Deed will commence and take effect on the Commencement Date.

#### **3.2 Interim effect**

To the extent that a person would be bound by this Deed if it had already been executed, the person must not, at any time after the Section 439C Resolution is passed but before this Deed is executed, do anything inconsistent with the terms of this Deed, except with the leave of the Court.

#### **3.3 Termination**

This Deed continues until it is terminated in accordance with this Deed.

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### **4. Objective and effect**

#### **4.1 Objectives**

- (a) The purpose and objective of the arrangements set out in this Deed, amongst other matters, are to:
- (i) recapitalise the Deed Company;
  - (ii) provide a greater return to the Creditors of the Deed Company than would result from a liquidation of the Deed Company; and
  - (iii) maximise the chances of the Deed Company, or as much as possible of its operations, continuing in existence.

#### **4.2 Effect of the Deed on Officers of the Deed Company**

- (a) The Directors of the Deed Company will remain in office throughout the Deed Period unless they resign or are removed by the Deed Administrators in accordance with this Deed.
- (b) During the Deed Period, unless authorised in writing by the Deed Administrators, the Directors and Officers of the Deed Company cannot perform or exercise, and must not purport to perform or exercise, a right, function or power as a Director or Officer of the Deed Company.
- (c) For the avoidance of doubt, the Directors of the Deed Company will not take any step to wind up the Deed Company except with the written approval of the Deed Administrators.
- (d) While they remain Directors of the Deed Company, the Directors of the Deed Company will not be relieved of their statutory duties as Directors of the Deed Company and for the avoidance of doubt, the Deed Administrators will not be responsible for such statutory obligations during the Deed Period.
- (e) During the Deed Period, the Directors of the Deed Company must:

- (i) co-operate with and assist the Deed Administrators in the performance by the Deed Administrators of their obligations under this Deed;
- (ii) carry out and perform such operations, functions, powers and other matters as may be delegated to them by the Deed Administrators; and
- (iii) perform their obligations pursuant to the Deed.

### **4.3 Effect of this Deed on Members**

- (a) Until this Deed terminates, any Member, and any Creditor holding any Security over any CLH Shares must not without the prior written consent of the Deed Administrators deal with, or attempt to deal with any CLH Shares or exercise shareholder rights over any CLH Shares in a way that is contrary to this Deed or the purpose of the Deed.
- (b) The Deed Administrators must not, and must not allow:
  - (i) the CLH Shares to be transferred or otherwise dealt with other than in accordance with a Section 444GA Order; or
  - (ii) further CLH Shares of any class to be issued in the Deed Company.

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## **5. Conditions to Completion**

### **5.1 Conditions**

Completion is conditional upon all of the following events taking place:

- (a) execution of this Deed by each person named as a Party to it;
- (b) the provision of the Westpac and CBA Release;
- (c) the Deed Administrators obtaining the ASIC Relief; and
- (d) the Deed Administrators obtaining the Section 444GA Order.

### **5.2 Obligation to satisfy Conditions and transparency**

- (a) To the extent that it is within the relevant Party's control, that Party must (at its own cost) use reasonable endeavours to ensure that the Conditions are satisfied as soon as possible after the Commencement Date.
- (b) On and from the Commencement Date, the Parties must respond promptly to all reasonable requests for information from any other Party in relation to the status and expected timing for satisfaction of the Conditions.
- (c) Without limiting 5.2(a) and 5.2(b), as soon as possible following the Commencement Date, the Deed Administrators must finalise a draft application to the Federal Court of Australia seeking the Section 444GA Order and provide such draft to the Deed Proponent before filing.

### **5.3 Waiver of Conditions**

- (a) The Condition in clause 5.1(b) is for the benefit of the Deed Proponent and may only be waived in writing by the Deed Proponent.
- (b) The remaining Conditions are for the benefit of the Deed Company and the Deed Proponent and may only be waived in writing by each of them.

## 5.4 Consequence of non-satisfaction of the Conditions

- (a) Subject to clause 5.4(b), if:
- (i) one or more of the Conditions is not satisfied or waived by the CP Satisfaction Date; or
  - (ii) 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:
- (iii) the Parties will cease to be bound by this Deed on and from the CP Satisfaction Date and will have no liability under it; and
  - (iv) the Deed Administrators will convene a meeting of the Creditors to determine the future of the Deed Company.
- (b) 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 (acting reasonably).
- (c) In circumstances where the extension in clause 5.4(b) is not provided:
- (i) the Parties will cease to be bound by this Deed on and from that date and will have no liability under it; and
  - (ii) the Deed Administrators will convene a meeting of the Creditors to determine the future of the Company.

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## 6. Deed Period and Completion

### 6.1 Operation of the Deed Company during the Deed Period

- (a) During the Deed Period, the Parties agree that:
- (i) the Deed Administrators will have stewardship of the Deed Company and will continue to manage the operations of the Deed Company; and
  - (ii) CCP will not take part in the management or operations of the Deed Company, except as expressly consented to by the Deed Administrators in writing, and other than to the extent required for compliance with their statutory duties and their obligations under this Deed.
- (b) Prior to Completion, the Deed Administrators will use their best endeavours to procure that the Directors of the Deed Company be changed in accordance with any written direction given by the Deed Proponent.
- (c) Upon Completion, management of the Deed Company will return to its Directors.

### 6.2 Completion and Completion steps

- (a) Completion will occur in accordance with this clause 6.
- (b) The Completion Steps in this clause 6 will occur in the following order:
- (i) inter-dependently and to the maximum extent possible simultaneously:

- A. the Trust Deed is executed by the Deed Administrators, the Trustees and the Deed Company;
  - B. the CCP Contribution Amount is transferred by the Deed Proponent to the Deed Administrators in accordance with clause 6.5 of this Deed;
  - C. the Deed Administrators provide a Share Transfer to the Deed Proponent in accordance with clause 6.3(a) of this Deed;
  - D. the Deed Administrators (in their prior capacity as Administrators of the Deed Company) repay (by way of the Payment Direction) to the Deed Proponent all of the Interim Funding Amount; and
  - E. the Volt Shares (and/or any Volt Share Proceeds) are transferred to the Trust in accordance with clause 6.8 of this Deed;
- (ii) the Deed Administrators issue the Pre-Administration Contracts Notice to the Deed Proponent in accordance with clause 6.9 of this Deed.
- (c) The Parties acknowledge and agree that the Completion Steps are inter-dependent. If one Completion Step does not occur, then the other Completion Steps are not to occur (and are to be taken as having not occurred).
- (d) Completion must occur forthwith after the CP Satisfaction Date, and in any event on or before the End Date.

### 6.3 Share Transfer

Following the CP Satisfaction Date, and in any event on or before the End Date, the Deed Administrators must:

- (a) pursuant to the Section 444GA Order, transfer the CLH Shares to the Deed Proponent, free and clear of any encumbrances, by delivering to the Deed Proponent a duly completed share transfer form, executed on behalf of the Deed Company Members, pursuant to the Section 444GA Order (**Share Transfer**); and
- (b) enter, or procure the entry of, the name of CCP (or its nominee) in the share register in respect of all CLH Shares transferred to CCP (or its nominee) in accordance with this Deed.

### 6.4 Entry into the Trust Deed

Following the CP Satisfaction Date, and in any event on or before the End Date, the relevant parties (being the Deed Administrators, the Trustees and the Deed Company) must enter into the Trust Deed.

### 6.5 Payment of the CCP Contribution Amount

Following the CP Satisfaction Date, and in any event on or before the End Date, CCP must pay or procure the payment of the CCP Contribution Amount to the CLH Bank Account in cleared funds operated by the Deed Administrators.

### 6.6 Interim Funding Amount

- (a) Following receipt of the CCP Contribution Amount, and in any event on or before the End Date, the Deed Administrators (in their prior capacity as Administrators of

the Deed Company) must repay the Interim Funding Amount to the Deed Proponent in accordance with the Payment Direction.

- (b) Notwithstanding any other terms to the contrary in this Deed:
  - (i) the Deed Proponent will not receive any distribution under this Deed or from the Creditors' Trust other than repayment of the Interim Funding Amount in accordance with clause 5.2 of the Trust Deed and the Payment Direction; and
- (c) in the event of termination of this Deed other than in accordance with clause 7.1 of this Deed, the Interim Funding Amount will be immediately repaid by the Deed Administrators in accordance with the Interim Funding Agreement (subject to the Deed Administrators having sufficient available cash reserves to make such repayment).

## 6.7 Payment of the Working Capital Amounts

- (a) The Parties acknowledge and agree that at Completion (and in the case of amounts referenced in clause 6.7(ii) below, at and from Completion):
  - (i) any cash on hand for CLH at Completion; and
  - (ii) Accounts Receivable and Accrued Revenue generated by the Administrators or Deed Administrators when trading on the Deed Company between the Appointment Date and Completion,

(the amounts in clauses 6.7(a)(i) and 6.7(a)(ii) being the **Working Capital Amounts**), will be transferred to the Trust to form part of the Trust Fund to be administered under the Trust.
- (b) Within 10 Business Days after Completion, the Deed Company will provide the Trustees and the Deed Proponent a detailed listing of the following:
  - (i) schedule of Accounts Receivable of the Deed Company as at the date of Completion;
  - (ii) schedule of Accrued Revenue of the Deed Company as at the date of Completion;
  - (iii) reconciliation of amounts received by the Deed Company for the period from Completion to the date which the listing in clauses 6.7(b)(i) and 6.7(b)(ii) above is provided; and
  - (iv) schedule of Prepaid Expenses.
- (c) Within 12 Business Days after Completion, the Deed Proponent must pay (or will procure that the Deed Company pays) an amount to the Trust Fund, calculated as follows:
  - (i) any funds held by the Deed Company at Completion that have not been transferred to the Trust Deed as provided in clause 6.7(a) of this Deed;
  - (ii) Accounts Receivable of the Deed Company at the Completion as detailed in clause 6.7(b)(i) of this Deed;
  - (iii) Accrued Revenue of the Deed Company at the Completion as detailed in clause 6.7(b)(ii) of this Deed; and
  - (iv) Prepaid Expenses as detailed in clause 6.7(b)(iv) of this Deed.



- (d) The amount payable by the Deed Proponent as calculated in clause 6.7(c) of this Deed, can be adjusted by agreement between the Deed Proponent and Trustees (such agreement not to be unreasonably withheld) for the following:
- (i) Any Proportionate Post Wages paid by the Deed Company after the date of Completion; and
  - (ii) Any respective amounts specifically relating to invoices included in clauses 6.7(b)(i) and 6.7(b)(ii) which have been received by the Trustee in the CLH Bank Account after Completion and before the Deed Proponent pays the amount as provided in clause 6.7(c).
- (e) After the Deed Proponent makes the payment calculated in accordance with clauses 6.7(c) and 6.7(d), any amounts the Trustees receive in the CLH Bank Account which have either been paid to the Trustee in accordance with clause 6.7(c) or for work or services wholly performed after Completion will be remitted to the Deed Company by the Trustees.
- (f) Subject only to clause 6.7(g) below, any debts or liabilities incurred by the Deed Company during the period of its administration which:
- (i) the Administrators have personal liability under sections 443A or 443B of the Corporations Act; and
  - (ii) remains unpaid at Completion,
- will be satisfied from the Trust Fund in accordance with the Trust Deed.
- (g) Any debts or liabilities of a kind mentioned in clause 6.7(f) that are owed to an Excluded Creditor who is an Employee will be paid by the Deed Company following Completion.
- (h) The obligations of the Parties under this clause 6.7 survives termination of this deed (pursuant to clause 7.1) following Completion.

## 6.8 Volt Shares

Following the CP Satisfaction Date, and in any event on or before the End Date, the Deed Proponent and the Deed Administrators must procure that the Deed Company transfers the Volt Shares (and any Volt Share Proceeds) to the Trustees to be administered under the Trust as part of the Trust Fund, including distribution of the Volt Share Proceeds pursuant to clause 5.2 of the Trust Deed.

## 6.9 Pre-Administration Contracts Notice

Following the CP Satisfaction Date, and in any event on or before the End Date, the Deed Administrators or one of them shall issue the Pre-Administration Contracts Notice to the Deed Proponent.

## 6.10 Trust Creditors' Available Assets

The only property that is available to pay the Trust Creditors' Claims is the assets of the Trust Fund.

## 6.11 Consistency with the Corporations Act

- (a) Notwithstanding any other provision of this Deed, for the purposes of section 444DA of the Corporations Act, any Employee will retain a priority until Completion in respect of the assets of the Deed Company under the Deed Administrators' control, and thereafter, in respect of the assets of the Trust Fund at least equal to

that which they would have been entitled to if the property of the Deed Company had been applied in accordance with sections 556, 560 and 561 of the Corporations Act.

- (b) For the purposes of section 444DB of the Corporations Act, the Deed Administrators (including in their capacity as Trustees) must determine that a debt (or part thereof) by way of superannuation contribution (**Superannuation Debt**) is not admissible to proof as a Claim or a Claim against the Trust Fund if:
- (i) that debt (or that part of the debt) by way of superannuation guarantee charge:
    - A. has been paid; or
    - B. is, or is to be admissible against the Deed Company; and
  - (ii) the Deed Administrators are satisfied that the superannuation guarantee charge is attributable to the Superannuation Debt.
- (c) If the Deed Administrators make a determination in accordance with clause 6.11(b) above, the Superannuation Debt is to be treated as extinguished as against the Deed Company.

## 6.12 Continuing Employees

The Deed Proponent will procure that on and from Completion, the Deed Company or the CLH Subsidiary that is the employer of the Continuing Employees will remain responsible for, and will recognise, honour and pay, the entitlements of any Continuing Employee, including any entitlements that accrued prior to or after the Appointment Date.

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## 7. Termination of this Deed

### 7.1 Termination on effectuation of Deed

The Deed will terminate immediately after Completion, unless terminated earlier.

### 7.2 Termination on failure of Deed

This Deed will continue in operation until the happening of any one of the following events:

- (a) the Conditions are not satisfied by the CP Satisfaction Date or where the CP Satisfaction Date is not extended by agreement between the Parties or otherwise in accordance with clause 5.4(b);
- (b) Completion does not occur on or before the End Date (or where the End Date is not extended by agreement between the Parties);
- (c) the Court makes an order terminating this Deed under section 445D of the Corporations Act; or
- (d) by a resolution of the Creditors passed at a meeting convened pursuant to Division 75-10 of the Insolvency Practice Schedule.

### 7.3 Notice of Effectuation of Deed

Upon termination in accordance with the provisions of clause 7.1, the Deed Administrators or one of them must immediately certify, in writing that the terms of this Deed have been fulfilled and, as soon as practicable, must lodge with ASIC a notice substantially in the following form in respect of the Deed Company:

‘We, [*name of administrators*] of [*address*] as administrators of the deed of company arrangement executed on [*date*], CERTIFY that the deed has been wholly effectuated in respect to [*name of Deed Company*].’

and the execution of the notice terminates this Deed and all Claims of Creditors of the Deed Company other than Excluded Claims will be extinguished, discharged and released if not extinguished or released earlier under the Deed.

**7.4 Effect of Termination**

In accordance with section 445H of the Corporations Act, the termination or avoidance, in whole or in part, of this Deed does not affect the previous operation of this Deed.

**7.5 Severance**

If any part of this Deed is or becomes illegal, ineffective, invalid or unenforceable, that part will be severed from this Deed and that severance will not affect the effectiveness, validity or enforceability of the remaining part of this Deed.

**7.6 Consequences of Termination of the Deed for non-performance**

Upon termination of the Deed under clause 7.2, unless the Deed Administrators consider it appropriate to convene a further meeting of Creditors pursuant to Division 75-10 of the Insolvency Practice Schedule to consider a variation of the Deed:

- (a) the Deed Company will be taken to have passed special resolutions under section 491 of the Corporations Act that the Deed Company be voluntarily wound up and that the Deed Administrators be the Deed Company's liquidators; and
- (b) the Deed Company will be wound up.

**7.7 Survival of clauses**

Despite any other provision of this Deed, clauses 1 (*Definitions and interpretation*), 7 (*Termination of the Deed*), 10 (*Remuneration and indemnity*), 12 (*Moratorium and release*), 13 (*Tax*), 14 (*Notices*) and 15 (*General*) survive the termination of this Deed.

**8. Deed Administrators' appointment**

**8.1 Appointment**

On the Commencement Date, the Deed Administrators are appointed joint and several administrators of the Deed.

**8.2 Acceptance of appointment**

The Deed Administrators:

- (a) accept the appointment as administrators of the Deed; and
- (b) agree to act as administrators of the Deed during the Deed Period or until the Deed Administrators retire or are removed from office in accordance with the Deed or the Corporations Act.

**8.3 Deed Administrators are agents**

In exercising the powers conferred by the Deed and carrying out the duties arising under the Deed, the Deed Administrators will act as agent for and on behalf of the Deed Company.

## 8.4 Joint and several

The rights, powers and privileges of the Deed Administrators may be exercised by them jointly and severally.

## 8.5 Deed Administrators' resignation

Any Deed Administrator may resign at any time by giving not less than 28 days' prior written notice to each of the Parties unless that resignation would result in there being no remaining Deed Administrator in which event the Deed Administrator must:

- (a) convene meetings of Creditors of the Deed Company in accordance with clause 9.4 for the purpose of nominating a replacement deed administrator;
- (b) assign to a replacement deed administrator nominated by the Creditors the Deed Administrators' rights, title and benefit under this Deed; and
- (c) do all things reasonably necessary to effect the assignment referred to in clause 8.5(b).

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## 9. Powers of the Deed Administrators

### 9.1 Powers

For the purposes of administering this Deed, the Deed Administrators have the following powers:

- (a) all the powers set out in paragraph 2 of Schedule 8A of the Regulations, provided that the Deed Administrators must not, without the prior written consent of the Deed Proponent:
  - (i) bring an application for the winding up of a Deed Company;
  - (ii) exercise any of the powers set out in items (za), (zb), (zc) or (ze) of paragraph 2 of Schedule 8A of the Regulations; or
  - (iii) except in the ordinary course of business of the Deed Company, exercise any of the powers set out in items (h) or (s) of paragraph 2 of Schedule 8A of the Regulations;
- (b) to remove from office a Director or company secretary;
- (c) to appoint a person as a Director of the Deed Company, whether to fill a casual vacancy or not;
- (d) to perform any function and exercise any power that the Deed Company or any of their Officers could perform or exercise if the Deed Company was not subject to this Deed;
- (e) in accordance with the Section 444GA Order, to transfer the CLH Shares;
- (f) to do anything that is incidental to exercising a power set out in this clause 9.1; and
- (g) to do anything else that is necessary or convenient for the purpose of administering this Deed.

### 9.2 Calling for proofs of debt

The Deed Administrators may exercise any of the powers conferred on the Trustees under the Trust Deed for the purpose of commencing the process for the adjudication of Claims under

the Trust Deed, which exercise will be treated for all purposes under the Trust Deed as if those powers had been exercised by the Trustees after the commencement of the Trust.

### 9.3 Solicitors, advisers and consultants

- (a) The Deed Administrators may engage the services of their partners, employees, directors, officers, contractors, advisers, delegates, solicitors and consultants to assist them in the performance or exercise of their duties, obligations, responsibilities and powers under this Deed, and the Deed Company will pay such Deed Administrators' Costs up to the maximum amount of the Deed Administrators' Costs.
- (b) The Deed Administrators may delegate their powers under this clause 9 including by way of appointing agents and authorising such agents to act on behalf of the Deed Administrators or the Deed Company.

### 9.4 Creditors' meetings

The Deed Administrators may convene a meeting or meetings of Creditors at any time, and except to the extent (if any) they are excluded or modified by or are inconsistent with the terms of this Deed, Division 75 of Part 3 of the Insolvency Practice Rules applies, with such modifications as are necessary, to meetings of Creditors held under this Deed as if references to the 'external administrator' or chairperson, as the case may be, were references to the Deed Administrators.

### 9.5 Reporting

Except as required by law, the Deed Administrators are not required to report to Creditors. However, the Deed Administrators will advise all Creditors of the date of the termination of this Deed and may, in their absolute discretion, otherwise report to Creditors during the Deed Period at such times as the Deed Administrators consider appropriate and on matters which the Deed Administrators consider ought to be brought to the attention of Creditors.

### 9.6 Access to Records

The Deed Administrators, may at any time inspect and take copies of the books and records of the Deed Company at no cost, and the Deed Company authorise the Deed Administrators and Trustees and their staff to enter the Deed Company's premises on any Business Day between the hours of 9.00am and 5.00pm with no less than 24 hours' notice, for the purpose of conducting such an inspection and for the purpose of doing anything necessary or desirable in the exercise of their powers and discretions and the performance of their duties, obligations and responsibilities as Deed Administrators under this Deed, including to take photocopies or images of any books and records for that purpose.

---

## 10. Remuneration and indemnity

### 10.1 Remuneration

- (a) The Administrators and the Deed Administrators are entitled to:
  - (i) payment of Costs; and
  - (ii) receive in accordance with Division 60 of the Insolvency Practice Schedule their Remuneration on the basis of the time spent by the Administrators and Deed Administrators (as the case may be) themselves or any of their partners, employees, directors, officers, contractors, advisers, authorised agents or delegates in the performance of services in connection with or in relation to the administration of the Deed Company under Part 5.3A of the Corporations Act and this Deed and such time will be charged at the Administrators' and Deed

Administrators' standard rates, from time to time, for work of that nature by the firm of which the Administrators and Deed Administrators are partners or employees.

- (b) The Deed Administrators acknowledge that their Remuneration and Costs will only be paid from the Trust Fund.
- (c) The Administrators and the Deed Administrators' Remuneration and Costs referred to in this clause 10 and all other costs shall be reimbursed and/or paid out of the Trust Fund. The Administrators' and the Deed Administrators (whether or not they are still acting in either capacity) can request the Trustees to draw such amounts from the Trust Fund from time to time.

## 10.2 No personal liability

Subject to the Corporations Act and to the extent permitted by law, the Deed Administrators will not be personally liable for:

- (a) any debts incurred or any claims, demands, actions, loss, damage, costs, charges, expenses or liabilities caused by any act, omission or default by or on behalf of the Deed Administrators in administering this Deed or exercising their duties and obligations under this Deed;
- (b) any debts incurred or any claims, demands, actions, loss, damage, costs, charges, expenses or liabilities caused by any act, omission or default by or on behalf of the Deed Company; or
- (c) any debts incurred or any claims, demands, actions, loss, damage, costs, charges, expenses or liabilities suffered or sustained or incurred by any directors, officers or Creditors of the Deed Company.

## 10.3 Indemnity

The Deed Administrators and Administrators (whether or not they are still acting in either capacity) are entitled to be indemnified by the Deed Company until Completion, and after Completion from the Trust Fund in respect of:

- (a) all debts, liabilities, actions, suits, proceedings, accounts, claims, damages, awards and judgments whatsoever arising out of or in any way connected to the administration of the Deed Company or their role as Administrators or Deed Administrators and incurred or sustained in good faith and without negligence;
- (b) any amount which the Administrators or Deed Administrators are, or but for the transactions contemplated by this Deed would be, entitled to be indemnified out of the assets of the Deed Company for, in accordance with the Corporations Act, at law or in equity, including any amounts payable pursuant to section 443A, section 443B or section 443BA of the Corporations Act;
- (c) any debts, liabilities, damages, losses and remuneration to which the statutory indemnity under section 443D of the Corporations Act applies;
- (d) any amount for which the Administrators and Deed Administrators are entitled to exercise a lien at law or in equity on the property of the Deed Company;
- (e) the Administrators' and Deed Administrators' Remuneration and Costs; and
- (f) all debts, liabilities, actions, suits, proceedings, accounts, claims, damages, awards and judgments arising out of or in the course of the Deed and incurred or sustained in good faith and without negligence.

## 10.4 Indemnity not to be affected or prejudiced

The indemnities under clause 10.3 will not:

- (a) be affected, limited or prejudiced in any way by any irregularity, defect or invalidity in the appointment of the Administrators or Deed Administrators and extends to cover any actions, suits, proceedings, accounts, liabilities, claims and demands arising in any way out of any defect in the appointment of the Administrators or Deed Administrators or defect in the approval or execution of the Deed or otherwise; or
- (b) affect or prejudice all or any rights that the Administrators or Deed Administrators may have against the Deed Company or any other person to be indemnified against the Costs and liabilities incurred by the Administrators or Deed Administrators in the performance of, or incidental to, any of the powers or authorities conferred on the Administrators or Deed Administrators by this Deed or otherwise.

## 10.5 Satisfaction of Claims

The Administrators and Deed Administrators are entitled to exercise the Administrators and Deed Administrators' right of indemnity conferred by clause 10.3 whether or not the Deed Administrators have paid or satisfied the Claims.

## 10.6 Administrators' and Deed Administrators' lien

Until Completion, the Deed Administrators and Administrators (whether or not they are still acting in either capacity) are entitled to exercise a lien over the Deed Company assets for all amounts in respect of which they are entitled to an indemnity from the Deed Company under clause 10.3 of this Deed and otherwise at law and equity.

## 10.7 Priority

The Administrators' and Deed Administrators' right of indemnity under clause 10.3 and their lien under clause 10.6 have priority over the claims of any Creditor or all Creditors generally.

## 10.8 Statutory liability and indemnity

Nothing in this Deed will affect or limit the operation of Subdivision B of Division 9 of Part 5.3A of the Corporations Act, which is to apply with all necessary modifications to the Administrators' voluntary administration of the Deed Company and Deed Administrators' subsequent administration of this Deed.

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## 11. Application to Court

- (a) If any unforeseen circumstances arise that are not contemplated by the Deed, the Deed Administrators may, in their absolute discretion, if they think fit, apply to the Court for directions.
- (b) No person bound by the Deed (other than the Deed Administrators or the Deed Proponent) may make any application to the Court in relation to any matter arising under the Deed unless at least 5 Business Days' prior notice in writing has been given to the Deed Administrators. The notice must give particulars of the proposed application.

---

## 12. Moratorium and release

### 12.1 Binding effect

Without limiting sections 444D and 444G of the Corporations Act this Deed binds:

- (a) each Creditor;
- (b) each Member and Officer of the Deed Company; and
- (c) subject to clause 12.7, each Secured Creditor who voted in favour of the section 439C Resolution at the Second Meeting.

## 12.2 Moratorium

- (a) Subject to clause 12.2(b), during the Deed Period a Creditor may not, in relation to that Creditor's Claim:
  - (i) make or concur in an application for an order to wind up the Deed Company;
  - (ii) proceed with such an application (referred to in (i) above) made before this Deed became binding on such person;
  - (iii) begin, revive or continue or take any further steps in any action, suit, mediation or proceeding against the Deed Company or in relation to any of its property (with the leave of a Court and in accordance with such terms (if any) as a Court imposes);
  - (iv) begin, revive or continue or take any further steps in respect of any Enforcement Process in relation to the Deed Company's property (with the leave of a Court and in accordance with such terms (if any) as a Court imposes);
  - (v) commence, continue or take any additional step in any arbitration or Court proceeding against the Deed Company or to which the Deed Company is a party;
  - (vi) exercise any right of set-off or defence, cross-claim or cross action to which that Creditor would not have been entitled had the Deed Company been wound up on the Appointment Date;
  - (vii) take any action whatsoever to seek to recover any part of its Claim from the Deed Company; or
  - (viii) otherwise enforce any right it may have or acquire against the Deed Company.
- (b) Notwithstanding clause 12.2(a) or any other term of this Deed, the moratorium described in clause 12.2(a) does not restrict or otherwise prevent the Deed Proponent from taking enforcement action; which, for the avoidance of doubt, is expressly permitted.
- (c) For the purposes of this clause 12.2(a), "property" includes property used or occupied by, or in the possession of, the Deed Company except if the Administrators have issued a notice under section 443B of the Corporations Act in relation to that property.

## 12.3 Release upon Completion

Subject to clause 12.6, each Creditor agrees that on Completion, its Claims (other than any Excluded Claims) are extinguished and released.



## 12.4 Execution of all necessary documents

Each Creditor must, if required by the Deed Administrators, execute and deliver to the Deed Administrators such form of acknowledgement or release of any Claim as reflects the release and discharge of that Claim pursuant to clause 12.3.

## 12.5 Bar to Creditors' Claims

Subject to section 444D of the Corporations Act, this Deed may be pleaded by the Deed Company or the Deed Administrators against any Creditor as an absolute bar and defence to any Claim to the extent that the Deed Company's liability has been released and discharged in relation to that Claim pursuant to clause 12.3.

## 12.6 Conversion of Claims

- (a) Subject to clause 12.6(b), the Deed Administrators and the Creditors agree that, upon all Claims being released pursuant to clause 12.3, each Trust Creditor who had a Claim, will be entitled to make a claim against the Trust Fund, in accordance with the Trust Deed, which is equal in amount to their released Claim.
- (b) A Creditor is not entitled to make a claim against, participate in or receive any distribution from, the Trust Fund in respect of an Excluded Claim.

## 12.7 Secured Creditors

- (a) Other than as expressly provided for under this Deed, this Deed will not release:
  - (i) any Security held by Secured Creditors in respect of any Claim; and
  - (ii) any Security validly and effectively held by an owner or lessor in property of CLH.
- (b) Nothing in this Deed affects the liabilities of the Deed Company to the Secured Creditors or the contractual relations between them in respect of their Security to the extent permitted by section 444D(2) of the Corporations Act.
- (c) Subject to clause 12.7(d), each Secured Creditor who voted in favour of the Section 439C Resolution will be subject to the restrictions in clause 12.2.
- (d) The restrictions in clause 12.2 will cease to apply to a Secured Creditor who voted in favour of the Section 439C Resolution if this Deed terminates prior to Completion for any of the reasons set out in clause 7.2 of this Deed.

---

## 13. Tax

### 13.1 Interpretation

The Parties agree that:

- (a) except where the context suggests otherwise, terms used in this clause 13 have the meanings given to those terms by the GST Act (as amended from time to time);
- (b) any part of a supply that is treated as a separate supply for GST purposes (including attributing GST payable to tax periods) will be treated as a separate supply for the purposes of this clause 13;
- (c) unless otherwise expressly stated, all consideration to be provided under any other provision of this Deed is exclusive of GST. Any consideration that is specified to be inclusive of GST must not be taken into account in calculating the GST payable in relation to a supply for the purpose of this clause 13;

- (d) a reference to the GST payable by an entity or the input tax credit entitlements of an entity will include a reference to the GST payable or input tax credit entitlements of the representative member of any GST group to which that entity may belong;
- (e) a reference to something done (including a supply made) by a party includes a reference to something done by any entity through which that party acts; and
- (f) if any value added tax, goods and services tax or other similar tax is payable pursuant to a law of another jurisdiction on any supply made under or in connection with this Deed, then the provisions of this clause 13 apply as if references to a word or expression defined in the GST Act were to the corresponding concepts in the law of that other jurisdiction.

### **13.2 Reimbursements and similar payments**

Any reimbursement or similar payment required to be made under this Deed that is calculated by reference to a cost, expense, or other amount paid or incurred will be limited to the total cost, expense or amount less the amount of any input tax credit to which an entity is entitled for the acquisition to which the cost, expense or amount relates plus an amount calculated in accordance with clause 13.3 where applicable.

### **13.3 GST payable**

If GST is payable in relation to a supply made by a party (**Supplier**) under or in connection with this Deed then the party providing consideration for the supply (**Recipient**) must pay an additional amount to the Supplier equal to the amount of GST payable in relation to the supply at the same time as the other consideration is to be provided for that supply.

### **13.4 Tax invoice**

The Supplier must issue a valid tax invoice to the Recipient for any taxable supply it makes under this Deed, except where the Recipient is required to issue the tax invoice.

### **13.5 Variation to GST payable**

If the GST payable in relation to a supply made under or in connection with this Deed varies from the additional amount paid by the Recipient under clause 13.3 then the Supplier must promptly issue an adjustment notice to the Recipient and will provide a corresponding refund or credit to, or will be entitled to receive the amount of that variation from, the Recipient. Any payment, credit or refund under this clause is deemed to be a payment, credit or refund of the additional amount payable under clause 13.3.

---

## **14. Notices**

### **14.1 How to give notices**

- (a) Any notice to a party under the provisions of this Deed is valid and effective if delivered personally, by courier or e-mail, to or, if given by registered mail, postage prepaid, addressed to, the details for that party specified in clause 14.3 and is deemed to have been given on the date of delivery personally or by courier or e-mail if so delivered prior to 5:00 pm (Sydney time) and otherwise on the next calendar day, or on the fifth Business Day after such letter has been mailed, as the case may be.
- (b) Any notice provided for in this Deed may be waived in writing by the party entitled to receive such notice, either before or after the event.
- (c) A notice in connection with this Deed must be:
  - (i) in writing in English; and

- (ii) signed by the party or its agent.
- (d) Where two or more persons comprise a party, notice to or by one is effective notice to and by all.

**14.2 Change of details**

- (a) A party may at any time change its contact details by notice to each other party.
- (b) If details are so changed, this clause applies as if those changed details were set out in in the 'Parties' section of this Deed.

**14.3 Notice details**

**Voluntary Administrators and Deed Administrators**

Name: John Park, Benjamin Campbell and Kelly-Anne Trenfield in their capacities as joint and several voluntary administrators and deed administrators of the Deed Company

Address: C/o FTI Consulting,  
Level 20, Central Plaza 1,  
345 Queen Street,  
Brisbane QLD 4000

Email: John.Park@fticonsulting.com

For the attention of: John Park

**Deed Company**

Name: Collection House Limited (Administrators Appointed)

Address: C/o FTI Consulting,  
Level 20, Central Plaza 1,  
345 Queen Street,  
Brisbane QLD 4000

Email: John.Park@fticonsulting.com

For the attention of: John Park

**Deed Proponent**

Name: Credit Corp Group Limited

Address: Level 15, 201-217 Kent Street,  
Sydney NSW 2000

Email: MEadie@creditcorp.com.au

For the attention of: Michael Eadie

**15. General**

**15.1 Variation**

- (a) Subject to the provisions of the Corporations Act, this Deed may only be varied:
  - (i) by a resolution passed at a meeting of the Creditors convened in accordance with Division 75 of the Insolvency Practice Schedule, but only if the variation is not materially different from a proposed variation set out in a notice of meeting; and
  - (ii) with written agreement of the Parties.

- (b) Nothing in any variation of this Deed shall limit the operation of sections 445D and 445E of the Corporations Act.

## **15.2 Assignment**

Rights arising out of or under this Deed are not assignable by a party, except if the assignor is required to make the assignment pursuant to clause 8.5(b) or makes the assignment with the prior written consent of the other Parties.

## **15.3 Further assurances**

Each party and each person bound by this Deed must, at its own expense, do all things and execute all documents necessary to give full effect to this Deed and the transactions contemplated by it.

## **15.4 Governing law and jurisdiction**

This Deed is governed by the law in force in New South Wales. The parties submit to the non-exclusive jurisdiction of the Courts in and of the State of New South Wales and any Court which may hear appeals from those Courts.

## **15.5 Waiver**

The non-exercise of or delay in exercising any power or right of a party does not operate as a waiver of that power or right, nor does any single exercise of a power or right preclude any other or further exercise of it or the exercise of any other power or right. A power or right may only be waived in writing, signed by the Parties to be bound by the waiver.

## **15.6 Counterparts**

- (a) This Deed may be executed in any number of counterparts.
- (b) All counterparts, taken together, constitute one and the same instrument.
- (c) A party may execute this Deed by signing any counterpart.
- (d) Without limitation, the Parties agree that their communication of an offer or acceptance of this Deed, including exchanging counterparts, may be by any electronic method that evidences each Parties' execution of this Deed.

## **15.7 Creditor's power of attorney**

Each Creditor irrevocably appoints each of the Deed Administrators jointly and severally as its attorney to execute any document to give effect to the releases in clause 12.3.

## **15.8 Joint Parties**

If two or more parties are included within the same defined term in this Deed:

- (a) liability of those parties under this Deed is a joint liability of all of them and a several liability of each of them;
- (b) a right given to those parties under this deed is a right given severally to each of them; and
- (c) a representation, warranty or undertaking made by those parties is made by each of them.

**15.9 Costs**

- (a) Each party must pay its own costs of negotiating, preparing and executing this Deed.
- (b) The Administrators' costs of and incidental to the preparation and execution of this Deed are taken to be costs, charges and expenses incurred by the Deed Administrators in connection with or incidental to the administration of this Deed.

**15.10 Stamp duty**

Save for in respect of any matters related to any sale, transfer or other dealing in respect of the Volt Shares, the Deed Proponent must pay all stamp duties and any related interest, fines and penalties in respect of this Deed, and must indemnify each other party against any liability arising from failure to comply with this clause 15.10.

**15.11 Accumulative rights**

The rights, power and remedies provided by this Deed are accumulative and do not exclude any rights, powers, authorities, discretions or remedies provided by law.

**15.12 Time**

Time is of the essence of this Deed in all respects.

**15.13 Entire agreement**

This Deed contains everything that the Parties have agreed on in relation to the matters it deals with. No party can rely on an earlier document, or anything said or done by another party before this Deed was executed.

**15.14 Further cooperation**

Each party must do anything (including executing a document) another party reasonably requires in writing to give full effect to this Deed.

**15.15 Relationship of the Parties**

This Deed does not create a partnership, agency, fiduciary or any other relationship, except the relationship of contracting parties.

**Schedule 1 - CLH Subsidiaries**

1. CLH Business Services Pty Ltd (ACN 614 027 593).
2. CLH Legal Group Pty Ltd (formerly Jones King Lawyers Pty Ltd) (ACN 096 845 117).
3. Collective Learning and Development Pty Ltd (ACN 093 502 491).
4. Lion Finance Pty Ltd (ACN 095 926 766).
5. Midstate Creditcollect Pty Ltd (ACN 006 673 472).
6. Safe Horizons Pty Ltd (ACN 065 819 829).
7. ThinkMe Finance Pty Ltd (ACN 165 799 315).
8. Collection House (NZ) Limited (NZBN 9429 037 518 097).
9. Lion Finance Limited (NZBN 9429 036 834 914).
10. Receivables Management (NZ) Limited (NZBN 9429 034 677 155).
11. Receivables Management (International) Limited (NZBN 9429 030 151 925).
12. Receivables Finance Limited (NZBN 9429 042 246 985).
13. Southern Receivables Limited (NZBN 9429 034 678 763).
14. Collection House International BPO, Inc.

**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 - Pre-Administration Contract Notice

**By Email**

[Address]

Dear Sirs,

1. 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.
2. This notice concerns the Pre-Administration Contracts under the DOCA.
3. By this notice, we as Deed Administrators confirm to CCP 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.

Yours sincerely

[Deed Administrators' sign-off]



**Schedule 4 - Creditors' Trust Deed**

# CLH Creditors' Trust Deed

Collection House Limited ACN 010 230 716 (Subject to Deed of Company Arrangement)

Deed Company or CLH

John Park, Benjamin Campbell and Kelly-Anne Trenfield in their capacities as joint and several deed administrators of the Deed Company

Deed Administrators

John Park, Benjamin Campbell and Kelly-Anne Trenfield in their capacities as trustees of the Deed Company

Trustees

Credit Corp Group Limited ACN 092 697 151

Deed Proponent or CCP

Clayton Utz  
Level 15 1 Bligh Street  
Sydney NSW 2000  
GPO Box 9806  
Sydney NSW 2001  
Tel +61 2 9353 4000  
Fax +61 2 8220 6700  
[www.claytonutz.com](http://www.claytonutz.com)

Our reference 20556/19580/81024764

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# CLH Creditors' Trust Deed

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## Date

## Parties

**Collection House Limited (ACN 010 230 716) (Subject to Deed of Company Arrangement)** of c/- FTI Consulting, Level 20, Central Plaza 1, 345 Queen Street, Brisbane QLD 4000 (**Deed Company or CLH**)

**John Park, Benjamin Campbell and Kelly-Anne Trenfield in their capacities as joint and several deed administrators of the Deed Company** of c/- FTI Consulting, Level 20, Central Plaza 1, 345 Queen Street, Brisbane QLD 4000 (**Deed Administrators**)

**John Park, Benjamin Campbell and Kelly-Anne Trenfield in their capacities as joint and several trustees of the Deed Company** of c/- FTI Consulting, Level 20, Central Plaza 1, 345 Queen Street, Brisbane QLD 4000 (**Trustees**)

**Credit Corp Group Limited (ACN 092 697 151)** of Level 15, 201-217 Kent Street, Sydney NSW 2000 (**Deed Proponent or CCP**)

## Recitals

- A. On the Appointment Date, John Park, Benjamin Campbell and Kelly-Anne Trenfield were appointed as administrators of the Deed Company pursuant to Part 5.3A of the Corporations Act.
- B. At a meeting held on 13 September 2022 and convened pursuant to section 439A of the Corporations Act, the Creditors of the Deed Company resolved that the Deed Company execute the DOCA proposed under section 444B(2)(b) of the Corporations Act.
- C. On 21 September 2022, the Deed Administrators, the Deed Company and the Deed Proponent executed the DOCA pursuant to section 444B(2)(b) of the Corporations Act.
- D. The DOCA provides for the establishment of a Creditors' Trust for the benefit of the Admitted Creditors. The CCP Contribution Amount, any Working Capital Amounts, the Volt Shares and any Volt Share Proceeds will be transferred to the Trustees to settle the Trust in accordance with the DOCA.
- E. The Deed Company and the Trustees enter into this Deed as contemplated by the DOCA in order to facilitate a distribution by the Trustees to the Trust Creditors in their capacity as beneficiaries of the Trust Fund.

## Operative provisions

### 1. Interpretation

#### 1.1 Definitions

In this Deed, terms defined in the DOCA have the same meaning when used in this Deed unless otherwise defined in this Deed or otherwise required by the context or the subject matter, and:

**Administrators** means John Park, Benjamin Campbell and Kelly-Anne Trenfield in their capacities as joint and several voluntary administrators of the Deed Company.

**Administrators' Costs** means costs, charges and expenses, including those incurred in connection with advisers, incurred in connection with the performance of the Administrators' duties, obligations and responsibilities under the Corporations Act and the DOCA during the Administration Period and the Deed Period.

**Admitted Claim** means the Claim of any Trust Creditor admitted by the Trustees after adjudication in accordance with clause 8 of this Deed.

**Admitted Creditor** means a Creditor with an Admitted Claim.

**Deed** means this creditors' trust deed, as amended from time to time.

**Deed Administrators' Costs** has the meaning given to that term in the DOCA.

**Dividend** means any amount paid to a Trust Creditor in respect of that creditors' Admitted Claim.

**DOCA** means the Deed of Company Arrangement dated 21 September 2022, executed by the Deed Company, the Deed Administrators and the Deed Proponent.

**Employee Creditor** means an Employee (other than a Continuing Employee) with a Priority Claim.

**Final Dividend** means the last Dividend payment to be made by the Trustees to any Trust Creditor under this Deed.

**Pool A Creditors** means CCP in respect of amounts owing under the Interim Funding Agreement and Westpac in respect of amounts owing under the VA Funding Agreement.

**Pool A Fund** means the Pool A Fund Amount, to be made available for distribution in accordance with clause 5.2(a) of this Deed.

**Pool A Fund Amount** means \$3,700,000.

**Pool B Creditors** means an Employee Creditor, the Administrators, the Deed Administrators and the Trustees.

**Pool B Fund** means the Pool B Fund Amount, to be made available for distribution in accordance with clause 5.2(b) of this Deed.

**Pool B Fund Amount** means all amounts left in the Trust Fund after distribution of the Pool A Fund sufficient to make distributions to Pool B Creditors in full.

**Pool C Creditors** means a Small Creditor.

**Pool C Fund** means Pool C Fund Amount, to be made available for distribution in accordance with clause 5.2(c) of this Deed.

**Pool C Fund Amount** means \$250,000.

**Pool D Creditors** means Creditors other than an Employee Creditor, a Secured Creditor, a Small Creditor or an Excluded Creditor.

**Pool D Fund** means Pool D Fund Amount, to be made available for distribution in accordance with clause 5.2(d) of this Deed.

**Pool D Fund Amount** means \$500,000.

**Pool E Creditors** means Westpac and CBA in their capacity as Secured Creditors (excluding Westpac's entitlement to a distribution of the Pool A Fund Amount as a Pool A Creditor).

**Pool E Fund** means the Pool E Fund Amount to be made available for distribution in accordance with clause 5.2(e) of this Deed.

**Pool E Fund Amount** means:

- (a) any amounts left in the Trust Fund after distribution in full of the Pool A Fund, Pool B Fund, Pool C Fund and Pool D Fund; and
- (b) the Volt Shares and any Volt Share Proceeds.

**Priority Claim** means a Claim of an Employee that would have been entitled to priority over the Claims of other unsecured creditors, pursuant to section 556(1), section 560 or section 561 of the Corporations Act, if the Deed Company had been wound up and the winding up was taken to have commenced on the Appointment Date.

**Small Claim** means any Claim with a value of \$20,000 or less in the aggregate.

**Small Claim Dividend** means, in respect of a Small Claim, either the amount equal to 50% of that Small Claim, or where the Pool C Fund Amount is insufficient to pay 50% in aggregate of all Small Claims, a lesser amount calculated on a pro rata basis.

**Small Creditor** means a Creditor with a Small Claim.

**Trust Termination Date** means the date on which the Trust terminates in accordance with clause 16.1 or clause 16.3 of this Deed.

**Trust** means the trust created by this Deed.

**Trust Creditor's Claim** means a Claim of a Trust Creditor.

**Trust Fund** means the fund contemplated by clause 3 of this Deed.

**Trustee Act** means the *Trustees Act 1925* (NSW).

**Trustees' Costs** means the costs, charges and expenses, incurred by the Trustees in connection with the performance of their duties, obligations and responsibilities as trustees of the Trust, including those incurred in connection with advisers.

**Trustees' Remuneration** means the remuneration of the Trustee as provided for in clause 13.1 of this Deed.

**VA Funding Agreement** means the facility agreement dated 7 July 2022 between the Administrators and Westpac.

**Volt** means Volt Corporation Limited ACN 622 084 959.

**Volt Share Proceeds** means the aggregate of any dividends, distributions or return, or proceeds received by CLH from the sale (however structured), by CLH or any CLH Subsidiary (whether in a single transaction or series of transaction) of all of the Volt Shares to a third party.

**Volt Shares** means CLH or any CLH Subsidiary's right, title and interest in any ordinary, preference or other shares issued by Volt that are held by CLH or any of CLH Subsidiary.

## 1.2 Interpretation

In this deed:

- (a) headings are for convenience only and do not affect interpretation; and

- (i) words have the meaning given them by Part 1.2 of the Corporations Act;
- (ii) and unless the context indicates a contrary intention:
- (b) an obligation or a liability assumed by, or a right conferred on, 2 or more persons binds or benefits them jointly and severally;
- (c) the expression "**person**" includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture (whether incorporated or unincorporated), a partnership and a trust;
- (d) a reference to a party includes that party's executors, administrators, successors and permitted assigns, including persons taking by way of novation and, in the case of a trustee, includes a substituted or an additional trustee;
- (e) a reference to a document (including this deed) is to that document as varied, novated, ratified or replaced from time to time;
- (f) a reference to a statute includes its delegated legislation and a reference to a statute or delegated legislation or a provision of either includes consolidations, amendments, re-enactments and replacements;
- (g) words importing the singular include the plural (and vice versa), and words indicating a gender include every other gender;
- (h) a reference to a party, clause, schedule, exhibit, attachment or annexure is a reference to a party, clause, schedule, exhibit, attachment or annexure to or of this deed, and a reference to this deed includes all schedules, exhibits, attachments and annexures to it;
- (i) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (j) the expression "**includes**" in any form is not a word of limitation; and
- (k) a reference to "\$" or "**dollar**" is to Australian currency.

### 1.3 Headings

Headings are used for convenience only and do not affect the interpretation of this Deed.

### 1.4 Inconsistency with Corporations Act or Regulations

If there is any inconsistency between the provisions of this Deed and the Corporations Act, Regulations, the Insolvency Practice Schedule or the Insolvency Practice Rules, this Deed prevails to the extent permitted by law.

### 1.5 Other inconsistencies

If there is any inconsistency between the provisions of this Deed and the constitution of the Deed Company or any other obligations binding on the Deed Company, then the provisions of this Deed will prevail to the extent of the inconsistency, and all persons bound by this Deed agree to sign all documents and do all things necessary to remove such inconsistency, the costs of which shall be borne by the Deed Company.

### 1.6 Business Days

Except where otherwise expressly provided, if the day on or by which any act, matter or thing is to be done as required by this Deed is a day other than a Business Day, such act, matter or thing shall be done on the immediately succeeding Business Day.



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## **2. Commencement of this Deed**

The Trust will come into effect and the Deed Administrators will act as Trustees pursuant to the terms of this Deed immediately upon Completion occurring.

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## **3. The Trust Fund**

### **3.1 Trust Fund**

The Trust Fund will comprise:

- (a) the following property which is to be transferred to the Trustees after Completion in accordance with clause 6 of the DOCA:
  - (i) the CCP Contribution Amount;
  - (ii) the Working Capital Amounts;
  - (iii) the Volt Shares;
  - (iv) any Volt Share Proceeds (as applicable); and
- (b) such interest as may be earned on the Trust Fund.

### **3.2 Payment of Working Capital Amounts**

Following Completion, the Parties acknowledge and agree that they will perform and observe the terms and obligations at clause 6.7 of the DOCA in respect of the Working Capital Amounts as if those terms and obligations had been repeated in full in this Deed.

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## **4. Declaration of Trust**

### **4.1 Declaration**

The Trustees acknowledge and declare that they will hold the Trust Fund on trust for the Trust Creditors on the terms of this Deed.

### **4.2 Name of the Trust**

The trust constituted by this Deed will be called the CLH Creditors' Trust.

### **4.3 Objects of the Trust**

The Trustees shall receive and hold the Trust Fund on trust for the benefit of the Trust Creditors and will distribute the Trust Fund in accordance with the terms of this Deed.

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## **5. Distribution of the Trust Fund**

### **5.1 Division of the Trust Fund**

The Trust Fund shall be divided into:

- (a) Pool A Fund;
- (b) Pool B Fund;
- (c) Pool C Fund;

- (d) Pool D Fund; and
- (e) Pool E Fund.

## 5.2 Distribution of the Trust Fund

Provided that each Trust Creditor has an Admitted Claim, the Trust Fund will be available for distribution to the Trust Creditors as follows:

- (a) First, the Pool A Fund will be available for distribution to Pool A Creditors, as follows:
  - (i) first, to Westpac in discharge of the Administrators' obligations under the VA Funding Agreement, in the amount of \$1,500,000; and
  - (ii) second, to CCP in discharge of the Administrators' obligations under the Interim Funding Agreement, in the amount of \$2,200,000.
- (b) Second, the Pool B Fund will be available for distribution to Pool B Creditors, as follows:
  - (i) first, to the Administrators or Deed Administrators for any amounts which they are entitled to be paid or indemnified for under the DOCA (even though they may have ceased to be Administrators or Deed Administrators), including for the avoidance of doubt, the Administrators' Costs and Deed Administrators' Costs;
  - (ii) second, to the Trustees in satisfaction of the Trustees' Remuneration and the Trustees' Costs (which may include an amount of the Trustees' Remuneration and the Trustees' Costs which are estimated to be incurred by the Trustees up to the Trust Termination Date); and
  - (iii) third, to Employee Creditors in full;
- (c) Third, the Pool C Fund will be available for distribution to Pool C Creditors up to the amount of a Small Claim Dividend for each Pool C Creditor.
- (d) Fourth, the Pool D Fund will be available for distribution to Pool D Creditors equally and on a pro rata basis up to the Pool D Fund Amount.
- (e) Fifth, the Pool E Fund to be available for distribution to the Pool E Creditors equally and on a pro rata basis.
- (f) Notwithstanding any other provision of this Deed, for the purposes of section 444DA of the Corporations Act and clause 5.2(b)(iii), any Claims of Employee Creditors will retain a priority in respect of the assets of the Trust Fund at least equal to that which they would have been entitled to if the property of the relevant Deed Company had been applied in accordance with sections 556, 560 and 561 of the Corporations Act.
- (g) The Trustees may distribute the Trust Fund in one or more instalments at such times as determined by the Trustees in their absolute discretion, including making distributions (whether interim or final) under any subclause of this clause 5.2 in advance of any other subclause of this clause 5.2 on the basis that the Trustees have retained sufficient funds to ensure that any payments to be made under a subclause of this clause 5.2 with a higher priority may be made when the time comes to do so.
- (h) For the avoidance of doubt, any distribution of the Pool E Fund to the Pool E Creditors is not contingent on the sale of the Volt Shares.

- (i) No distributions will be made in respect of a Claim of a Creditor unless the Creditor's Claim is an Admitted Claim.

### 5.3 Postponement

Should proceedings be brought by any person in respect of the distribution of the Trust Fund, the Trustees are entitled at their sole discretion to postpone the payment of any entitlement until determined by the Trustees.

### 5.4 Unclaimed Moneys

In the event that the Trustees, for any reason, are unable to locate a Trust Creditor, or if any cheque sent by the Trustees to an Admitted Creditor has not been presented within 6 months, then:

- (a) the Trustees shall stop payment of such cheque;
- (b) the moneys represented by such stopped cheque or held by the Trustees on behalf of the Admitted Creditor shall be paid to ASIC; and
- (c) the provisions of sections 544(1) and 544(3) of the Corporations Act will apply, with such modifications as are necessary to such payment, as if references in those sections to 'liquidator' were references to the 'Trustees'.

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## 6. Trustees' duties and powers

### 6.1 Trustees' duties

The Trustees must:

- (a) collect, sell or otherwise realise the property held on trust (including, to avoid doubt, any causes of action forming part of the Trust Fund), to the extent and in a manner the Trustees believe is appropriate; and
- (b) distribute the Trust Fund in accordance with clause 5 of this Deed.

### 6.2 Trustees' powers

- (a) Without limiting the Trustees' powers under the Trustee Act or under any law with respect to trustees, for the purpose of performing their duties under this Deed, the Trustees have all of the rights, powers, discretions and remedies granted by law to the Trustees including the power to:
  - (i) to the extent that they have not done so already in their capacity as Deed Administrators, determine the Claims of Creditors and admit or reject Claims to proof in accordance with the terms of this Deed;
  - (ii) administer and distribute the Trust Fund in accordance with the terms of this Deed;
  - (iii) sell, reinvest or otherwise deal with the assets of the Trust Fund;
  - (iv) perfect title in any assets of the Trust Fund;
  - (v) insure any assets of the Trust Fund;
  - (vi) at any time, call meetings of the Creditors for the purpose of considering the variation or termination of this Deed in accordance with the provisions of this Deed;

- (vii) ensure that the obligations of the Deed Company and the Deed Proponent under the DOCA and this Deed are fulfilled, and to take such legal proceedings or other steps as the Trustees think fit to enforce those obligations;
- (viii) fulfil the Trustees' obligations under this Deed;
- (ix) enforce compliance with the terms of this Deed and the DOCA;
- (x) make interim or other distributions of the Trust Fund;
- (xi) appoint agents to do any business or attend to any matter or affairs of the Trust that the Trustees are unable to do, or that it is unreasonable to expect the Trustees to do, in person;
- (xii) appoint solicitors, accountants or other professionally qualified persons to assist the Trustees;
- (xiii) compromise any Claim on such terms as the Trustees see fit;
- (xiv) enforce compliance with the terms of this Deed;
- (xv) accept the transfer of any shares, stocks, debentures, debenture stock, annuities, bonds, obligations or other securities of whatever nature that may at any time be transferred to the Trustees;
- (xvi) to enter upon or take possession of the Trust Fund and to collect and distribute revenue or income from or interest on the Trust Fund and exercise any rights or powers to any part of the Trust Fund;
- (xvii) to bring, prosecute and defend any claim, action, suit or proceeding, which power includes the power to bring and defend any claim, counter-claim, set-off, action, suit or proceeding, to enforce any right, claim or cause of action that forms part of the Trust Fund, and to that end:
  - A. to issue or accept service of any writ, summons or other legal process and to appear or be represented in any court and before all wardens, magistrates or judicial or other officers as the Trustees think fit and to commence or defend and conduct any action or other proceeding in any court of justice in relation to the Trust Fund and any claim, proceeding or action forming part of the Trust Fund and to prosecute, discontinue, compromise, stay, terminate or abandon that proceeding or action as the Trustees see fit;
  - B. to appoint any solicitor and/or counsel to prosecute or defend in those proceedings as the Trustees see fit; and
  - C. to take any other lawful ways and means for the recovery or getting in any of the Trust Fund;
- (xviii) to convene and hold meetings of the Creditors for any purpose as the Trustees see fit;
- (xix) to permit any person authorised by the Trustees to operate any account in the name of the Trust;
- (xx) to do all acts and execute in the name of and on behalf of the Trust all deeds, receipts and other documents;

- (xxi) to draw, accept, make or endorse any bill of exchange or promissory note in the name of or on behalf of the Trust;
  - (xxii) subject to the Corporations Act, prove in the bankruptcy, winding up of or under any scheme of arrangement entered into by, or deed of company arrangement executed by, any contributory or debtor of the Trust;
  - (xxiii) to bring or defend an application for the vesting or winding up of the Trust;
  - (xxiv) to report to Creditors from time to time;
  - (xxv) do anything that is incidental to exercising a power set out in this clause 6.2 of this Deed;
  - (xxvi) pay amounts from the Trust Fund for which an indemnity exists under clause 14 of this Deed; and
  - (xxvii) do anything else that is necessary or convenient for administering the Trust.
- (b) Without limiting the Trustees' powers under any law with respect to trustees or otherwise, the Trustees may deal with the property comprising the Trust Fund in any manner as if the Trustees were the legal and beneficial owners of that property, and may also exercise any power in respect of the property comprising the Trust Fund and the Trustees' functions under this Deed as the Deed Administrators are or were entitled to exercise under the terms of the DOCA.
- (c) Without limiting sub-clauses 6.2(a) and 6.2(b) of this Deed:
- (i) the Trustees also have, with respect to the property comprising the Trust Fund, all of the powers set out in paragraph 2 of Schedule 8A of the Regulations, with all modifications as are necessary to give effect to this Deed as if:
    - A. the Trust were a company subject to a deed of company arrangement; and
    - B. the Trustees were the deed administrators of that deed;
  - (ii) save to say that the Trustees will not be required to comply with clause 10 of Schedule 8A of the Regulations; and
  - (iii) the Trustees may appoint any person to manage the property comprising the Trust Fund on terms determined by the Trustees.

### 6.3 Exercise of discretion and powers

- (a) The Trustees may exercise any discretion under this Deed in the Trustees' absolute and unfettered discretion.
- (b) The Trustees shall not be required to give any reason for the exercise of, or failure to exercise, any of the Trustees' powers.
- (c) None of the Trustees' powers shall limit the generality of any other of the Trustees' powers, and the Trustees shall have the power to do anything the Trustees consider incidental to any of the Trustees' powers.
- (d) For the avoidance of doubt, the Trustees shall have the ability to sell, transfer or otherwise deal with the Volt Shares at any time and howsoever they deem

appropriate (acting in their sole discretion) for the purposes of monetising the Pool E Fund (to the extent it is not already held as cash or cash equivalent) for distribution to the Pool E Creditors.

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## 7. Perpetuity period

Notwithstanding any other provision of this Deed, each:

- (a) interest in property; and
- (b) Trustee's power over or in connection with property,

created or granted by this Deed that, but for this provision, might vest, take effect, or be exercisable, after the expiry of 80 years commencing on the date of this Deed, but which has not vested or taken effect by that date:

- (c) will vest or take effect on the last day of that period; and
- (d) is exercisable only on or before the last day of that period.

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## 8. Claims, Entitlements and Payments

### 8.1 Admissibility of Claims

- (a) Upon this Deed being settled, and in accordance with clause 12.6 of the DOCA, each Claim of a Trust Creditor against the Deed Company will convert to, and become, a claim against the Trust Fund under this Deed, equal in amount to the Trust Creditor's entitlement to a distribution in respect of the Trust Creditor's released Claim in accordance with clause 5.2 of this Deed.
- (b) Interest will not accrue or be payable on any Admitted Claim.

### 8.2 Trustees' discretion

The Trustees may, in their absolute discretion:

- (a) call for proofs of debt or Claim;
- (b) admit all or part of a Claim;
- (c) reject all or part of a Claim; or
- (d) pay any Admitted Claim,

in accordance with the provisions of this Deed.

### 8.3 Determination of Claims

- (a) Any costs or expenses incurred by a Trust Creditor in asserting a Claim under this Deed (including any application under clause 8.3(g)) will be borne by that Trust Creditor and will not form part of that Trust Creditor's Claim under this Deed.
- (b) Subdivisions A, B, C and E of Division 6 of Part 5.6 of the Corporations Act apply to the admission of Claims under this Deed as if references to the 'liquidator' were references to the 'Trustees' and references to 'winding up' were references to this Deed, and with such other modifications as are necessary to give effect to this Deed, except to the extent that those provisions are varied or excluded expressly or impliedly by this Deed.

- (c) Regulations 5.6.37, 5.6.39 to 5.6.43 (inclusive), 5.6.44 to 5.6.53 (inclusive) and 5.6.55 to 5.6.72 (inclusive) of the Regulations shall apply to this Deed and to the Trustee as if the references to the 'liquidator' were references to the 'Trustees' and references to 'winding up' were references to this Deed, and with such other modifications as are necessary to give effect to this Deed, except to the extent that those provisions are varied or excluded expressly or impliedly by this Deed.
- (d) The Trustees may make interim distributions of trust property under this Deed.
- (e) The Trustees may make any distribution by cheque or by electronic funds transfer to a bank account nominated by the relevant Trust Creditor.
- (f) The Trustees must declare and distribute trust property under this Deed as soon as practicable after the Trust comes into effect under clause 4.1. However, subject to clauses 8.3(b) and 8.3(c), the Trustees have an absolute and unfettered discretion as to the admission of Claims, and the amount and timing of the distribution of the trust property in payment of Admitted Claims.
- (g) Where the Trustees propose to reject a Claim (whether in part or in full) the Trustees shall send a notice to the Creditor informing the Creditor of the proposed rejection and giving the party 14 days within which to make an application to the Court to determine the questions relating to the Claim.
- (h) The Trustees are entitled to rely upon any steps and determinations made by the Deed Administrators for the purposes of this clause in respect of whether a claim asserted for the purposes of claiming under this Deed is an Admitted Claim, together with any information and proofs or particulars of debt provided to the Administrators or Deed Administrators.

#### **8.4 Superannuation Debts not admissible**

A Superannuation Debt is not admissible to proof against the Trust Fund.

#### **8.5 Abandonment of Claims**

A Trust Creditor will have abandoned, and will be taken for all purposes to have abandoned, all Claims and all other entitlements (if any) in the Trust Fund:

- (a) which are not the subject of a proof lodged with the Deed Administrators or the Trustees in the form required by the Trustees prior to the declaration of a Final Dividend; or
- (b) which have been rejected by the Trustees and which are not the subject of any appeal or application to the Court within the time allowed under clause 8.3(g).

#### **8.6 Discharge of Claims**

- (a) All persons having a Claim must accept their Admitted Claims under this Deed (if any) in full satisfaction and complete discharge of all debts, liabilities or claims which they have or claim to have against the Trustees or the Trust Fund, and each of them will, if called upon to do so, execute and deliver to the Trustees, such forms of release of any such claim as the Trustees require.
- (b) The Trustees must take all steps reasonably required by the Deed Proponent to obtain such releases from any Trust Creditors nominated by the Deed Proponent.

**8.7 Extinguishment of Claims**

Payment by the Trustees to a Trust Creditor of an amount declared by the Trustees, in accordance with this Deed, to be a Final Dividend under the Trust (even if the amount of the payment is nil) shall:

- (a) constitute a full and final discharge of the obligations of the Trustees to the Creditor under the Trust; and
- (b) extinguish all claims which the Trust Creditor has, or might have, against the Trustees and the Trust Fund.

**8.8 Bar**

After distribution of the Final Dividend from the Trust Fund, the Trustees may plead this Deed in bar to any Claim.

**8.9 Excluded Claims**

No Creditor is entitled to participate in or receive any distribution from the Trust Fund in respect of an Excluded Claim.

**9. GST on Claims**

**9.1 Definitions**

Words and expressions used in this clause 9 which are defined in the GST Act have the same meaning in this clause.

**9.2 GST credits on Claims which have been or will be claimed by the Deed Company**

To the extent that input tax credits on Admitted Claims have been or will be claimed by the Deed Company, the Parties agree and acknowledge that following the payment of distributions to those Admitted Creditors by the Trustees from the Trust Fund, the Deed Company by its Directors will be responsible for making any adjustment required by the provisions of the GST Act insofar as those adjustments relate to those Admitted Claims and Practice Statement PS LA 2012/1 (GA) will be applied by the Deed Company to calculate the impact of those adjustments.

**9.3 GST credits for Administration Debts and Deed Administrators' Costs**

To the extent that:

- (a) an input tax credit is available in respect of an Administration Debt or a Deed Administrators' Cost; and
- (b) neither the Administrators nor the Deed Administrators are able to claim that input tax credit because it is attributable to a tax period that arises after the date on which the GST registration of the Administrators or the Deed Administrators ends,

then, the Parties agree and acknowledge that the Deed Company is responsible for claiming that input tax credit.

**9.4 GST credits during operation of Trust**

The Parties agree and acknowledge that to the extent that an input tax credit is available in respect of any Trustees' Cost which is incurred and paid for by the Trustees during the



operation of the Trust, the Trustees (acting in their capacity as Trustees of the Trust) will be responsible for the claiming those input tax credits.

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## **10. Books and records**

### **10.1 Access by Trustees**

The Trustees will have the power to access all books and records of the Deed Company for the purposes of fulfilling their obligations under this Deed.

### **10.2 Deed Company's obligation**

The Deed Company must provide the Trustees with all requested access to the Deed Company's books and records in its possession for the purposes of the Trustees' compliance with their obligations under this Deed at no cost (including the right to take copies of such books and records).

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## **11. Meetings of Admitted Creditors**

### **11.1 Convening meetings by Trustees**

The Trustees may at any time convene a meeting of Trust Creditors, and except to the extent (if any) they are excluded or modified by or are inconsistent with the terms of this Deed, Division 75 of Part 3 of the Insolvency Practice Rules applies, with such modifications as are necessary, to meetings of the Trust Creditors as if references to the 'external administrator' or chairperson, as the case may be, were references to one or more of the Trustees.

### **11.2 Convening meetings at the request of Admitted Creditors**

The Trustees must convene a meeting of Trust Creditors if so requested in writing by a Trust Creditor or Trust Creditors the value of whose Admitted Claims is not less than 25% of the value of the total of the Admitted Claims.

### **11.3 Manner of convening meetings**

- (a) The Trustees may convene a meeting of Trust Creditors at any time in accordance with paragraph 75-10 of the Insolvency Practice Schedule and will be required to convene such a meeting when required to do so under paragraph 75-15 of the Insolvency Practice Schedule.
- (b) The Insolvency Practice Rules, Insolvency Practice Schedule and the Corporations Regulations applicable to creditors meetings in a liquidation will apply to any meeting of the Creditors of the Deed Company with such modifications as are necessary.

### **11.4 Right of Trust Creditors to attend meetings**

Trust Creditors who have been paid the full amount of their entitlements under this Deed will no longer be entitled to attend and participate in meetings of Admitted Creditors.

### **11.5 Instructions from Trust Creditors**

In the exercise of the Trustees' powers, the Trustees:

- (a) may (if they see fit), but are not obliged to, seek from the Trust Creditors at a meeting convened in accordance with this clause 11 of this Deed, instructions, including (without limitation) approval in respect of variations to the terms of this Deed;

- (b) may, but shall not be obliged to, have regard to the instructions (if any) given by the Trust Creditors at a meeting so convened; and
- (c) in the absence of instructions given by the Trust Creditors at a meeting so convened, do what is, in the Trustees' opinion, in the best interests of Creditors.

## 11.6 Variation of Deed

This Deed may be varied:

- (a) with the consent of the Trustees by a resolution passed at a meeting of Trust Creditors by a majority of Trust Creditors (in value) attending the meeting, but only if the variation is not materially different from the proposed variation set out in the notice of that meeting and provided that the variation does not materially prejudice the interests of any class of Trust Creditors without the approval of a majority (in value) of that class of Trust Creditors attending the meeting; or
- (b) by the Court upon application of any of the Trust Creditors or the Trustees pursuant to the Trustee Act.

---

## 12. Limitation of Liability

### 12.1 Exclusion of liability

- (a) Each Trustee, including his or her partners and employees, is not personally liable for any loss, damages, costs or expenses which may be occasioned to any trust property under this Deed (including the Trust Fund) or to any person by:
  - (i) the exercise of any discretion or power conferred by this Deed or by law on the Trustees, or any delay or failure to exercise any of those discretions or powers;
  - (ii) any breach of duty or trust, unless it is proved to have been committed, made or omitted in fraudulent bad faith by the Trustees, partner or employee; or
  - (iii) any disclosure by the Trustees of any document, matter or thing relating to the Trust, the Trust Fund or any Trust Creditor.
- (b) The recourse of any person against the Trustees in their capacity as trustees of the Trust, insofar as it is not excluded by sub-clause 12.1(a) of this Deed above, shall be limited to, and may only be satisfied from, the balance of the Trust Fund from time to time.
- (c) All persons claiming any interest in the Trust Fund must be treated as taking it with and subject to notice of the protection conferred by this clause 12.

### 12.2 Proceedings against co-trustee

The Trustees are not bound to take any proceeding against a co-trustee for any breach or alleged breach of trust committed by the co-trustee.

### 12.3 Reliance on advice

Where the Trustees act in reliance upon the advice of any solicitor or barrister instructed on behalf of the Trust obtained in relation to the interpretation of the provisions of this Deed or any document or statute or any matter concerning the administration of the Trust, the Trustees are not liable to any person in respect of any act done or omitted to be done by the Trustees in accordance with the advice.

## 12.4 Conflicts

All powers and discretions of the Trustee may be exercised notwithstanding that any person being a partner, employee or related party of the Trustee is a beneficiary or may have been a beneficiary or has a direct, indirect or personal interest (in whatever capacity) in the manner of, or as a result of exercising such power or discretion or may benefit directly or indirectly as a result of any such power or discretion.

---

## 13. Remuneration

### 13.1 Remuneration of Trustees

The Trustees:

- (a) are to be remunerated at the usual rates charged by FTI Consulting from time to time in respect of any work done by the Trustees, and any partner or employee of the Trustees, in connection with:
  - (i) the exercise of their powers and discretions and performance of their duties, obligations and responsibilities as Administrators and/or Deed Administrators, even though that remuneration has not been approved by the Creditors pursuant to Division 60 Subdivision B of the Insolvency Practice Schedule;
  - (ii) the calling for and adjudicating upon proofs of Claims;
  - (iii) the distribution of the Trust Fund; and
  - (iv) the exercise of their powers and discretions and performance of their duties, obligations and responsibilities as Trustees under this Deed, and
- (b) acknowledge that the Trustees' Costs, including costs, charges and expenses (including those incurred in connection with advisers) incurred in connection with the foregoing, including any stamp duty payable by them in respect of this Deed, will be payable from the Trust Fund.
- (c) The Trustees' Remuneration and the Trustees' Costs referred to in this clause 13.1 and all other costs shall be reimbursed and/or paid out of the Trust Fund. The Trustees shall be entitled to draw such amounts from the Trust Fund from time to time. For the avoidance of doubt, where the Trustees are liable to pay GST in respect of any taxable supply (within the meaning of the GST Act) they make under this Deed, the Trustees are entitled to recover an additional amount equal to the amount of that GST liability from the Trust Fund.

### 13.2 Acknowledgement

The Parties acknowledge that the Trustee's Remuneration as referred to in clause 13.1(a) includes remuneration and costs incurred by the Trustees in connection with or as a result of their duties, obligations and responsibilities as Administrators and/or Deed Administrators.

---

## 14. Indemnity

### 14.1 Scope of indemnity

The Trustees are entitled to be indemnified out of the Trust Fund for all actions, suits, proceedings, accounts, claims and demands arising out of or relating to this Deed 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 that the Trustees

shall not be entitled to an indemnity in respect of any liabilities or demands to the extent that the indemnification contravenes the Corporations Act or the Trustee Act.

## **14.2 Continuing indemnity**

This indemnity will take effect on and from the date of this Deed and will be without limitation as to time and will operate notwithstanding the removal of the Trustees (or any of them) and the appointment of any new trustee or the termination of the Trust for any reason.

## **14.3 Indemnity not to be affected or prejudiced**

The indemnity under this clause will not:

- (a) be affected, limited or prejudiced in any way by any irregularity, defect or invalidity in the appointment of the Trustees and will extend to all actions, suits, proceedings, accounts, liabilities, claims and demands arising in any way out of any defect in the appointment of the Trustees, the approval, execution or amendment of this Deed, or otherwise; and
- (b) affect or prejudice all or any rights that the Trustees may have against any other person to be indemnified against the costs, charges, expenses and liabilities incurred by the Trustees incidental to the exercise or performance of any of the powers or authorities conferred on the Trustees by this Deed or otherwise.

## **14.4 Trustees' lien**

The Trustees will be entitled to exercise a lien over the Trust Fund for all amounts in respect of which they are entitled to an indemnity from the Trust Fund.

---

## **15. Trustees not obliged to take action**

The Trustees will not be obliged to take any action under this Deed until such time as there are sufficient funds in hand and immediately available to them to pay the Trustees' Remuneration and Trustees' Costs.

---

## **16. Termination**

### **16.1 Termination of the Trust**

This Trust will terminate and the Trustees shall resign as soon as reasonably practicable, on the earlier of:

- (a) distribution of the Final Dividend from the Trust Fund; or
- (b) upon the expiry of the perpetuity period referred to in clause 7 of this Deed.

### **16.2 Meeting to consider variation or termination of the Trust**

The Trustees must convene a meeting of Trust Creditors to consider a resolution to vary this Deed or terminate this Trust if:

- (a) at any time prior to the termination of this Trust, the Trustees determine that it is no longer practicable or desirable to continue to implement or carry out this Deed; or
- (b) the Court so orders.

### **16.3 Termination of the Trust by Court order or resolution of Admitted Creditors**

- (a) This Trust will terminate if:
  - (i) a Court so orders; or
  - (ii) the Trust Creditors pass a resolution terminating this Trust at a meeting duly convened pursuant to clause 11 of this Deed or clause 16.2 of this Deed.
- (b) In the event the Trust terminates, the Trustees will apply to the Court for directions to be formulated in their sole discretion, depending on the relevant circumstances that have arisen at the time.

### **16.4 Report to Trust Creditors**

Upon a meeting being convened pursuant to clause 11 of this Deed or clause 16.2 of this Deed, the Trustees must send to each Trust Creditor prior to the meeting a report as to the state of affairs of the Trust accompanied by such financial statements as the Trustees thinks fit. The report must include:

- (a) a statement explaining the circumstances which have caused the Trustees to convene the meeting pursuant to clause 16.2 of this Deed; and
- (b) a statement that the Trust will be terminated if the Trust Creditors so resolve.

### **16.5 Previous operation of this Deed preserved**

The termination or avoidance, in whole or in part, of this Trust does not affect the efficacy of any act done prior to the termination or avoidance.

---

## **17. Resignation**

A Trustee may resign at any time by giving not less than five (5) Business Days prior written notice to the Deed Company, unless the resignation would result in there being no remaining Trustees, in which event the Trustees must convene a meeting of Admitted Creditors in accordance with clause 11 of this Deed for the purpose of nominating a replacement trustee.

---

## **18. General**

### **18.1 Governing law**

This Deed is governed by the law in force in New South Wales.

### **18.2 Waiver**

The non-exercise of or delay in exercising any power or right of a party does not operate as a waiver of that power or right, nor does any single exercise of a power or right preclude any other or further exercise of such power or right or the exercise of any other power or right. A power or right may only be waived in writing, signed by the party to be bound by the waiver.

### **18.3 Severability**

If any provision in this Deed is invalid under the law of any jurisdiction:

- (a) it is to be read down, if possible, such that it is enforceable to the extent that it is not invalid; or

- (b) failing that, it is to be severed from this Deed to the extent of the invalidity, without affecting the remaining provisions of this Deed; and
- (c) it should not affect the validity or enforceability of that provision or the other provisions of this Deed in any other jurisdiction.

#### **18.4 Counterparts**

- (a) This Deed may be signed in any number of counterparts and exchanged by email or other electronic means, and all those counterparts taken together constitute one and the same instrument.
- (b) An executed counterpart sent by email or other electronic means to a party is deemed to be a validly executed and exchanged counterpart as if it were the original.

#### **18.5 Stamp duty and GST**

All stamp duty and GST payable on or in respect of this Deed or the transactions contained in this Deed may be paid out of the Trust Fund.

#### **18.6 Entire Deed**

Save that this Deed should be read together with the DOCA, this Deed is the sole and entire memorandum and agreement between the Parties to this Deed regarding the matters the subject of it. It supersedes any prior understandings, deeds, agreements, conditions and representations relating to those matters whether oral or written, express or implied.

#### **18.7 Further action to be taken at each party's own expense**

Each party must, at its own expense, do all things and execute all documents necessary to give full effect to this Deed and the transactions contemplated by it.

#### **18.8 Assignment**

Unless expressed otherwise, rights arising out of or under this Deed are not assignable by a party without the prior written consent of the other parties.

#### **18.9 Creditor's Power of Attorney**

Each Admitted Creditor irrevocably appoints each of the Trustees jointly and severally as its attorney to execute any document to give effect to the releases in clause 8.6.

#### **18.10 Costs**

Each party must pay its own costs of negotiating, preparing and executing this Deed.

#### **18.11 Survival**

Despite any other provision of this Deed, clauses 1, 9, 12, 13, 14, 15 and 18 survive the termination of this Deed.

---

### **19. Notices**

#### **19.1 How to give notices**

- (a) Any notice to a party under the provisions of this Deed is valid and effective if delivered personally, by courier or e-mail, to or, if given by registered mail, postage prepaid, addressed to, the details for that party specified in clause 19.3 and is

deemed to have been given on the date of delivery personally or by courier or e-mail if so delivered prior to 5:00 pm (Sydney time) and otherwise on the next calendar day, or on the fifth Business Day after such letter has been mailed, as the case may be.

- (b) Any notice provided for in this Deed may be waived in writing by the party entitled to receive such notice, either before or after the event.
- (c) A notice in connection with this Deed must be:
  - (i) in writing in English; and
  - (ii) signed by the party or its agent.
- (d) Where two or more persons comprise a party, notice to or by one is effective notice to and by all.

**19.2 Change of details**

- (a) A party may at any time change its contact details by notice to each other party.
- (b) If details are so changed, this clause applies as if those changed details were set out in in the 'Parties' section of this Deed.

**19.3 Notice Details**

**Trustees**

Name: John Park, Benjamin Campbell and Kelly-Anne Trenfield in their capacities as joint and several trustees of the CLH Creditors' Trust  
Address: C/o FTI Consulting, Level 20, Central Plaza 1, 345 Queen Street, Brisbane QLD 4000  
Email: John.Park@fticonsulting.com  
For the attention of: John Park

**Deed Company**

Name: Collection House Limited (Subject to Deed of Company Arrangement)  
Address: C/o FTI Consulting, Level 20, Central Plaza 1, 345 Queen Street, Brisbane QLD 4000  
Email: John.Park@fticonsulting.com  
For the attention of: John Park

**Deed Proponent**

Name: Credit Corp Group Limited  
Address: Level 15, 201-217 Kent Street, Sydney NSW 2000  
Email: MEadie@creditcorp.com.au  
For the attention of: Michael Eadie

**Executed** as a deed.

**Deed Company**

Signed, sealed and delivered for and on behalf of  
**Collection House Limited (ACN 010 230 716)**  
**(Subject to Deed of Company Arrangement)** by  
one of its joint and several Deed Administrators in  
the presence of:



---

Signature of witness

---

Signature of Deed Administrator

---

Name of witness (block letters)

---

Name of Deed Administrator



**Trustees**

**Signed, sealed and delivered by John Park** in the presence of:

\_\_\_\_\_  
Witness

\_\_\_\_\_  
John Park

\_\_\_\_\_  
Print Full Name

**Signed, sealed and delivered by Benjamin Campbell** in the presence of:

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Benjamin Campbell

\_\_\_\_\_  
Print Full Name

**Signed, sealed and delivered by Kelly-Anne Trenfield** in the presence of:

\_\_\_\_\_  
Witness

\_\_\_\_\_  
**Kelly-Anne Trenfield**

\_\_\_\_\_  
Print Full Name

**Deed Administrators**

**Signed, sealed and delivered by John Park** in the presence of:

\_\_\_\_\_  
Witness

\_\_\_\_\_  
John Park

\_\_\_\_\_  
Print Full Name

**Signed, sealed and delivered by Benjamin Campbell** in the presence of:

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Benjamin Campbell

\_\_\_\_\_  
Print Full Name

**Signed, sealed and delivered by Kelly-Anne Trenfield** in the presence of:

\_\_\_\_\_  
Witness

\_\_\_\_\_  
**Kelly-Anne Trenfield**

\_\_\_\_\_  
Print Full Name

**Deed Proponent**

Executed by **Credit Corp Group Limited (ACN 092 697 151)** in accordance with section 127 of the *Corporations Act 2001* (Cth):

---

Signature of director

---

Signature of director / company secretary

---

Name of director

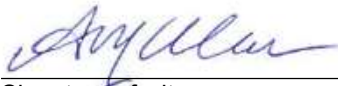
---

Name of director / company secretary

EXECUTED as a deed.

**Deed Company**

Executed by **Collection House Limited (ACN 010 230 716) (Administrators Appointed)** by John Park in his capacity as joint and several voluntary administrator



Signature of witness



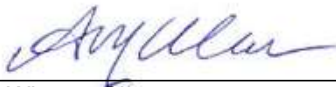
Signature of John Park

Ashleigh Ubank

Full name of witness

**Deed Administrators**

**Signed Sealed and Delivered** by  
**John Park** in the presence of:



Witness Signature



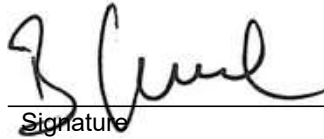
Signature

Ashleigh Ubank  
Print Name

**Signed Sealed and Delivered** by  
**Benjamin Campbell** in the presence of:



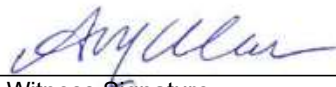
Witness Signature



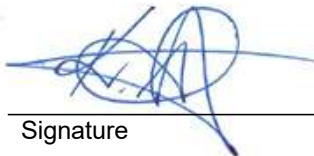
Signature

Ashleigh Ubank  
Print Name

**Signed Sealed and Delivered** by  
**Kelly-Anne Trenfield** in the presence of:



Witness Signature



Signature

Ashleigh Ubank  
Print Name

Deed Proponent

Executed by **Credit Corp Group Limited (ACN 092 697 151)** in accordance with section 127 of the Corporations Act 2001 (Cth):



Signature of director

ERIC DODO

Full name of director who states that they are a director of **Credit Corp Group Limited**



Signature of ~~director~~ company secretary

MICHAEL LEADIE

Full name of ~~director~~ company secretary who states that they are a director of **Credit Corp Group Limited**



**Attachment 3 - Section 75-225 Report**

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](http://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](mailto: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](https://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](mailto: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

<b>Strategy &amp; trading</b>	<ul style="list-style-type: none"> <li>Continued to trade the Company on a business-as-usual basis in pursuit of a sale or recapitalisation of the business</li> </ul>	<ul style="list-style-type: none"> <li>Planning and engagement with key stakeholders, including Management and Clients</li> </ul>	<ul style="list-style-type: none"> <li>Obtained funding from Westpac to ensure continue trading of the Company with minimal business disruption</li> </ul>	<ul style="list-style-type: none"> <li>Conducted a campaign to sell the business or recapitalise the Company, and progressed negotiations with numerous interested parties</li> </ul>	<ul style="list-style-type: none"> <li>Liaised with interested parties regarding final round offers. Considered the impact on stakeholders and agreed documentation with Credit Corp</li> </ul>
<b>Statutory matters &amp; investigations</b>	<ul style="list-style-type: none"> <li>Attended to all required statutory obligations and requirements</li> </ul>	<ul style="list-style-type: none"> <li>Undertook preliminary investigations into the performance and position of the Company leading up to our appointment</li> </ul>	<ul style="list-style-type: none"> <li>Formed a preliminary opinion on the existence of voidable transactions and other potential claims or breaches of the Act</li> </ul>	<ul style="list-style-type: none"> <li>Formed a preliminary opinion on the date of insolvency and events leading up to insolvency</li> </ul>	<ul style="list-style-type: none"> <li>Three (3) separate applications to Court for approval of the Administration Funding and the extensions of the convening period</li> </ul>
<b>Stakeholders</b>	<ul style="list-style-type: none"> <li>Engagement with employees, customers, and trade suppliers</li> <li>Circular and correspondence to over 600 employees, creditors and suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Facilitated first meeting of creditors via electronic facilities.</li> </ul>	<ul style="list-style-type: none"> <li>Dealings with regulatory authorities, including ASIC, ASX, ATO and ACCC</li> </ul>	<ul style="list-style-type: none"> <li>Calculated outstanding entitlements for over 460 employees and former employees</li> </ul>	<ul style="list-style-type: none"> <li>Preparation of this report pursuant to section 75-225 of the IPR</li> </ul>

## 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
<b>Explanations for the Company's difficulties</b>	<p>Our investigations have identified the following reasons for the Company's failure:</p> <ul style="list-style-type: none"> <li>■ Suffered trading difficulties and continued losses through COVID-19 pandemic;</li> <li>■ Debt collection referrals from clients significantly decreased from 2020 as a result of the pandemic;</li> <li>■ An inability to raise further capital via equity markets throughout 2022;</li> <li>■ Certain fixed costs were unable to be reduced in line with reduced revenue; and</li> <li>■ Increased dependence on external financial facilities to continue to operate the business.</li> </ul>	Section 4.10
<b>Administrators' actions and strategy</b>	<p>Our actions and strategy for the administration has been:</p> <ul style="list-style-type: none"> <li>■ Establish an in-depth understanding of the business and continued to trade as "business-as-usual";</li> <li>■ 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;</li> <li>■ Engaged in a campaign in relation to the sale of the business or recapitalisation of the Company; and</li> <li>■ Liaised with 50 interested parties, assessing offers received and progressed negotiations.</li> </ul>	Section 5.1
<b>Estimated date of insolvency</b>	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
<b>Voidable transactions</b>	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
<b>Offences by directors</b>	<p>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.</p> <p>No other offences which may have been committed by the Directors have been identified.</p>	Section 6.4



Key areas	Commentary	Analysis																				
<b>Liability for insolvent trading</b>	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.	Section 6.3.3																				
<b>Proposal for a deed of company arrangement</b>	<p>A proposal for a DOCA has been received from Credit Corp. The DOCA provides for</p> <ul style="list-style-type: none"> <li>■ Payment of an \$11M Contribution;</li> <li>■ Transfer of 100% of shares in the Company to Credit Corp;</li> <li>■ Provision of interim funding to enable ongoing operations of the Company; and</li> <li>■ Creation of a Creditors’ Trust to enable the transfer of shares in the Company and make distributions.</li> </ul>	Section 7																				
<b>Estimated outcome for creditors</b>	<p>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:</p> <table border="0" data-bbox="638 678 1590 837"> <thead> <tr> <th></th> <th><u>Liquidation</u></th> <th><u>DOCA</u></th> <th><u>DOCA Timing of payments</u></th> </tr> </thead> <tbody> <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> </tbody> </table> <p>The key factors and variables impacting the estimated return to creditors in a DOCA scenario include:</p> <ul style="list-style-type: none"> <li>■ the operation and performance of the business to completion;</li> <li>■ the timing for completion to occur; and,</li> <li>■ the level of creditor claims.</li> </ul> <p>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.</p>		<u>Liquidation</u>	<u>DOCA</u>	<u>DOCA Timing of payments</u>	■ Secured creditor	See below	5 - 22 c/\$	3-6 months	■ Priority employee claims	Nil	100 c/\$	Within 3 months	■ Small Claim Creditors	Nil	50 c/\$	3-6 months	■ Unsecured creditors	Nil	3 - 8 c/\$	3-6 months	Section 8
	<u>Liquidation</u>	<u>DOCA</u>	<u>DOCA Timing of payments</u>																			
■ Secured creditor	See below	5 - 22 c/\$	3-6 months																			
■ Priority employee claims	Nil	100 c/\$	Within 3 months																			
■ Small Claim Creditors	Nil	50 c/\$	3-6 months																			
■ Unsecured creditors	Nil	3 - 8 c/\$	3-6 months																			
<b>Remuneration</b>	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.	Appendix 8																				

### 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
<b>Description</b>	<ul style="list-style-type: none"> <li>Whether it would be in the creditors' interests for the Company to execute a DOCA</li> </ul>	<ul style="list-style-type: none"> <li>Whether it would be in the creditors' interests for the administration to end</li> </ul>	<ul style="list-style-type: none"> <li>Whether it would be in the creditors' interests for the Company to be wound up</li> </ul>
<b>Key factors to consider</b>	<ul style="list-style-type: none"> <li>On balance, there is greater certainty under the DOCA proposal compared to a liquidation scenario</li> <li>The DOCA provides for the continued operation of the Company</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>The Company is insolvent with no cash to pay all due debts and no confirmed prospects of obtaining external funding</li> </ul>	<ul style="list-style-type: none"> <li>A liquidation would likely result in a cessation of trade and wind down of operations</li> <li>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</li> <li>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</li> </ul>
<b>Our opinion</b>	<ul style="list-style-type: none"> <li><b>Is in the creditors' interests the Company execute a DOCA in line with the terms proposed</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Not</b> in the creditors' interests the administration should end</li> </ul>	<ul style="list-style-type: none"> <li><b>Not</b> in the creditors' interests the Company be wound up</li> </ul>
<b>Recommended option</b>	<b>Recommended</b>	Not recommended	Not recommended
<b>Potential to adjourn the meeting to a future date</b>	<ul style="list-style-type: none"> <li>Creditors may wish to adjourn the second meeting for up to 45 business days</li> <li>It is a matter for creditors to decide if they wish to adjourn the meeting</li> </ul>		

## 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](http://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.
14-Feb-20	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. Voluntary suspension of securities on the ASX whilst considering carrying value of PDL assets and implications on the Company's senior lending arrangements.
Mar-20	Negotiations for a standstill agreement with Senior Lenders commenced. The Company engaged external advisors. 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.
31-Dec-20	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. 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.
Nov-21	The Company implements a further stage of costs reduction initiatives forecasting a positive impact on FY23 EBIT of \$21M. 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
Jan-22	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.
Feb-22	Refinancing negotiations with preferred private equity counterparty are unsuccessful. 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.
26-Apr-22	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. 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 of 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.

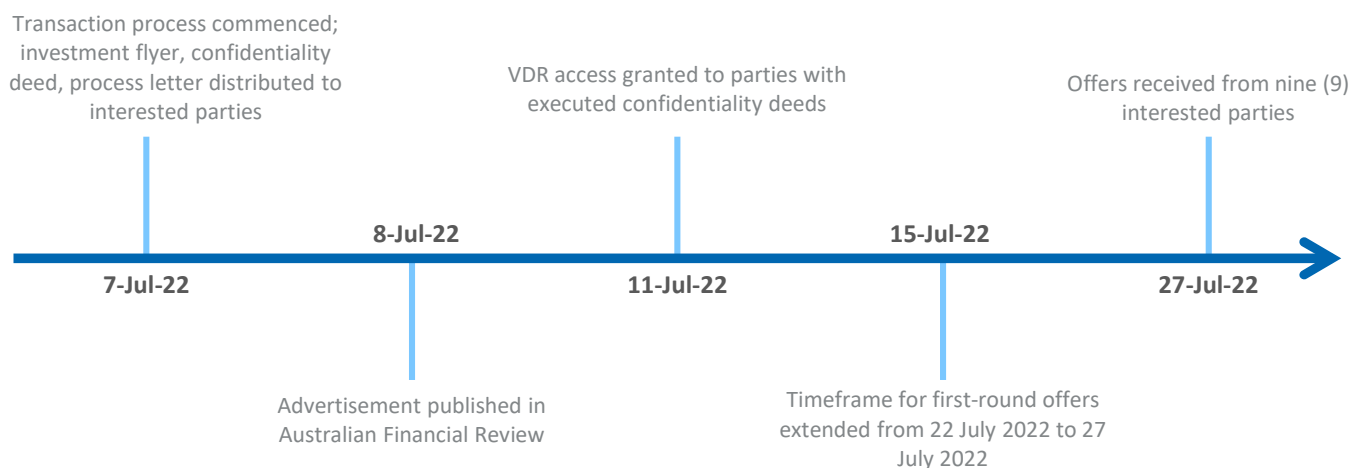
#### 5.1.7. Statutory

- 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:

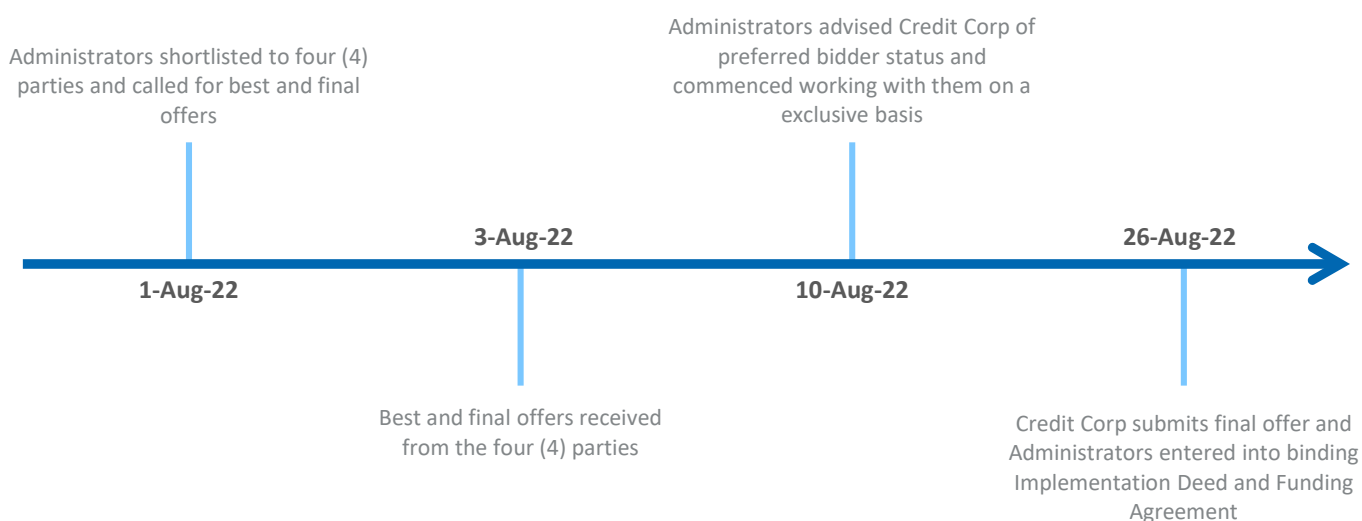
### First round offers



- 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 (\$)
<b>Related party creditors</b>				
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)
<b>Total related party creditors</b>				<b>(31,220,170)</b>
<b>Related party debtors</b>				
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
<b>Total related party debtors</b>				<b>96,383,003</b>

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)(i)
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 <i>Income Tax Assessment Act 1997</i> (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	<ul style="list-style-type: none"> <li>■ 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.</li> <li>■ 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.</li> </ul>
Uncommercial transactions	No claims	<ul style="list-style-type: none"> <li>■ We are not aware of any potential uncommercial transactions which would likely result in property being recovered for the benefit of creditors.</li> </ul>
Unfair loans	No claims	<ul style="list-style-type: none"> <li>■ We are not aware of any potential unfair loans which would likely result in property being recovered for the benefit of creditors.</li> </ul>
Unreasonable payments to Directors	No claims	<ul style="list-style-type: none"> <li>■ Our investigations to date have not found any evidence of unreasonable payments to Directors.</li> </ul>
Related entity benefit	No claims	<ul style="list-style-type: none"> <li>■ 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.</li> </ul>

Area	Our view	Comments
Arrangements to avoid employee entitlements	No claims	<ul style="list-style-type: none"> <li>■ Our investigations to date have not revealed the existence of any such arrangements.</li> </ul>
Voidable charges	No claims	<ul style="list-style-type: none"> <li>■ Our investigations have not revealed any charges or registered security interests which would be void against a liquidator.</li> </ul>
Offences by Directors	No claims	<ul style="list-style-type: none"> <li>■ 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.</li> <li>■ No other offences which may have been committed by the Directors have been identified.</li> <li>■ This is discussed further in <b>Appendix 5</b>.</li> </ul>

## 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
<b>Admitted Claims</b>	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).
<b>Completion</b>	The date upon which each of the conditions precedent has been satisfied or waived in accordance with the DOCA.



Item	Definition
<b>Continuing Contract</b>	Any contract of any kind made by the Company with third parties prior to the Appointment Date, except for Pre-Administration Contracts.
<b>Contribution</b>	The sum of \$11M
<b>Creditors' Trust Fund</b>	The Deed Fund
<b>Deed Fund</b>	The sum of the Contribution and any Working Capital Amounts as at the relevant time.
<b>Excluded Creditors</b>	Any creditor who has a claim against the Company: <ul style="list-style-type: none"> <li>■ 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</li> <li>■ where such creditor is a subsidiary.</li> </ul>
<b>Interim Funding</b>	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.
<b>Pre-Administration Contracts</b>	Any contract entered into by the Company before the appointment of the Administrators as follows: <ul style="list-style-type: none"> <li>■ lease agreement in relation to 100 Skyring Terrace, Fortitude Valley; and</li> <li>■ any contract made by the Company in relation to shares, options, warrants or similar instruments issued or to be issued by the Company.</li> </ul>
<b>Proponent</b>	Credit Corp Group Limited
<b>Small Claim</b>	Any Admitted Claim with a value of \$20,000 or less.
<b>Small Claim Creditors</b>	A creditor with a Small Claim.
<b>Working Capital Amounts</b>	At the time of completion of the DOCA: <ul style="list-style-type: none"> <li>■ cash on hand for the Company or Administrators; and</li> <li>■ accounts receivable due to the Company in respect of work done or services provided by the Company on or before that time.</li> </ul>

#### 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/](http://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](http://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](http://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					
₩A	Note	DOCA		Liquidation	
		Low return	High return	Low return	High return
<b>Circulating assets</b>					
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
<b>Total circulating assets</b>		<b>3,674,773</b>	<b>3,674,773</b>	<b>3,674,773</b>	<b>3,674,773</b>
<b>Proponent contribution</b>	4	<b>11,000,000</b>	<b>11,000,000</b>		
<b>Trading and administration costs</b>					
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)
<b>Total trading and administration costs</b>		<b>(12,216,343)</b>	<b>(10,375,936)</b>	<b>(14,921,752)</b>	<b>(13,005,065)</b>
<b>Net circulating asset / Net fund</b>		<b>2,458,430</b>	<b>4,298,837</b>	<b>(11,246,979)</b>	<b>(9,330,292)</b>
<b>Liquidator claims</b>					
Voidable recoveries	8			Nil	1,148,012
Insolvent trading actions	9			Nil	Nil
<b>Total liquidator claims</b>				<b>Nil</b>	<b>1,148,012</b>
<b>Available to priority creditors</b>		<b>2,458,430</b>	<b>4,298,837</b>	<b>Nil</b>	<b>Nil</b>
<b>Priority Creditors (Pool B DOCA scenario)</b>					
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)
<b>Total priority creditors</b>		<b>(1,182,670)</b>	<b>(1,142,670)</b>	<b>(9,841,895)</b>	<b>(9,841,895)</b>
<i>Priority creditors distribution rate (c/₩)</i>		<i>100 c/₩</i>	<i>100 c/₩</i>	<i>Nil</i>	<i>Nil</i>
<b>Available to non-priority creditors</b>		<b>1,275,760</b>	<b>3,156,167</b>	<b>Nil</b>	<b>Nil</b>

### 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.

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

### 8.1.2. Summary of estimated return in a liquidation scenario

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

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

## 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					
Creditor	Note	DOCA		Est. Timing	Liquidation
		Low return	High return		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: 5<sup>th</sup> September 2022



John Park

Administrator

  
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## 10. Appendix 1 – Glossary and terms of reference

Item	Definition
<b>2020 PDL Sale</b>	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)
<b>444GA Order</b>	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
<b>ACA</b>	Australia Creditors Association Pty Ltd
<b>Act</b>	Corporations Act 2001 (Cth)
<b>Administrators</b> <b>Deed Administrators</b> <b>Trustees</b>	John Park, Kelly-Anne Trenfield and Ben Campbell
<b>Administration Funding</b>	A loan provided to Collection House by Westpac after the date of appointment to cover the estimated costs of the voluntary administration
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	Australia Stock Exchange
<b>ASX Announcement</b>	A company announcement released for Collection House under the ticker “CLH”
<b>ATO</b>	Australian Taxation Office (incorporating the Deputy Commissioner of Taxation, as applicable)
<b>Balbec Transaction</b>	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.
<b>C5</b>	C5 is a propriety system developed and owned by CLH
<b>c.</b>	Circa or approximately
<b>CBA</b>	Commonwealth Bank of Australia Limited
<b>Credit Corp</b>	Credit Corp Group Limited
<b>CFO</b>	Chief Financial Officer
<b>CHIBI</b>	Collection House International BPO, Inc – Incorporated in Philippines
<b>CLAD</b>	Collective Learning and Development
<b>CLH Legal</b>	CLH Legal Group Pty Ltd
<b>CLHNZ</b>	Collection House (NZ) Limited – Incorporated in New Zealand
<b>Cisco</b>	Cisco Systems Capital (Australia) Pty Ltd
<b>Company</b>	Collection House Limited

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



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

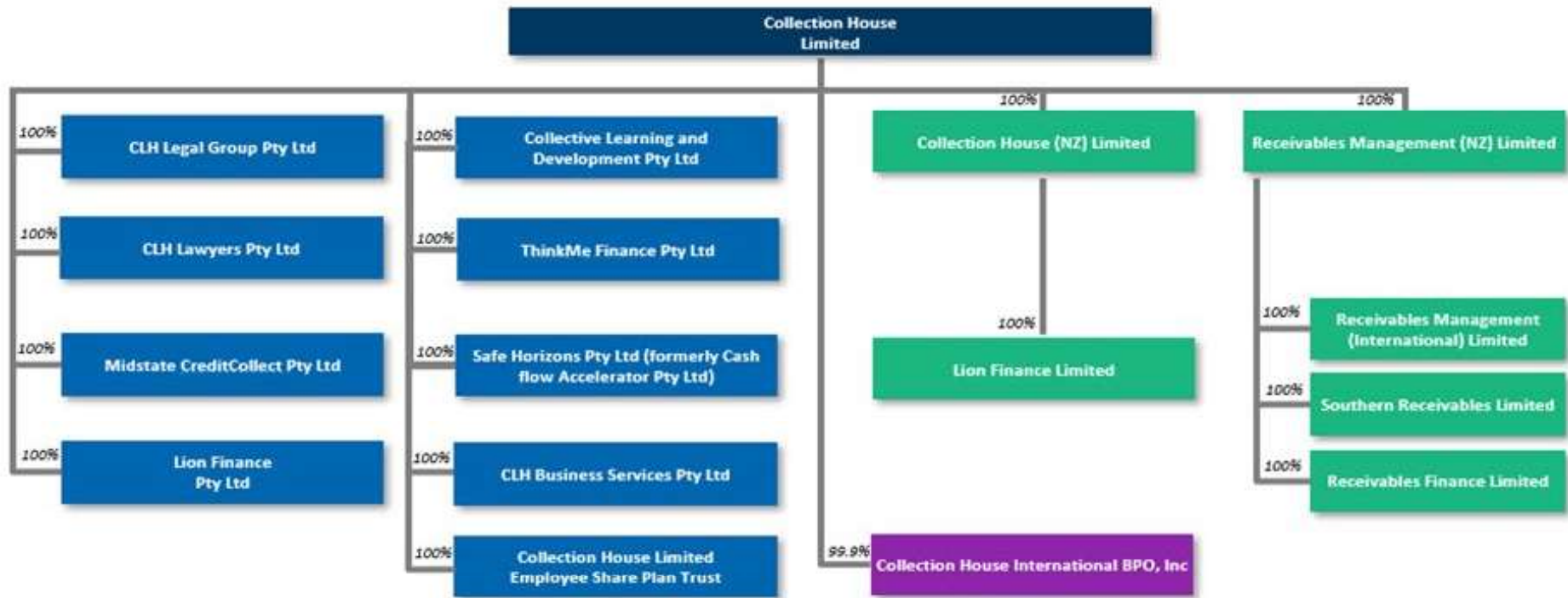
## 11. Appendix 2 – Company information

### 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)	<p>Leigh George Berkley Director Appointed on 01/07/2016</p> <p>Catherine Mary McDowell Director Appointed 17/09/2018</p> <p>Michael Knox Former Director Appointed on 24/03/2017 Ceased on 22/11/2021</p> <p>Kerry John Daly Former Director Appointed on 30/10/2009 Ceased on 28/11/2017</p> <p>Lev Mizikovsky Former Director Appointed on 01/07/2016 Ceased on 30/01/2017</p> <p>David Paul Liddy Former Director Appointed on 27/03/2012 Ceased on 04/11/2016</p>	<p>Sandra Christine Birkenleigh Director Appointed on 17/09/2018</p> <p>Jonathon Idas Secretary Appointed on 10/11/2020</p> <p>Anthony Rivas Former Director Appointed on 07/05/2017 Ceased on 24/11/2019</p> <p>Phillip Arthur Hennessy Former Director Appointed on 22/08/2013 Ceased on 28/11/2017</p> <p>Julie-Anne Schafer Former Director Appointed on 28/01/2014 Ceased on 04/01/2017</p> <p>David Michael Gray Former Director Appointed on 28/06/2011 Ceased on 05/08/2016</p>

	<p>Matthew James Thomas Former Director Appointed on 06/03/2013 Ceased on 30/06/2016</p> <p>Anthony Francis Coutts Former Director Appointed on 17/09/1998 Ceased on 30/06/2015</p>	<p>Dennis George Panches Former Director Appointed on 01/07/1998 Ceased on 23/10/2015</p>
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
<b>Current assets</b>					
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
<b>Total current assets</b>		<b>160.28</b>	<b>186.05</b>	<b>134.68</b>	<b>119.74</b>
<b>Non-current assets</b>					
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	-
<b>Total non-current assets</b>		<b>39.69</b>	<b>61.52</b>	<b>93.39</b>	<b>36.01</b>
<b>Total assets</b>		<b>199.97</b>	<b>247.57</b>	<b>228.07</b>	<b>155.75</b>
<b>Current liabilities</b>					
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
<b>Total current liabilities</b>		<b>(163.68)</b>	<b>88.33</b>	<b>59.44</b>	<b>69.04</b>
<b>Non-current liabilities</b>					
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
<b>Total non-current liabilities</b>		<b>201.08</b>	<b>27.73</b>	<b>72.35</b>	<b>17.00</b>
<b>Total liabilities</b>		<b>37.40</b>	<b>116.06</b>	<b>131.79</b>	<b>86.04</b>
<b>Net assets</b>		<b>162.57</b>	<b>131.51</b>	<b>96.28</b>	<b>69.71</b>



## 12.1.2. The consolidated group

<b>Collection House Limited - Consolidated Balance Sheet</b>					
<b>\$M</b>	<b>Notes</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22*</b>
<b>Current assets</b>					
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
<b>Total current assets</b>		<b>67.11</b>	<b>195.73</b>	<b>34.50</b>	<b>14.18</b>
<b>Non-current assets</b>					
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	-
<b>Total non-current assets</b>		<b>403.45</b>	<b>142.84</b>	<b>111.59</b>	<b>42.02</b>
<b>Total assets</b>		<b>470.56</b>	<b>338.57</b>	<b>146.09</b>	<b>56.20</b>
<b>Current liabilities</b>					
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
<b>Total current liabilities</b>		<b>38.81</b>	<b>234.64</b>	<b>32.54</b>	<b>26.94</b>
<b>Non-current liabilities</b>					
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
<b>Total non-current liabilities</b>		<b>202.59</b>	<b>30.81</b>	<b>73.73</b>	<b>17.85</b>
<b>Total liabilities</b>		<b>241.40</b>	<b>265.45</b>	<b>106.27</b>	<b>44.79</b>
<b>Net assets</b>		<b>229.16</b>	<b>73.12</b>	<b>39.82</b>	<b>11.41</b>

\*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
<b>Revenue</b>					
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
<b>Total Revenue</b>		<b>92.25</b>	<b>51.55</b>	<b>45.12</b>	<b>32.39</b>
<b>Expenses</b>					
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)
<b>Total expenses</b>		<b>(93.56)</b>	<b>(94.00)</b>	<b>(90.36)</b>	<b>(64.44)</b>
<b>Net profit before tax (pre-impairment)</b>		<b>(1.31)</b>	<b>(42.45)</b>	<b>(45.24)</b>	<b>(32.05)</b>
PDL - impairment gain/loss (AASB 9) / debt forgiveness	6	-	-	-	49.22
<b>Net profit before tax (post-impairment)</b>		<b>(1.31)</b>	<b>(42.45)</b>	<b>(45.24)</b>	<b>17.17</b>
Income tax expense / (benefit)		9.07	8.57	2.31	(48.45)
<b>Net profit after tax</b>		<b>7.75</b>	<b>(33.89)</b>	<b>(42.92)</b>	<b>(31.28)</b>
<b>EBITDA</b>		<b>9.91</b>	<b>(24.75)</b>	<b>(27.91)</b>	<b>27.55</b>

### 12.2.2. The consolidated group

Collection House Limited - Consolidated Profit and Loss					
\$M	Notes	FY19	FY20	FY21	FY22*
<b>Revenue</b>					
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
<b>Total Revenue</b>		<b>161.06</b>	<b>151.65</b>	<b>75.33</b>	<b>50.62</b>
<b>Expenses</b>					
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)
<b>Total expenses</b>		<b>(117.45)</b>	<b>(119.81)</b>	<b>(107.20)</b>	<b>(78.40)</b>
<b>Net Profit before tax (pre-impairment)</b>		<b>43.60</b>	<b>31.84</b>	<b>(31.87)</b>	<b>(27.78)</b>
PDL - impairment gain/loss (AASB 9) / debt forgiveness	6	-	(238.89)	-	51.06
<b>Net profit before tax (post-impairment)</b>		<b>43.60</b>	<b>(207.05)</b>	<b>(31.87)</b>	<b>23.28</b>
Income tax benefit / (expense)		(12.91)	61.98	(0.12)	(50.48)
<b>Net profit after tax</b>		<b>30.69</b>	<b>(145.07)</b>	<b>(31.99)</b>	<b>(27.20)</b>
<b>EBITDA</b>		<b>55.88</b>	<b>(186.89)</b>	<b>(15.47)</b>	<b>35.38</b>

\*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.

<b>Collection House Limited - Consolidated Statement of Cash Flows</b>				
<b>\$M</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>Q1 - Q3 FY22</b>
<b>Cash flows from operating activities</b>				
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
<b>Net Cash inflow from operating activities</b>	<b>86.81</b>	<b>65.34</b>	<b>13.96</b>	<b>3.08</b>
<b>Cash flows from investing activities</b>				
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)	-
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(145.83)</b>	<b>(42.54)</b>	<b>150.18</b>	<b>(0.90)</b>
<b>Cash flows from financing activities</b>				
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)	-	-	-
<b>Net cash outflow from financing activities</b>	<b>62.22</b>	<b>(14.87)</b>	<b>(166.26)</b>	<b>(6.49)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>3.20</b>	<b>7.93</b>	<b>(2.12)</b>	<b>(4.31)</b>
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)	-
<b>Cash and cash equivalents at the end of year</b>	<b>1.59</b>	<b>9.65</b>	<b>7.28</b>	<b>2.95</b>

## 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
<b>Assets</b>					
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	-	-	-	-
<b>Total assets</b>		<b>119,748,434</b>	<b>123,913,324</b>	<b>3,522,242</b>	<b>4,433,624</b>
<b>Liabilities</b>					
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)
<b>Total liabilities</b>		<b>(50,120,960)</b>	<b>(47,150,585)</b>	<b>(57,344,609)</b>	<b>(57,344,609)</b>
<b>Net assets</b>		<b>69,627,473.44</b>	<b>76,762,766.08</b>	<b>(53,822,367)</b>	<b>(52,910,985)</b>

### 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
<b>Total</b>	<b>19</b>	<b>2,186,114</b>



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
<b>Total</b>	<b>105,345,315</b>

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
<b>Total</b>	<b>1,036,903</b>

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 (\$)
<b>Related party</b>			
CLHNZ	A	908	369,000
Lion Finance	B	4	-
Midstate	C	3,367,250	180,000
CHIBI	D	106,933	-
CLH Legal Group	E	-	-
<b>Total shares in related parties</b>		<b>3,475,095</b>	<b>549,000</b>
<b>Non-related party</b>			
Volt	F	2,950,756	Unknown
<b>Total shares in non-related parties</b>		<b>2,950,756</b>	<b>Unknown</b>
<b>Total</b>		<b>6,425,851</b>	<b>Unknown</b>

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 entities, 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
<b>Total</b>		<b>6,321,101</b>

**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%
<b>Total</b>	<b>5,605,370</b>	<b>100.00%</b>

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.

<b>Employee Entitlements</b>	<b>Amount (\$)</b>
Superannuation	790,004
Annual leave	1,699,106
Long service leave	700,497
<b>Total</b>	<b>3,189,607</b>

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
<b>Total</b>	<b>6,070,486</b>	<b>13,871,427</b>	<b>13,871,427</b>

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:

<b>Intercompany creditors as at 31 May 2022</b>	
<b>Company</b>	<b>Directors' ROCAP ERV (\$)</b>
CLH Legal	22,267,609
CLHNZ	5,268,780
Safe Horizons	869,189
RMNZ	757,629
ACA	129,482
ALR Lawyers	130,934
<b>Total</b>	<b>29,423,623</b>

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's 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*

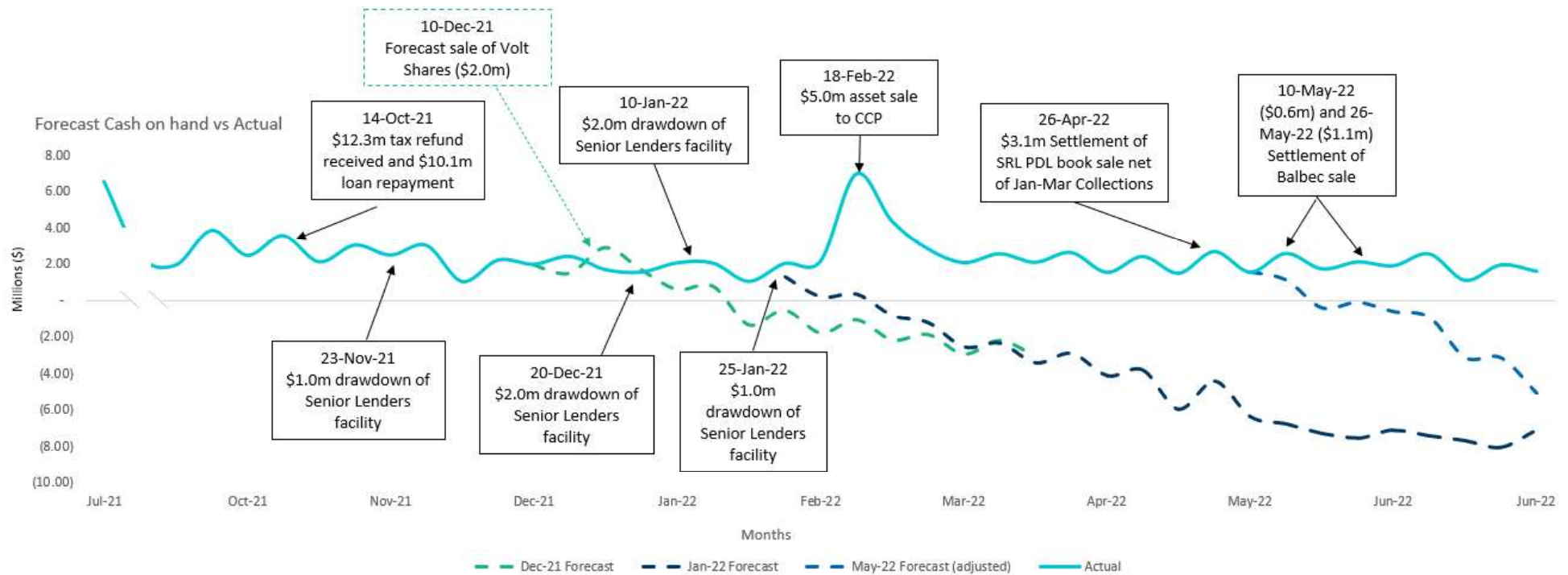
A complete assessment of cashflow solvency requires consideration of debts which are due and payable in the immediate future.

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 an 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.

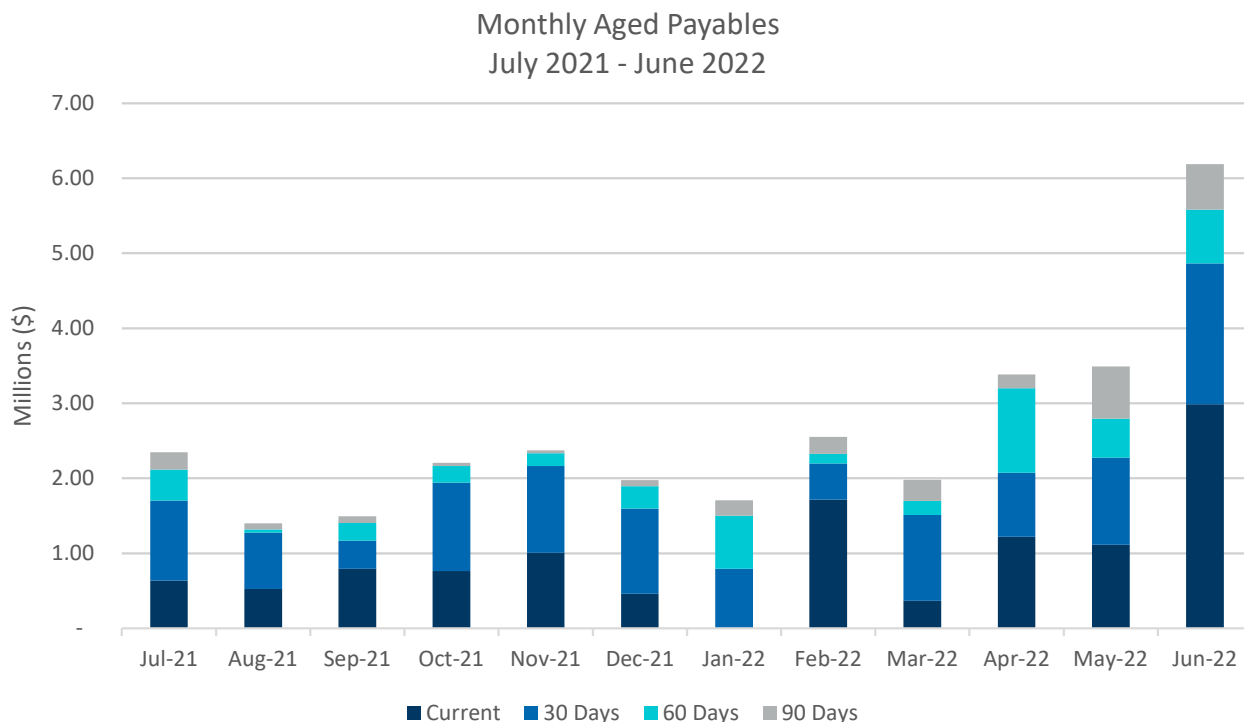
Accumulated Loss (\$M)	FY20	FY21	FY22
Net Profit/(Loss)	(33.89)	(42.92)	(31.28)
Accumulated Loss	(33.39)	(76.81)	(108.09)

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
<b>Adjusted Net Current Assets</b>						
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
<b>Adjusted Net Current Assets</b>		<b>(7.26)</b>	<b>(27.75)</b>	<b>(221.73)</b>	<b>(16.92)</b>	<b>(16.01)</b>
<b>Adjusted current ratio</b>						
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
<b>Adjusted current ratio</b>		<b>0.56</b>	<b>0.19</b>	<b>0.06</b>	<b>0.43</b>	<b>0.35</b>

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	x	x	✓	✓	✓
Insufficient cash flow	✓	✓	✓	✓	✓
Difficulties in selling stock or collecting debts	x	x	x	x	x
Creditors paid outside terms / special arrangements	✓	x	x	✓	✓
Arrears of statutory liabilities	x	x	✓	✓	✓
Cheques are being returned dishonoured / payments dishonoured	x	x	x	x	x
Legal action threatened or commenced	x	x	x	x	x
Inability to obtain new or alternative funding	x	x	x	x	✓
Inability to produce accurate financial information	x	x	x	x	x
Resignation of Directors or other senior management	x	x	x	x	x
Qualified audit opinion	x	x	x	x	x
The Company has defaulted, or is likely to default, on its agreements with its financier	x	x	x	x	✓
Finance staff raise solvency concerns	?	?	?	?	?
Inability to sell surplus assets	x	x	x	✓	✓
Issuing post-dated cheques	x	x	x	x	x

**Key**

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

## 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:

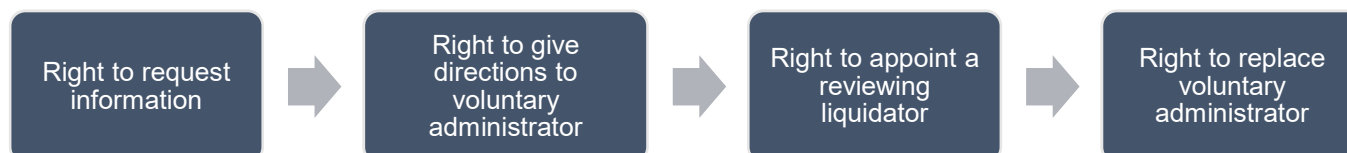
- The Company experienced trading losses from FY20 onwards due to the impact of the pandemic on client enforcement actions.
- Some suppliers and statutory liabilities were not paid within trading terms.
- Since FY20, the Company had a net asset deficiency and current ratio, below one (1). The Company 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

# Creditor Rights in Voluntary Administrations

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



## 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.

## 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](http://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



### 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.

**Important note:** This information sheet contains a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. This document may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances.

**Queries about the external administration should be directed to the insolvency practitioner's office.**

## 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	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
The Directors of the Company	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Any associates of the Company?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
A former insolvency practitioner appointed to the Company?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
A secured creditor entitled to enforce a security over the whole or substantially the whole of the Company's property?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
A material unsecured creditor of the Company	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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	Benjamin Campbell John Park
13 January 2022	Status update on company progress with initiatives	Phone call	Phone call	Ashleigh Tang, Clayton Utz Peter Gunn	Jessica Jedynak Benjamin Campbell
20 January 2022	Board meeting to discuss contingency planning report	Zoom Meeting	Virtual	Leigh Berkeley, Collection House Catherine McDowell, Collection House Sandra Birkenleigh, 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
28 June 2022	liquidity position and potential timing for a restructuring appointment	Phone call	Phone call	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	Peter Gunn, Collection House Jonathon Idas, Collection House	Benjamin Campbell
29 June 2022	Status update regarding company led initiatives and potential timing for a restructuring appointment	The Company's offices	In person and virtual	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 Birkenleigh, 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 Birkenleigh	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	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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## 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
<b>Voluntary Administration Total</b>		<b>\$2,500,000.00</b>		
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
<b>DOCA and Creditors' Trust Total</b>		<b>\$1,100,000.00</b>		

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
<b>Total (excl. GST)</b>		<b>13,677.75</b>
<b>GST</b>		<b>1,342.97</b>
<b>Total (incl. GST)</b>		<b>15,020.72</b>

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](http://www.arita.com.au/creditors)
- ASIC at [www.asic.gov.au](http://www.asic.gov.au) (search for INFO 85).

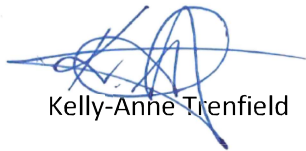
If you have any queries in relation to the information in this report, please contact this office on (07) 3225 4900 or by email at [collectionhouse@fticonsulting.com](mailto:collectionhouse@fticonsulting.com).

Yours faithfully



John Park

Administrator



Kelly-Anne Trenfield

Administrator



Ben Campbell

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	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
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	<ul style="list-style-type: none"> <li>■ Held discussions with DOCA proponent regarding DOCA proposal</li> <li>■ Received and reviewed DOCA proposal and considered impact on creditors</li> <li>■ Drafted DOCA specific information for report to creditors</li> <li>■ Discussions with our Lawyers and the DOCA proponent on entering into binding documents for the DOCA proposal</li> <li>■ Considered working capital adjustments required for the DOCA proposal</li> <li>■ Collated information for section 444GA process</li> </ul>	<ul style="list-style-type: none"> <li>■ Ongoing discussions with DOCA proponent in relation to transaction completion steps</li> <li>■ Drafting and finalising DOCA and drafting Creditors' Trust Deed</li> <li>■ Finalisation and signing of DOCA and Creditors Trust Deed</li> </ul>	<ul style="list-style-type: none"> <li>■ Attending to completion of the transaction</li> <li>■ Liaising with our Lawyers regarding DOCA and Creditors' Trust Deed</li> <li>■ Preparing material for the application to court in relation to section 444GA Order</li> </ul>	
Sale process/transfer of shares	<ul style="list-style-type: none"> <li>■ Liaised with Company staff concerning information required for the sale</li> <li>■ Prepared and reviewed flyer</li> </ul>	<ul style="list-style-type: none"> <li>■ Liaising with the DOCA proponent on sale and transition related items</li> </ul>	<ul style="list-style-type: none"> <li>■ Preparing for completion of the transaction</li> <li>■ Liaising with key clients and stakeholders on transaction</li> </ul>	

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
	<ul style="list-style-type: none"> <li>■ Arranged Australian Financial Review advertisement</li> <li>■ Collated and verified information obtained from the Company for input into data room</li> <li>■ Prepared, issued and reviewed confidentiality deed polls</li> <li>■ Attended to interested party queries and maintenance of data room</li> <li>■ Attendance at management presentations</li> <li>■ Internal meetings to discuss/review offers received</li> <li>■ Corresponded with interested parties to clarify terms offers</li> <li>■ Reviewed offers, considered the impact on creditors and stakeholders</li> <li>■ Worked with the DOCA proponent to conduct confirmatory due diligence processes</li> <li>■ Drafted sale specific information for second report to creditors</li> </ul>			
Real Estate	<ul style="list-style-type: none"> <li>■ Reviewed lease documents</li> <li>■ Issued notices concerning ongoing occupation of premises</li> </ul>	<ul style="list-style-type: none"> <li>■ Ongoing discussions with landlords concerning ongoing and new rental agreement as required</li> <li>■ Undertake any required work concerning ongoing</li> </ul>	<ul style="list-style-type: none"> <li>■ Undertake any required work concerning ongoing occupation of premises contemplated by the DOCA</li> </ul>	

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
	<ul style="list-style-type: none"> <li>■ Issued notices not to exercise property rights with respect to premises</li> <li>■ Held discussions with landlords and their representatives concerning arrears</li> <li>■ Liaised with landlords and their representatives concerning month-to-month arrangements</li> <li>■ Dealt with notices to vacate Victoria, South Australia and New South Wales premises</li> <li>■ Held negotiations with Brisbane premises landlord</li> </ul>	<p>occupation of premises contemplated by the DOCA</p>		
Plant & Equipment	<ul style="list-style-type: none"> <li>■ Reviewed of Company records and enquiries with Company staff concerning equipment owned by the Company</li> <li>■ Instructed equipment agents to assess value of the equipment</li> </ul>			
Debtors	<ul style="list-style-type: none"> <li>■ Reviewed and assessing debtors' ledgers</li> <li>■ Receipted debtor monies</li> </ul>			
Other assets	<ul style="list-style-type: none"> <li>■ Held discussions with key staff on intangible asset values and saleability of software developed</li> </ul>			

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
<b>Creditors</b>	<b>589 hours</b> <b>\$299,537.00</b>	<b>\$150,000.00</b>	<b>\$50,000.00</b>	<b>\$25,000.00</b>
Creditor Enquiries, Requests & Directions	<ul style="list-style-type: none"> <li>Received and responded to creditor enquiries</li> <li>Set up and monitored email inboxes</li> <li>Prepared FAQs to assist in responses to creditor queries</li> <li>Created and maintained creditor call register</li> <li>Reviewed and prepared initial correspondence to creditors and their representatives</li> </ul>	<ul style="list-style-type: none"> <li>Receive and respond to creditor enquiries</li> <li>Maintaining creditor call register</li> <li>Preparation of further correspondence to creditors including the second report to creditors</li> <li>Attending to enquiries relating to the second creditors' meeting</li> </ul>	<ul style="list-style-type: none"> <li>Receive and respond to creditor enquiries</li> <li>Maintaining creditor call register</li> <li>Review and prepare correspondence to creditors and their representatives</li> </ul>	<ul style="list-style-type: none"> <li>Receive and respond to creditor enquiries</li> <li>Maintaining creditor call register</li> <li>Review and prepare correspondence to creditors and their representatives</li> </ul>
Secured creditor reporting	<ul style="list-style-type: none"> <li>Notifying PPSR registered creditors of appointment</li> <li>Weekly updates to Westpac regarding voluntary administration progress and utilisation of funding provided</li> </ul>	<ul style="list-style-type: none"> <li>Updates to secured creditors as required</li> </ul>	<ul style="list-style-type: none"> <li>Updates to secured creditors as required</li> </ul>	<ul style="list-style-type: none"> <li>Updates to secured creditors as required</li> </ul>
Creditor reports	<ul style="list-style-type: none"> <li>Prepared, reviewed and issued Initial Circular to Creditors dated 1 July 2021</li> </ul>	<ul style="list-style-type: none"> <li>Detailed information provided to all employee and trade creditors on meeting process via virtual facilities</li> </ul>	<ul style="list-style-type: none"> <li>Preparation and issue of circular to creditors concerning DOCA execution</li> </ul>	<ul style="list-style-type: none"> <li>Preparation and issue of circular to creditors concerning the Creditors' Trust</li> </ul>

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
	<ul style="list-style-type: none"> <li>■ Prepared separate correspondence, including FAQs specific to each group of creditors including employees and suppliers</li> <li>■ Arranged for distribution of documentation to each party</li> <li>■ Preparing section 75-225 report, investigation, meeting and report to creditors</li> <li>■ Liaising with our legal advisers regarding applications to extend the convening period including preparation of materials to support applications including reviewing and updating affidavits</li> <li>■ Prepared two (2) circulars in relation to extension of convening period</li> <li>■ Detailed information provided to all employee and trade creditors on meeting process via virtual facilities</li> <li>■ Distribution of correspondence via email</li> </ul>	<ul style="list-style-type: none"> <li>■ Drafting of second report to creditors</li> <li>■ Distribution of correspondence via email</li> </ul>		
Dealing with proofs of debt (POD)	<ul style="list-style-type: none"> <li>■ Receipt and file POD when not related to a dividend</li> <li>■ Contact creditors to assist in meeting registration and attendance process where POD not lodged</li> <li>■ Maintained POD register</li> </ul>	<ul style="list-style-type: none"> <li>■ Receipting and filing POD when not related to a dividend</li> <li>■ Contacting creditors to assist in meeting registration and attendance process where POD not lodged</li> <li>■ Maintaining POD register</li> </ul>	<ul style="list-style-type: none"> <li>■ Receipting and filing POD when not related to a dividend</li> <li>■ Dealing with PODs as required for DOCA</li> <li>■ Maintaining POD register</li> </ul>	<ul style="list-style-type: none"> <li>■ Receipting and filing POD</li> <li>■ Dealing with PODs as required for DOCA</li> <li>■ Maintaining POD register</li> </ul>

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	<ul style="list-style-type: none"> <li>■ Preparation of meeting notices, proxies and advertisements</li> <li>■ Preparation of detailed process document for requirements to attend meeting</li> <li>■ Forwarded notice of meeting to all known creditors</li> <li>■ 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</li> <li>■ Establish Zoom webinar facility to hold first and second meeting of creditors via electronic means</li> <li>■ 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</li> <li>■ Held first meeting of creditors</li> <li>■ Responded to queries received prior to the meeting</li> <li>■ Preparation and lodgement of minutes of meetings with ASIC</li> </ul>	<ul style="list-style-type: none"> <li>■ Preparation of meeting notices, proxies and advertisements</li> <li>■ Preparation of detailed process document for requirements to attend meeting</li> <li>■ Forward notice of meeting to all known creditors</li> <li>■ 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</li> <li>■ 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</li> </ul>		

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
Shareholder enquiries	<ul style="list-style-type: none"> <li>■ Sent meeting minutes to creditors on request</li> <li>■ Responded to stakeholder queries and questions immediately following meeting</li> </ul>	<ul style="list-style-type: none"> <li>■ Responding to any shareholder enquiries</li> <li>■ Drafting and releasing announcement via the ASX</li> </ul>	<ul style="list-style-type: none"> <li>■ Responding to any shareholder enquiries</li> <li>■ Drafting and releasing announcement via the ASX</li> </ul>	
<b>Employees</b>	<b>109.9 hours</b> <b>\$45,304.50</b>	<b>\$100,000.00</b>	<b>\$100,000.00</b>	<b>\$50,000.00</b>
Employee Dividend				<ul style="list-style-type: none"> <li>■ Correspondence and distribution of priority employee claims</li> <li>■ Ensuring PAYG is remitted to ATO</li> <li>■ STP reporting as a result of dividend</li> </ul>
Employee enquiries	<ul style="list-style-type: none"> <li>■ Received and followed up employee enquiries</li> <li>■ Reviewed and prepared correspondence to priority creditors</li> <li>■ Liaised with employees concerning their entitlements</li> </ul>	<ul style="list-style-type: none"> <li>■ Receive and follow up employee enquiries</li> <li>■ Review and prepare correspondence to priority creditors</li> <li>■ Liaising with employees concerning their entitlements</li> </ul>	<ul style="list-style-type: none"> <li>■ Receive and follow up employee enquiries</li> <li>■ Liaising with employees concerning their entitlements, termination and resignation queries</li> <li>■ Conduct virtual town hall meeting with employees as required</li> </ul>	<ul style="list-style-type: none"> <li>■ Receive and follow up employee enquiries</li> </ul>



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
	<ul style="list-style-type: none"> <li>■ Dealt with outstanding employee issues which remained on foot at appointment date</li> <li>■ Liaised with legal representatives of employees and the Company to resolve outstanding employee matters</li> <li>■ Conducted several virtual town hall meeting with employees to discuss employee issues and answer queries</li> <li>■ Held daily meetings with HR team to discuss employee issues</li> <li>■ Reviewed Company records to quantify employee entitlements</li> <li>■ Reviewed employee contracts and awards</li> <li>■ Engagement of lawyers to assist in drafting employment contracts for employees employed in voluntary administration</li> <li>■ Worked closely with HR and payroll staff concerning employee issues</li> <li>■ Preparation of letters to employees advising of their entitlements and options available</li> <li>■ Received and prepared correspondence in response to employee's objections to leave entitlements</li> </ul>	<ul style="list-style-type: none"> <li>■ Dealing with outstanding employee issues which remained on foot at appointment date</li> <li>■ Liaising with legal representatives of employees and the Company to resolve outstanding employee matters</li> <li>■ Conduct virtual town hall meeting with employees to discuss employee issues and answer queries and provide update</li> <li>■ Liaise directly with employees regarding specific queries and issues</li> <li>■ Finalising employee entitlements owed at the date of appointment</li> <li>■ Work closely with HR and payroll staff concerning employee issues</li> </ul>	<ul style="list-style-type: none"> <li>■ Liaise directly with employees regarding specific employee queries and issues</li> <li>■ Work closely with HR and payroll staff concerning employee issues</li> </ul>	

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
Calculation of entitlements	<ul style="list-style-type: none"> <li>■ Reviewed and calculated employee entitlements at appointment</li> <li>■ Reviewed employee files and Company's books and records</li> <li>■ Reconciled superannuation accounts</li> <li>■ Liaised with solicitors regarding entitlements</li> </ul>	<ul style="list-style-type: none"> <li>■ Reviewing employee files and Company's books and records</li> <li>■ Reviewing employee files and Company's books and records</li> <li>■ Liaising with solicitors regarding certain aspects of entitlements (if required)</li> </ul>	<ul style="list-style-type: none"> <li>■ Liaise with DOCA proponent on employee related matters in preparation for completion</li> <li>■ Correspondence to employees concerning their entitlements and impact of DOCA</li> </ul>	
Workers compensation	<ul style="list-style-type: none"> <li>■ Obtained and reviewed insurance policies</li> <li>■ Liaised with insurers and solicitors regarding claims</li> <li>■ Identification of potential issues requiring attention of insurance specialists</li> <li>■ Corresponded with insurer regarding initial and ongoing workers compensation insurance requirements</li> <li>■ Corresponded with previous brokers</li> </ul>	<ul style="list-style-type: none"> <li>■ Ongoing liaison with insurers and solicitors regarding claims</li> </ul>	<ul style="list-style-type: none"> <li>■ Ongoing liaison with insurers and solicitors regarding claims</li> <li>■ Any tasks incidental to workers compensation required for DOCA</li> <li>■ Finalise declaration of actual wages for trade-on period</li> </ul>	<ul style="list-style-type: none"> <li>■ Finalise declaration of actual wages for trade-on period</li> </ul>
Other employee issues	<ul style="list-style-type: none"> <li>■ Corresponded with Child Support</li> <li>■ Corresponded with Centrelink</li> <li>■ Dealing with other incidental employee issues</li> </ul>	<ul style="list-style-type: none"> <li>■ Dealing with other incidental employee issues</li> </ul>	<ul style="list-style-type: none"> <li>■ Dealing with other incidental employee issues</li> </ul>	
<b>Trade On</b>	<b>1,454.8 hours</b>	<b>\$150,000.00</b>	<b>\$250,000.00</b>	<b>\$50,000.00</b>

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
	<b>\$774,449.00</b>			
Trade on management	<ul style="list-style-type: none"> <li>■ Attendance on site</li> <li>■ Attended frequent meetings with executive leadership team</li> <li>■ Secured funding agreement with Westpac and documented</li> <li>■ Obtained legal advice in relation to funding agreement and Court application to release personal liability</li> <li>■ Liaised with financial institutions to transfer and/or release cash</li> <li>■ Liaised with suppliers concerning appointment and trading accounts</li> <li>■ Liaised with management and staff with respect to critical suppliers and ongoing trade</li> <li>■ Reviewed internal management procedures and approvals</li> <li>■ Implementation of trading controls</li> <li>■ Authorised purchase orders</li> <li>■ Maintained purchase order registry</li> <li>■ Prepared and authorised receipt vouchers</li> <li>■ Prepared and authorised payment vouchers</li> </ul>	<ul style="list-style-type: none"> <li>■ Attendance on site</li> <li>■ Attending frequent meetings with executive leadership team</li> <li>■ Liaising with suppliers concerning appointment and trading accounts</li> <li>■ Liaised with management and staff with respect to critical suppliers and ongoing trade</li> <li>■ Authorising purchase orders</li> <li>■ Maintaining purchase order registry</li> <li>■ Preparing and authorising receipt vouchers</li> <li>■ Preparing and authorising payment vouchers</li> </ul>	<ul style="list-style-type: none"> <li>■ Attendance on site</li> <li>■ Attending frequent meetings with executive leadership team</li> <li>■ Liaising with suppliers concerning appointment and trading accounts</li> <li>■ Liaised with management and staff with respect to critical suppliers and ongoing trade</li> <li>■ Authorising purchase orders</li> <li>■ Maintaining purchase order registry</li> <li>■ Preparing and authorising receipt vouchers</li> <li>■ Preparing and authorising payment vouchers</li> </ul>	<ul style="list-style-type: none"> <li>■ Finalising trading liabilities relevant to the voluntary administration</li> <li>■ Closure of trading accounts</li> <li>■ Capturing working capital adjustments at the completion of the transaction</li> <li>■ Collection of final debtors and accrued revenue at completion</li> </ul>

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
Budgeting and financial reporting	<ul style="list-style-type: none"> <li>■ Reviewed the Company's cashflow, budgets and financial statements</li> <li>■ Prepared cashflow on a daily and forecasted basis</li> <li>■ Prepared at least weekly updates on trading status and critical issues.</li> <li>■ Meetings to discuss trading position</li> </ul>	<ul style="list-style-type: none"> <li>■ Preparing cashflow on a daily and forecasted basis</li> <li>■ Preparing at least weekly updates on trading status and critical issues</li> <li>■ Meetings to discuss trading position</li> </ul>	<ul style="list-style-type: none"> <li>■ Finalising voluntary administration cash flow actuals</li> <li>■ Preparing updates as required</li> <li>■ Meetings to discuss final trading position and DOCA handover</li> </ul>	
<b>Investigations</b>	<p><b>321.70 hours</b></p> <p>■ <b>\$138,904.50</b></p>	Nil	Nil	Nil
Conducting investigation	<ul style="list-style-type: none"> <li>■ Collection of Company books and records</li> <li>■ Obtained access to Company systems and contacting multiple external and internal parties to obtain system backups and reports</li> <li>■ Reviewed Company's books and records</li> <li>■ Reviewed Company history</li> <li>■ Conducted and summarised statutory search results received including property searches, company searches, PPSR searches, personal name searches and motor vehicle searches</li> <li>■ Preparation of financial analysis from Company books and records</li> </ul>	<ul style="list-style-type: none"> <li>■ Finalise preliminary investigations for the purposes of issuing the second report to creditors</li> </ul>		

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
	<ul style="list-style-type: none"> <li>■ Arranged viewing access to pre-appointment bank accounts and obtain statements</li> <li>■ Reviewed of board minutes and group financials to provide context to position of the Company and its reasons for failure</li> <li>■ Reviewed of specific transactions and liaising with directors regarding certain transactions</li> <li>■ Preparation of estimated statement of position based on Company records and Administrators' investigations</li> <li>■ Liaised with management to obtain further information needed for investigations</li> <li>■ Issued freedom of information request to Deputy Commissioner of Taxation</li> <li>■ Preparation of investigation file</li> <li>■ Enquiries to obtain information concerning ongoing legal action at date of appointment</li> <li>■ Court searches to ascertain any statutory demands or other proceedings on foot at appointment date</li> </ul>			
<b>Dividend</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>\$175,000.00</b>

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)				<ul style="list-style-type: none"> <li>■ Preparation of correspondence to potential creditors inviting lodgement of POD</li> <li>■ Receipt of POD</li> <li>■ Maintain POD register</li> <li>■ Adjudicating POD</li> <li>■ Request further information from claimants regarding POD</li> <li>■ Preparation of correspondence to claimant advising outcome of adjudication</li> </ul>
Dividend procedures				<ul style="list-style-type: none"> <li>■ Preparation of correspondence to creditors advising of intention to declare dividend</li> <li>■ Advertisement of intention to declare dividend</li> <li>■ Preparation of dividend calculation</li> <li>■ Preparation of correspondence to creditors announcing declaration of dividend</li> <li>■ Advertise announcement of dividend</li> <li>■ Preparation of distribution</li> <li>■ Preparation of dividend file</li> <li>■ Preparation of payment vouchers to pay dividend</li> </ul>

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
				<ul style="list-style-type: none"> <li>■ Preparation of correspondence to creditors enclosing payment of dividend</li> </ul>
<b>Administration</b>	<b>292.8 hours</b> ■ <b>\$141,211.00</b>	<b>\$82,201.50</b>	<b>\$45,000.00</b>	<b>\$100,000.00</b>
Correspondence	<ul style="list-style-type: none"> <li>■ General correspondence with various parties</li> </ul>	<ul style="list-style-type: none"> <li>■ General correspondence with various parties</li> </ul>	<ul style="list-style-type: none"> <li>■ General correspondence with various parties</li> </ul>	<ul style="list-style-type: none"> <li>■ General correspondence with various parties</li> </ul>
Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>■ Filing of documents</li> <li>■ File reviews</li> <li>■ Updating checklists</li> <li>■ Internal engagement team meetings</li> </ul>	<ul style="list-style-type: none"> <li>■ Filing of documents</li> <li>■ File reviews</li> <li>■ Updating checklists</li> <li>■ Internal engagement team meetings</li> </ul>	<ul style="list-style-type: none"> <li>■ Filing of documents</li> <li>■ File reviews</li> <li>■ Updating checklists</li> <li>■ Internal engagement team meetings</li> </ul>	<ul style="list-style-type: none"> <li>■ Filing of documents</li> <li>■ File reviews</li> <li>■ Updating checklists</li> <li>■ Internal engagement team meetings</li> </ul>
Insurance	<ul style="list-style-type: none"> <li>■ Identification of potential issues requiring attention of insurance specialists</li> <li>■ Corresponded with insurer and our broker regarding initial and ongoing insurance requirements and notifications needed on group policies to reflect appointment</li> <li>■ Corresponded with premium funder</li> <li>■ Reviewed insurance policies</li> </ul>	<ul style="list-style-type: none"> <li>■ Ongoing insurer correspondence as required for trade on and to manage claims and payments required</li> <li>■ Dealing with any insurance issues arising in proposed DOCA</li> </ul>	<ul style="list-style-type: none"> <li>■ Ongoing insurer correspondence as required for trade on and to manage claims and payments required</li> <li>■ Dealing with any insurance issues arising in DOCA</li> <li>■ Finalise insurance matters post DOCA effectuation from a trading perspective</li> </ul>	<ul style="list-style-type: none"> <li>■ Finalise insurance matters post DOCA effectuation from a trading perspective</li> </ul>

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
Funds handling	<ul style="list-style-type: none"> <li>■ Corresponded with previous brokers direct and via our broker</li> <li>■ Management of outstanding claims</li> </ul>	<ul style="list-style-type: none"> <li>■ Entering receipts and payments into accounting system</li> <li>■ Bank account reconciliations</li> <li>■ Correspondence with bank regarding specific transfers</li> </ul>	<ul style="list-style-type: none"> <li>■ Entering receipts and payments into accounting system</li> <li>■ Bank account reconciliations</li> <li>■ Correspondence with bank regarding specific transfers</li> <li>■ Any funds handling work required to facilitate DOCA requirements</li> </ul>	<ul style="list-style-type: none"> <li>■ Open new Creditors' Trust bank account(s)</li> <li>■ Receipt of DOCA contribution at the time of completion</li> <li>■ Entering receipts and payments into accounting system</li> <li>■ Bank account reconciliations</li> <li>■ Correspondence with bank regarding specific transfers</li> </ul>
ASIC Forms and lodgements	<ul style="list-style-type: none"> <li>■ Prepared and lodged ASIC forms including 505, 5011, 507 etc.</li> <li>■ Corresponded with ASIC regarding statutory forms</li> </ul>	<ul style="list-style-type: none"> <li>■ Preparing and lodging ASIC forms including 507, 5011 and 530</li> <li>■ Correspondence with ASIC regarding statutory forms</li> </ul>	<ul style="list-style-type: none"> <li>■ Preparing and lodging ASIC forms including 505, 5603 and 911 etc.</li> <li>■ Correspondence with ASIC regarding statutory forms</li> </ul>	
ATO and other statutory reporting	<ul style="list-style-type: none"> <li>■ Notification of appointment</li> <li>■ Prepared BAS lodgements</li> <li>■ Set up and monitored STP reporting submissions</li> </ul>	<ul style="list-style-type: none"> <li>■ Preparing BAS</li> <li>■ Completing STP reporting obligations</li> </ul>	<ul style="list-style-type: none"> <li>■ Notification of DOCA appointment</li> <li>■ Preparing BAS</li> <li>■ Completing STP reporting obligations</li> </ul>	<ul style="list-style-type: none"> <li>■ Notification as Trustees for Creditors Trust appointment</li> <li>■ Preparing BAS</li> <li>■ Completing STP reporting obligations</li> </ul>
Finalisation			<ul style="list-style-type: none"> <li>■ Notifying ATO of finalisation</li> <li>■ Cancelling ABN / GST / PAYG registration</li> <li>■ Completing checklists</li> </ul>	<ul style="list-style-type: none"> <li>■ Notifying ATO of finalisation</li> <li>■ Cancelling ABN / GST / PAYG registration</li> <li>■ Completing checklists</li> </ul>



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
Planning / Review	<ul style="list-style-type: none"> <li>■ Discussions regarding status of administration</li> <li>■ Ongoing review of checklist</li> <li>■ Internal planning and review meetings</li> </ul>	<ul style="list-style-type: none"> <li>■ Discussions regarding status of administration</li> <li>■ Ongoing review of checklist</li> <li>■ Internal planning and review meetings</li> </ul>	<ul style="list-style-type: none"> <li>■ Discussions regarding status of administration</li> <li>■ Ongoing review of checklist</li> <li>■ Internal planning and review meetings</li> </ul>	<ul style="list-style-type: none"> <li>■ Discussions regarding status of administration</li> <li>■ Ongoing review of checklist</li> <li>■ Internal planning and review meetings</li> </ul>
Books and records	<ul style="list-style-type: none"> <li>■ Obtaining books and records from the Company</li> </ul>			
<b>Other Professional Services</b>	<b>49.8 hours</b> <b>\$32,084.00</b>	<b>\$2,000.00</b>	<b>\$5,000.00</b>	<b>Nil</b>
Strategic Communications	<ul style="list-style-type: none"> <li>■ Monitored media concerning the Company</li> </ul>	<ul style="list-style-type: none"> <li>■ Liaising and monitoring media concerning the Company</li> </ul>	<ul style="list-style-type: none"> <li>■ Liaising and monitoring media concerning the Company</li> </ul>	

## 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	
					\$	Hr	\$	Hr	\$	Hr	\$	Hr	\$	Hr
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
<b>Total (ex GST)</b>				<b>\$ 64,342.50</b>		<b>\$ 1,914.00</b>		<b>\$ 600.00</b>		<b>\$ 3,940.00</b>		<b>\$ 29,825.50</b>		<b>\$ 28,063.00</b>
<b>GST</b>				<b>\$ 6,434.25</b>										
<b>Total (Incl GST)</b>				<b>\$ 70,776.75</b>										
<b>Total hours</b>			<b>112.00</b>			<b>2.90</b>		<b>1.00</b>		<b>9.20</b>		<b>51.60</b>		<b>47.30</b>
<b>Avg hourly rate (ex GST)</b>				<b>\$ 574.49</b>		<b>\$ 660.00</b>		<b>\$ 600.00</b>		<b>\$ 428.26</b>		<b>\$ 578.01</b>		<b>\$ 593.30</b>

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
<b>Total (ex GST)</b>				<b>\$1,819,372.00</b>		<b>\$482,394.50</b>		<b>\$298,937.00</b>		<b>\$41,364.50</b>		<b>\$744,623.50</b>		<b>\$138,904.50</b>		<b>\$113,148.00</b>
<b>GST</b>				<b>\$ 181,937.20</b>												
<b>Total (Incl GST)</b>				<b>\$2,001,309.20</b>												
<b>Total hours</b>			<b>3508.90</b>		<b>849.80</b>		<b>588.00</b>		<b>100.70</b>		<b>1403.20</b>		<b>321.70</b>		<b>245.50</b>	
<b>Avg hourly rate (ex GST)</b>				<b>\$ 518.50</b>		<b>\$ 567.66</b>		<b>\$ 508.40</b>		<b>\$ 410.77</b>		<b>\$ 530.66</b>		<b>\$ 431.78</b>		<b>\$ 460.89</b>

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
<b>Total (ex GST)</b>				<b>\$ 5,280.00</b>		<b>\$ 5,280.00</b>
<b>GST</b>				<b>\$ 528.00</b>		
<b>Total (Incl GST)</b>				<b>\$ 5,808.00</b>		
<b>Total hours</b>			<b>8.00</b>		<b>8.00</b>	
<b>Avg hourly rate (ex GST)</b>				<b>660</b>		

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
<b>Total (ex GST)</b>				<b>\$ 26,804.00</b>		<b>\$ 26,804.00</b>
<b>GST</b>				<b>\$ 2,680.40</b>		
<b>Total (Incl GST)</b>				<b>\$ 29,484.40</b>		
<b>Total hours</b>			<b>41.80</b>		<b>41.80</b>	
<b>Avg hourly rate (ex GST)</b>				<b>641.24</b>		

## 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

<b>Receipts</b>	<b>\$</b>
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 <sup>1</sup>	5,085,025.24
<b>Total Receipts</b>	<b>11,429,941.72</b>
<b>Payments</b>	
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 <sup>1</sup>	(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)
<b>Total Payments</b>	<b>(9,050,955.80)</b>
<b>Net Receipts/(Payments)</b>	<b>2,378,985.92</b>

<sup>1</sup> 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.	<b>Company</b>	Collection House Limited (administrators appointed) ACN 010 230 716 ( <b>Company</b> ) is the entity that is proposed to be the subject of the DOCA.
2.	<b>Administrators</b>	John Park, Benjamin Campbell and Kelly-Anne Trenfield of FTI Consulting.
3.	<b>Appointment Date</b>	29 June 2022.
4.	<b>Proponent</b>	The proponent of the DOCA is Credit Corp Group Limited (ACN 092 697 151) ( <b>CCG</b> ).
5.	<b>Purpose of proposal</b>	<p>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.</p> <p>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.</p>
6.	<b>Key terms of the Deed of Company Arrangement</b>	<p>In accordance with this proposal, the DOCA will contain the following key terms:</p> <ol style="list-style-type: none"> <li data-bbox="605 1388 1367 1514">(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.</li> <li data-bbox="605 1535 1367 1692">(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).</li> <li data-bbox="605 1713 1367 1808">(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).</li> <li data-bbox="605 1829 1367 1913">(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</li> </ol>

		<p>agreement to be entered into between the Administrators and CCG.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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).</p> <p>(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.</p> <p>(10) All claims against the Company will be released upon Completion under the DOCA.</p>
7.	<b>Proposed Deed Administrators</b>	<p>John Park, Benjamin Campbell and Kelly-Anne Trenfield of FTI Consulting.</p> <p>The Proposed Deed Administrators are also the proposed Trustees of the Creditors' Trust (<b>Trustees</b>).</p>
8.	<b>Commencement date for the DOCA</b>	The date of execution of the DOCA contemplated by this proposal.
9.	<b>Property of the Company available for distribution</b>	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.	<b>Moratorium under the DOCA</b>	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.	<b>Release of claims</b>	Upon and subject to effectuation of the DOCA, all claims against the Company (except for those due to Excluded Creditors) will be

		<p>released and extinguished in full, in consideration for the Admitted Creditors becoming beneficiaries under the Creditors' Trust.</p>
<p>12.</p>	<p><b>Completion under the DOCA – formation of Creditors’ Trust</b></p>	<p>The DOCA will only complete upon the following steps occurring (all of which are inter-dependent):</p> <ol style="list-style-type: none"> <li>(1) Release by Westpac of all security granted to it by the Company and any Subsidiaries.</li> <li>(2) The making of the ASIC Relief.</li> <li>(3) The making of the 444GA Orders.</li> <li>(4) The transfer of the Shares to CCG.</li> <li>(5) The payment by CCG to the Deed Administrators of the CCG Contribution.</li> <li>(6) Execution of the Creditors’ Trust Deed (which is to take effect on and from Completion).</li> <li>(7) The Interim Funding will be nominally repaid by the Administrators to CCG and reflected in the CCG Contribution.</li> <li>(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.</li> </ol> <p>((1) through (8) above (inclusive) together being the <b>Conditions</b> and each a <b>Condition</b>)</p> <p>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).</p> <p>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).</p> <p>Following completion of the steps immediately above, the following will occur (with these events to be interdependent):</p> <ol style="list-style-type: none"> <li>(1) the Creditors’ Trust Deed will take effect pursuant to the terms of the Creditors’ Trust Deed;</li> <li>(2) the Deed Administrators will transfer (and will cause the Company to transfer) the Deed Fund to the trustees of the</li> </ol>

		<p>Creditors' Trust (on trust for the beneficiaries of that trust) to form the Creditors' Trust Fund; and</p> <p>(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.</p> <p><b>Consequence of non-satisfaction of the Conditions</b></p> <p>(1) Subject to clause (2) below, if:</p> <p>(a) one or more of the Conditions is not satisfied or waived by the CP Satisfaction Date; or</p> <p>(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,</p> <p>then:</p> <p>(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</p> <p>(d) the Deed Administrators will convene a meeting of the Creditors to determine the future of the Company.</p> <p>(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).</p> <p>(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:</p> <p>(a) the Parties will cease to be bound by the DOCA on and from that date and will have no liability under it; and</p> <p>(b) the Deed Administrators will convene a meeting of the Creditors to determine the future of the Company.</p>
<p><b>13.</b></p>	<p><b>Deed Period</b></p>	<p>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.</p>
<p><b>14.</b></p>	<p><b>Termination of</b></p>	<p>The DOCA will continue in operation until the DOCA is terminated:</p>

	<b>DOCA</b>	<ol style="list-style-type: none"> <li>(1) upon its effectuation as set out in this proposal (see clause 12 above);</li> <li>(2) by an order of the Court under section 445D of the Act;</li> <li>(3) by a resolution of the Creditors at a meeting convened under Division 75 of Schedule 2 to the Act; or</li> <li>(4) automatically, if a Condition is not satisfied (or becomes incapable of being satisfied) or waived by the parties by the CP Satisfaction Date.</li> </ol>
15.	<b>Order of distribution of the Creditors' Trust Fund</b>	<p>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:</p> <ol style="list-style-type: none"> <li>(1) <b>(Pool A)</b> 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;</li> <li>(2) <b>(Pool B)</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;</li> <li>(3) <b>(Pool C)</b> third, Small Claim Creditors in respect of any Small Claim Dividend.</li> <li>(4) <b>(Pool D)</b> 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</li> <li>(5) <b>(Pool E)</b> 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.</li> </ol> <p>CCG will not receive any distributions under the DOCA or the Creditors' Trust other than in respect of the repayment of the Interim Funding.</p>
16.	<b>Prescribed Provisions</b>	<p>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</p>
17.	<b>Priority to eligible employee creditors</b>	<p>The DOCA will contain a provision as contemplated by s444DA of the Act.</p>
18.	<b>Superannuation contribution debts</b>	<p>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</p>

		<p>part, of a debt by way of superannuation contribution is not admissible to proof if a debt by way of superannuation guarantee charge:</p> <ol style="list-style-type: none"> <li>(1) has been paid;</li> <li>(2) is, or is to be, admissible to proof; and</li> <li>(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, of the first-mentioned debt.</li> </ol>
<b>19.</b>	<b>Secured creditors, and owners/ lessors of property</b>	<p>Other than as expressly provided for under the DOCA, the DOCA will not release:</p> <ol style="list-style-type: none"> <li>(1) any security held by a Creditor in respect of any claim, and</li> <li>(2) any security interest validly and effectively held by an owner or lessor in property of the Company.</li> </ol>
<b>20.</b>	<b>Control of the Company</b>	<ol style="list-style-type: none"> <li>(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.</li> <li>(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.</li> <li>(3) Stewardship of the Company will return to its directors upon Completion.</li> </ol>
<b>21.</b>	<b>Working Capital Amounts and trading liabilities during administration</b>	<ol style="list-style-type: none"> <li>(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.</li> <li>(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.</li> <li>(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.</li> </ol>
<b>22.</b>	<b>Administrators' and Deed Administrators' remuneration</b>	<p>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.</p>
<b>23.</b>	<b>Company records</b>	<p>The Deed Administrators and Trustees of the Creditors' Trust will</p>

		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.	<b>Variation of DOCA</b>	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.	<b>Advance of Interim Funding</b>	<p>(1) CCG has agreed to provide the Interim Funding to the Administrators.</p> <p>(2) The Interim Funding will be documented and advanced as soon as practicable.</p> <p>(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.</p> <p>(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.</p>
26.	<b>Governing law</b>	This proposal and any DOCA (together with any Creditors' Trust) is governed by the laws of the State of New South Wales.
27.	<b>Dictionary</b>	<p>In this proposal:</p> <p><b>444GA orders</b> 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.</p> <p><b>Act</b> means the <i>Corporations Act 2001</i> (Cth).</p> <p><b>Admitted Claim</b> 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.</p> <p><b>Admitted Creditor</b> means a Creditor who has (or who is entitled to have) an Admitted Claim.</p> <p><b>Appointment Date</b> has the same meaning as defined in clause 3 of this proposal.</p> <p><b>ASIC</b> means the Australian Securities and Investments Commission.</p> <p><b>ASIC relief</b> means relief granted by ASIC for the purposes of section 606 of the Corporations Act, in substance relieving CCG</p>



	<p>(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.</p> <p><b>CCG Contribution</b> means the sum of A\$11,000,000.</p> <p><b>claim</b> 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):</p> <ol style="list-style-type: none"> <li>(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;</li> <li>(2) any claim that in a winding up of the Company would be a subordinated claim for purposes of section 563A of the Act;</li> <li>(3) any residual unsecured claim held by a Secured Creditor following realisation of its security; and</li> <li>(4) without limiting (1) above, any warrant, option or similar instrument issued by the Company in respect of any of its Shares.</li> </ol> <p><b>Conditions</b> has the meaning given to that term at clause 12.</p> <p><b>Completion</b> means the date upon which each of the Conditions has been satisfied or waived in accordance with the DOCA.</p> <p><b>Continuing Contracts</b> 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).</p> <p><b>CP Satisfaction Date</b> means 30 September 2022, unless otherwise extended by agreement of CCG and the Administrators.</p> <p><b>Creditor</b> means a person who has a claim against the Company.</p> <p><b>Creditors’ Trust</b> means a trust to be entitled the “CHL Creditors Trust” (or another title agreed by the Deed Administrators and CCG), pursuant to which:</p> <ol style="list-style-type: none"> <li>(1) the Deed Administrators as trustees will hold the Creditors’ Trust Fund as the trust estate, on trust for the beneficiaries described below;</li> <li>(2) persons who were (immediately prior to the effectuation of the DOCA) Admitted Creditors will be beneficiaries;</li> </ol>
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		<p>(3) the beneficiaries will have interests in the trust estate commensurate with their entitlements to participate as Admitted Creditors under the DOCA.</p> <p><b>Creditors' Trust Deed</b> 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.</p> <p><b>Creditors' Trust Fund</b> is the Deed Fund.</p> <p><b>Data Room</b> means the data room operated by the Administrators in relation to a process for the recapitalisation of the Company.</p> <p><b>Deed Fund</b> is the CCG Contribution and any Working Capital Amounts as at the relevant time.</p> <p><b>Deed Period</b> means the period commencing on the Commencement Date and ending on the earlier of the Termination Date or Completion.</p> <p><b>DOCA</b> 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.</p> <p><b>eligible employee creditor</b> has the meaning given to that term in the Act.</p> <p><b>Excluded Creditors</b> means any Creditor who has a claim against the Company:</p> <p>(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</p> <p>(2) where such Creditor is a Subsidiary.</p> <p><b>Interim Funding</b> 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.</p> <p><b>Pre-Administration Contract</b> 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.</p> <p><b>Regulations</b> means <i>Corporations Regulations 2001</i> (Cth).</p> <p><b>Secured Creditor</b> means any Creditor who has valid and effective security from the Company for its claim against the Company.</p> <p><b>security</b> means any security interest or encumbrance of any kind whatsoever, howsoever arising, and includes (without limitation) a security interest registrable under the <i>Personal Property Securities Act 2009</i> (Cth).</p> <p><b>Shares</b> means all shares in the Company of any kind whatsoever</p>
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	<p>(and includes any preference shares, ordinary shares or otherwise).</p> <p><b>Small Claim</b> means any Admitted Claim with a value of A\$20,000 or less.</p> <p><b>Small Claim Creditor</b> means a Creditor with a Small Claim.</p> <p><b>Small Claim Dividend</b> 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.</p> <p><b>Subsidiaries</b> means the entities described in Schedule 1 to this proposal.</p> <p><b>Termination Date</b> means the date that the DOCA is terminated pursuant to clause 14 above.</p> <p><b>Westpac</b> means Westpac Banking Corporation.</p> <p><b>Working Capital Amounts</b> means at the time of completion of the DOCA as contemplated in clause 12 above:</p> <ol style="list-style-type: none"><li>(1) cash on hand for the Company or Administrators;</li><li>(2) accounts receivable due to the Company in respect of work done or services provided by the Company on or before that time.</li></ol>
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Dated: 26 August 2022

Contacts:	David Walter Partner Allen & Overy P 02 9373 7840 E <a href="mailto:david.walter@allenovery.com">david.walter@allenovery.com</a>	Angus Napier Associate Allen & Overy P 02 9373 7853 E <a href="mailto:angus.napier@allenovery.com">angus.napier@allenovery.com</a>
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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.

## VIA EMAIL

The Administrators  
Collection House Limited (administrators appointed)  
C/- FTI Consulting  
Level 20, CP1  
345 Queen Street  
Brisbane QLD 4000

## Allen & Overy

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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.

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

Yours sincerely

A handwritten signature in black ink, appearing to read "David Walter". The signature is written in a cursive style with a long horizontal stroke at the end.

**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
<b>Reasons for the Creditors' Trust</b>	<p>The Creditors' Trust is required to:</p> <ol style="list-style-type: none"> <li>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;</li> <li>2. Enable control of the Company to pass to its new governance structure; and</li> <li>3. Provide the Company the best prospect of negotiating a return to usual trading terms with suppliers.</li> </ol>
<b>Key events</b>	<p>If creditors vote in favour of the DOCA proposal at the Second Meeting:</p> <ol style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>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);</li> <li>4. The Proponent will make payment of \$11M to establish the Deed Fund;</li> </ol>

Item	Detail
	<ol style="list-style-type: none"> <li>5. The DOCA will be effectuated, the Creditors' Trust will be settled, and the Deed Administrators will become the Trustees of the Creditors' Trust;</li> <li>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;</li> <li>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;</li> <li>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;</li> <li>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</li> <li>10. On payment of the final dividend, the Creditors' Trust will then be dissolved.</li> </ol>
<b>Return to creditors</b>	The forecast return to creditors under the Creditors' Trust is discussed in Section 8 of this report.
<b>Trustee particulars</b>	<p>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.</p> <p>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.</p> <p>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.</p>
<b>Remuneration and costs</b>	<p>The Creditors' Trust will provide for payment of the following from Creditors' Trust Funds in priority to any distribution to creditors:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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 <b>Appendix 8</b> 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.</li> </ol>

Item	Detail
	<p>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.</p>
<b>Indemnities</b>	<p>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.</p>
<b>Powers</b>	<p>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.</p>
<b>Claims of priority and ordinary creditors</b>	<p>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.</p> <p>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.</p> <p>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.</p>

Item	Detail
<b>Other creditor / beneficiary differences</b>	<p>The Creditors' Trust provides some differences for creditors compared to a DOCA, which include:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ol>
<b>FEG</b>	<p>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.</p> <p>Through the DOCA and Creditors' Trust, a return is anticipated for outstanding superannuation, which is not covered by the FEG scheme.</p> <p>Continuing employees will retain their leave and retrenchment entitlements with the Company through the DOCA and Creditors' Trust.</p>
<b>Compliance opinion</b>	<p>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 "<i>substantial headroom in our borrowing facility, which can be applied to any sizeable opportunities for additional investment as they arise</i>". 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.</p> <p>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.</p>
<b>Solvency statement</b>	<p>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.</p>

Item	Detail
<b>Tax (company / trust)</b>	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.
<b>Tax (creditor / beneficiary)</b>	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.
<b>Other</b>	We have not identified any other material aspects or implications of the Creditors' Trust.

**Attachment 4 – Interlocutory Process**

## NOTICE OF FILING AND HEARING

This document was lodged electronically in the FEDERAL COURT OF AUSTRALIA (FCA) on 3/10/2022 1:55:21 PM AEST and has been accepted for filing under the Court's Rules. Filing and hearing details follow and important additional information about these are set out below.

### Filing and Hearing Details

Document Lodged:	Interlocutory process (Rule 2.2): Federal Court (Corporations) Rules 2000 form 3
File Number:	QUD246/2022
File Title:	IN THE MATTER OF COLLECTION HOUSE LIMITED (ADMINISTRATORS APPOINTED) ACN 010 230 716
Registry:	QUEENSLAND REGISTRY - FEDERAL COURT OF AUSTRALIA
Reason for Listing:	To Be Advised
Time and date for hearing:	To Be Advised
Place:	To Be Advised



A handwritten signature in blue ink that reads 'Sia Lagos'.

Dated: 4/10/2022 9:57:56 AM AEST

Registrar

### Important Information

As required by the Court's Rules, this Notice has been inserted as the first page of the document which has been accepted for electronic filing. It is now taken to be part of that document for the purposes of the proceeding in the Court and contains important information for all parties to that proceeding. It must be included in the document served on each of those parties.

The Reason for Listing shown above is descriptive and does not limit the issues that might be dealt with, or the orders that might be made, at the hearing.

The date and time of lodgment also shown above are the date and time that the document was received by the Court. Under the Court's Rules the date of filing of the document is the day it was lodged (if that is a business day for the Registry which accepts it and the document was received by 4.30 pm local time at that Registry) or otherwise the next working day for that Registry.





**Form 3 Interlocutory process**

(Rule 2.2)

No. QUD 246 of 2022

Federal Court of Australia  
District Registry: Queensland  
Division: Commercial and Corporations List

**IN THE MATTER OF COLLECTION HOUSE LIMITED (SUBJECT TO DEED OF COMPANY ARRANGEMENT) ACN 010 230 716**

**JOHN RICHARD PARK, BENJAMIN PETER CAMPBELL AND KELLY-ANNE LAVINA TRENFIELD IN THEIR CAPACITIES AS JOINT AND SEVERAL DEED ADMINISTRATORS OF COLLECTION HOUSE LIMITED (SUBJECT TO DEED OF COMPANY ARRANGEMENT)**

First Plaintiffs / First Applicants

**COLLECTION HOUSE LIMITED (SUBJECT TO DEED OF COMPANY ARRANGEMENT)  
ACN 010 230 716**

Second Plaintiff / Second Applicant

**A. DETAILS OF APPLICATION**

This application is made under sections 444GA and 447A of the *Corporations Act 2001* (Cth) (**Corporations Act**), section 90-15 of the *Insolvency Practice Schedule (Corporations)* set out in Schedule 2 to the *Corporations Act (IPS)* and, to the extent necessary, section 48 of the *Federal Court of Australia Act 1976* (Cth) and rule 2.02 of the *Federal Court Rules 2011* (Cth) for orders, among other things, that the First Plaintiffs, John Park, Benjamin Campbell and Kelly-Anne Trenfield, in their capacities as joint and several deed administrators (**Deed Administrators**) of the Second Plaintiff, Collection House Limited (Subject to Deed of Company Arrangement) (**Company**), be granted leave to transfer all of the existing shares in the Company, to Credit Corp Group Limited, or its nominee.

On the facts stated in the supporting affidavit of John Richard Park to be sworn on 3 October 2022, the Plaintiffs seek the following orders:

**Procedural orders (to be made at first return date of the Interlocutory Process)**

1. An order that prayers 2-8 of this Interlocutory Process be returnable *instanter*.
2. To the extent necessary, an order, pursuant to section 48 of the *Federal Court of Australia Act 1976* (Cth) and rule 2.02 of the *Federal Court Rules 2011* (Cth), that this proceeding be transferred from the Queensland District Registry to the New South Wales District Registry.

Filed on behalf of (name & role of party)	The Plaintiffs		
Prepared by (name of person/lawyer)	Timothy James Sackar		
Law firm (if applicable)	Clayton Utz		
Tel	+61 2 9353 4000	Fax	+61 2 8220 6700
Email	jrobertson@claytonutz.com		
<b>Address for service</b> (include state and postcode)	Level 15, 1 Bligh Street, Sydney NSW 2000		



3. An order, pursuant to section 447A of the *Corporations Act 2001* (Cth) (**Corporations Act**) and section 90-15(1) of the *Insolvency Practice Schedule (Corporations)* set out in Schedule 2 to the *Corporations Act* (**IPS**), that the First Plaintiffs (**Deed Administrators**) would be justified in providing the Explanatory Statement in the form annexed to the Interlocutory Process and marked "A" (**Explanatory Statement**) for distribution to each of the creditors and members of the Second Plaintiff (**Company**).
  
4. An order that the Plaintiffs give notice to each of the creditors and members of the Company of:
  - (a) the Interlocutory Process;
  - (b) the Explanatory Statement;
  - (c) the affidavit of John Richard Park to be sworn on 3 October 2022;
  - (d) the availability of the independent expert's report of Jennifer Nettleton of KordaMentha dated 30 September 2022; and
  - (e) the orders made by the Court,within 3 business days of the date of the orders, by the following methods:
  - (f) where the Deed Administrators have an email address for a creditor or member (including from the books and records maintained by the Company), by notifying each such creditor or member, via email;
  - (g) where the Deed Administrators do not have an email address for a creditor or member (or have received notification of non-delivery of a notice sent by email in accordance with paragraph (f) above) but the Deed Administrators have a postal address for that creditor or member (including from the books and records maintained by the Company), by sending the materials to each such creditor or member, via post;
  - (h) by placing scanned, sealed copies on the website maintained by the Deed Administrators at <https://fticonsulting.com/creditors/collection-house-limited>; and
  - (i) by making an announcement to the Australian Securities Exchange.
  
5. An order that any interested person wishing to appear at the hearing of this application is to file and serve on the Plaintiffs and the Australian Securities and Investments Commission a Notice of Appearance in the prescribed form and indicating the grounds of opposition by 12pm on 17 October 2022.
  
6. An order that any interested person who is entitled to oppose this application pursuant to section 444GA(2) of the *Corporations Act* may apply to be joined as a respondent to this application by no later than 12pm on 17 October 2022.



7. An order that the Plaintiffs file any further evidence upon which they intend to rely on the application, including any supplementary affidavits deposing as to any correspondence or communications received by the Deed Administrators from any interested person who is entitled to oppose this application pursuant to section 444GA(2) of the Corporations Act and any responsive correspondence or communication from the Deed Administrators, by 12pm on 20 October 2022.
8. This application be listed for hearing on 21 October 2022 at 10am or such other date as the Court considers appropriate.

### **Substantive orders**

9. An order, pursuant to section 444GA(1)(b) of the Corporations Act, that the Deed Administrators be granted leave to transfer all of the existing shares in the capital of the Company (**Shares**) from the members (as defined in the Corporations Act) of the Company to Credit Corp Group Limited (**Credit Corp**) or its nominee in accordance with clause 6.3 of the deed of company arrangement dated 21 September 2022, entered into by the Deed Administrators, the Company and Credit Corp (**Deed**).
10. An order pursuant to section 447A(1) of the Corporations Act and section 90-15(1) of the IPS that any of the Deed Administrators may, jointly or severally, in their capacity as Deed Administrators:
  - (a) execute share transfer forms and any other documents ancillary or incidental to effecting the transfer of the Shares referred to in Order 9; and
  - (b) enter or procure the entry of the name of Credit Corp or its nominee into the share register of the Company in respect of all Shares transferred to Credit Corp or its nominee in accordance with Order 9.
11. An order that the Plaintiffs' costs of and incidental to this application be costs and expenses in the deed administration of the Company.
12. An order that the Court's orders be entered forthwith.
13. Such further or other orders or directions as the Court considers appropriate.

Date: 30 September 2022

A handwritten signature in black ink, appearing to read 'Timothy James Sackar'.

.....  
Signed by Timothy James Sackar  
Solicitor for the Plaintiffs



**B. NOTICE TO DEFENDANT(S) (IF ANY)**

N/A

**C. FILING**

This interlocutory process is filed by Clayton Utz, solicitors for the Plaintiffs.

**E. SERVICE**

The Plaintiffs' address for service is:

Attention: Timothy Sackar/Jillian Robertson  
C/- Clayton Utz  
Lawyers  
1 Bligh Street, Sydney NSW 2000  
DX 370 Sydney

It is intended that a copy of this interlocutory process will be provided to each of the persons listed below:

Australian Securities and Investments Commission

Creditors of the Company

Members of the Company

"A"



## Explanatory Statement

Collection House Limited ACN 010 230 716 (Subject to Deed of Company Arrangement) (**CLH** or **Company**)

[#] October 2022

Draft

## Explanatory Statement to shareholders and Independent Expert's Report

This Explanatory Statement provides information to the shareholders (**Shareholders**) of Collection House Limited ACN 010 230 716 (Subject to Deed of Company Arrangement) (**CLH or the Company**) in respect of the deed of company arrangement entered into by CLH, Credit Corp Group Limited ACN 092 697 151 (**CCP**) and the Deed Administrators on 21 September 2022 (**DOCA**).

It is a condition to completion and effectuation of the DOCA that the Deed Administrators obtain a Court order pursuant to section 444GA(1)(b) of the *Corporations Act 2001 (Cth)* (**Act**) granting leave to the Deed Administrators to transfer all of the CLH Shares to CCP for nil consideration. The Deed Administrators have made an application for this order in the Federal Court of Australia (**Section 444GA Application**).

On **[Date TBC]**, the Federal Court of Australia made procedural orders in relation to the Section 444GA Application, which included timetabling directions for the filing of notices of appearance by any interested parties and confirmation of the final hearing date (**Procedural Orders**).

The Section 444GA Application has been listed for a final hearing on **[Date TBC]** at **[Time TBC]** in the Federal Court of Australia.

If you wish to appear at the Court hearing and/or oppose the Section 444GA Application, you may do so by filing with the Court, and serving on the Deed Administrators and ASIC, a notice of appearance in the prescribed Court form indicating the grounds of opposition by no later than **[Time/Date TBC]**.

**Shareholders should consider the Independent Expert's Report in full before deciding whether to take any action in relation to the Section 444GA Application. If you are in any doubt as to the action you should take, you are recommended to obtain your own personal legal or financial advice from your legal or other professional adviser(s).**

A copy of the Explanatory Statement (including the Independent Expert's Report) has been provided to ASIC prior to the issuance of this Explanatory Statement. Neither ASIC nor any of its officers take any responsibility for its contents.

## Key information for Shareholders

Capitalised terms used in this Explanatory Statement have the meanings defined in the Glossary in Schedule 1, unless the context requires otherwise or unless a term has been defined in the text of the Explanatory Statement, and a word importing the singular includes the plural (and vice versa).

### 1. Purpose of the Explanatory Statement

This document is an Explanatory Statement issued by CLH in connection with the DOCA. If the Section 444GA Order is made and the DOCA is completed, all of your shares in CLH will be transferred to CCP for no consideration and you will cease to own those shares.

Section 4 of this report contains further information regarding the DOCA.

This Explanatory Statement contains information about:

- (a) the Section 444GA Application to the Court for approval to transfer all of the CLH Shares to CCP as part of the DOCA;
- (b) the steps that you need to take if you wish to appear at the Court hearing in respect of the Section 444GA Application, which has been listed for hearing on [Date/Time TBC]; and
- (c) the effect of the DOCA on you as a Shareholder, in order to assist you in deciding whether to take action in respect of the Section 444GA Application.

An Independent Expert's Report prepared by the Expert, which contains an objective valuation of the CLH Shares, is attached to this document as **Attachment 1**.

### 2. Administration of CLH

On 29 June 2022, John Park, Benjamin Campbell and Kelly-Anne Trenfield were appointed as joint and several administrators (**Administrators**) of CLH. Notably, none of CLH's subsidiaries have been placed into any kind of external administration.

A copy of the group structure chart for CLH and its subsidiaries (together, the **CLH Group**) is contained at Appendix 2 of the Administrators' Section 75-225 Report (a copy of which is provided as **Attachment 3**). The CLH Group is comprised of a parent company, CLH, which is listed on the ASX (and which is the only entity in the CLH Group that is subject to external administration) and 14 subsidiaries; including 7 Australian incorporated subsidiaries, 6 New Zealand incorporated subsidiaries, and 1 Philippines incorporated subsidiary.

In the Administrators' Section 75-225 Report, the Administrators stated that, in their opinion, the earliest date on which CLH was insolvent was from at least April 2022 and that the insolvency of CLH was due to CLH making significant trading losses from FY20 onwards, primarily precipitating from COVID-induced restrictions impacting its core business model. Further reasons as to CLH's insolvency is summarised at sections 4.9, 4.10 and 6.3.2 of the Administrators' Section 75-225 Report.

As you would be aware, the CLH Shares have been suspended from trading on the ASX since 30 June 2022.

When CLH entered into voluntary administration, it owed approximately AUD\$23,900,000 to more than 560 external creditors, including but not limited to secured creditors, priority employee creditors, and unsecured creditors.

We refer to Appendix 4 of the Administrators' Section 75-225 Report, which provides a detailed overview of CLH's creditors.

### 3. Sale Process and formulation of the DOCA

Immediately after their appointment, the Administrators commenced a competitive and comprehensive sale process (**Sale Process**). The Sale Process occurred over a two-month period and in four phases:

- (a) **Phase One (7 July 2022 – 10 July 2022)** - In Phase One, the Administrators provided the potential purchasers (which were identified by the Administrators and CLH) with an investment flyer, a non-disclosure agreement and sale process letter and invited expressions of interest for the sale and/or recapitalisation of the Company;
- (b) **Phase Two (11 July 2022 – 27 July 2022)** - In Phase Two, 26 parties who had entered into non-disclosure agreements with the Administrators were given access to a virtual data room containing documents about the business and financial position of CLH and the Administrators conducted management presentations with certain interested parties. The Administrators subsequently received nine non-binding indicative offers (**NBIO**) and, based on those offers, formed a shortlist of four preferred parties (**Shortlisted Bidders**);
- (c) **Phase Three (27 July 2022 – 10 August 2022)** - In Phase Three, the Shortlisted Bidders were invited to make best and final offers on 3 August 2022. The Administrators received four final NBIOs on 3 August 2022. Following the Administrators' consideration and assessment of the four competing proposals, they selected one bidder on 10 August 2022, being CCP, to proceed to 'Phase Four' of the Sale Process. As part of reviewing each proposal, the Administrators assessed and considered the following:
  - (i) potential return to creditors, including priority employee claims, secured lenders' claims and unsecured creditor claims;
  - (ii) the time to complete each proposed transaction and the operational funding available as part of the offers;
  - (iii) the conditions attached to the offers and the ability to satisfy the conditions;
  - (iv) the ability of each party to complete the proposed transactions; and
  - (v) other commercial considerations relevant for the ongoing viability of the business.
- (d) **Phase Four (10 August 2022 – 30 August 2022)** - In Phase Four, the Administrators and CCP negotiated the terms of and entered into a binding agreement with CCP for the transfer of all of the CLH Shares through a deed of company arrangement and subsequent Creditors' Trust (subject to various conditions, including an order from the Court under section 444GA of the Act).

An overview of the Sale Process is provided in section 5.2 of the Administrators' Section 75-225 Report.

In the Administrators' Section 75-225 Report, the Administrators recommended that creditors vote in favour of the DOCA proposed by CCP.



## 4. Key information in relation to the DOCA

### 4.1 Overview

At the Second Meeting, the creditors of CLH resolved that CLH enter into the DOCA and that the Administrators be appointed as joint and several deed administrators (**Deed Administrators**).<sup>1</sup>

The DOCA was executed by all parties on 21 September 2022 and it is intended to compromise certain claims of creditors of CLH that arose on or prior to 29 June 2022.

The DOCA contemplates that the Deed Administrators will transfer all of the CLH Shares to CCP, free and clear of any encumbrances, on the condition that the orders sought by the Deed Administrators pursuant to the Section 444GA Application are made by the Court.

### 4.2 Conditions

Completion of the DOCA is conditional upon the satisfaction of certain Conditions, including:

- (a) the Deed Administrators obtaining ASIC Relief;
- (b) the Deed Administrators obtaining a Section 444GA Order;
- (c) transfer of the CLH shares to CCP; and
- (d) the Deed Administrators, the Trustees and CLH executing the Trust Deed.

### 4.3 Key Terms

The key terms of the DOCA include:

- (a) the establishment of the CLH Creditors' Trust, whereby upon the effectuation of the DOCA, all eligible creditors' claims against CLH will transfer to the CLH Creditors' Trust and a dividend will be paid in respect of those eligible creditor claims to satisfy those claims;
- (b) any Shareholder claims which are subordinated to the claims of other unsecured creditors under the Act will be extinguished, and Shareholders are not eligible to receive a dividend from the Creditors' Trust in respect of those claims;
- (c) CCP would assume control and continue to trade the business as a going concern; and
- (d) CLH will cease to comply with, and will not perform certain of its contracts which were entered into by CLH before the appointment of the Administrators and completion of the DOCA will therefore treat these contracts as coming to an end

If the conditions precedent under the DOCA are satisfied and completion occurs under the DOCA, CLH will be delisted from the ASX and CCP will continue to operate the CLH business as a going concern.

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<sup>1</sup> For completeness, we also note that a meeting of eligible employee creditors was held on 13 September 2022 pursuant to section 444DA of the Act whereby eligible employee creditors of CLH resolved that CLH enter into the DOCA and that the Administrators be the Deed Administrators.

## 5. Independent Expert's Report

As noted above, the Section 444GA Application has been commenced by the Deed Administrators in the Federal Court of Australia seeking leave of the Court pursuant to section 444GA(1)(b) of the Act for the transfer of the CLH Shares to CCP.

Under subsection 444GA(3) of the Act, the Court may only grant leave to transfer the CLH Shares to CCP if it is satisfied that the transfer would not unfairly prejudice the interests of the Shareholders. The Deed Administrators intend to rely on the Independent Expert's Report when addressing the issue of unfair prejudice before the Court.

The Expert was engaged to provide an independent opinion on whether the Share Transfer would unfairly prejudice the Shareholders. This involved the Expert valuing the CLH Shares on the liquidation value of the business of the Company as a whole (see ASIC regulatory guide 111.77). Where there is a residual business that could be sold, the Expert is to consider the value of that business and not just the assets and other undertakings that comprise that business interest. The valuation date used by the Expert in the assessment was [14 September 2022] (**Valuation Date**).

The Independent Expert's Report will be relied upon by the Deed Administrators for the purpose of the Section 444GA Application and also for the purpose of applying for ASIC Relief. See **Attachment 1** for a full copy of the Independent Expert's Report. Shareholders (and their advisers and any other interested parties) should read the Independent Expert's Report carefully and in its entirety. By way of summary, the key findings of the Expert, as set out in Independent Expert's Report, are as follows:

- (a) there is a material deficit of assets available to meet the claims against CLH and therefore, the CLH Shares have nil value as at the Valuation Date;
- (b) the sale process undertaken by the Administrators and the process for selecting CCP as the preferred bidder was reasonable having regard to the substantial risks an extended process would have presented; and
- (c) there would be no value available to CLH from the realisation of the shares held by CLH in Volt Corporation Limited.

## 6. Section 444GA Application

### 6.1 Overview

The Section 444GA Application has been filed in the Federal Court of Australia. A copy of the Interlocutory Process filed by the Deed Administrators is provided as **Attachment 4** of this Explanatory Statement. On [Date TBC], the Court made the Procedural Orders pursuant to which:

- (a) a timetable was set for the preparation of the matter for final hearing, which includes the dates by which any interested person (including any Shareholder who wishes to oppose the Section 444GA Application) must file with the Court and serve on the Deed Administrators and ASIC a notice of appearance in the prescribed form and indicating the ground of opposition, being no later than [Time/Date TBC]; and
- (b) the final hearing date and time was set for [Time/Date TBC].

A copy of the Procedural Orders is provided as **Attachment 5** of this Explanatory Statement. If you wish to appear at and/or oppose the Section 444GA Application at the final hearing, you will need to file with the Court and serve on the Deed Administrators and ASIC a notice of appearance in the prescribed Court form and indicate your grounds of opposition. Pursuant to [Orders TBC] of the Procedural Orders, any appearance and grounds of opposition must be filed and served by an interested party who wishes to oppose the Section 444GA Application at the final hearing by no later than [Time/Date TBC].

The Deed Administrators will accept service of any appearance at Clayton Utz, Level 15, 1 ★ Bligh Street, Sydney NSW 2000 (Attention: Timothy Sackar / Jillian Robertson) or [tsackar@claytonutz.com](mailto:tsackar@claytonutz.com) / [jrobertson@claytonutz.com](mailto:jrobertson@claytonutz.com).

## 6.2 Important Dates

We draw your attention to the following key dates in relation to the Section 444GA Application:

Event	Date
Notice of appearance and grounds of opposition to be served by any Shareholder (or other interested person) seeking to appear at the hearing of the Section 444GA Application	[TBC]
Hearing date for the Section 444GA Application	[TBC]
Proposed date for the Share Transfer	[TBC]

*The dates, including the proposed hearing date, may be subject to any further directions made by the Court.*

## 6.3 What will happen if the Section 444GA Order is not made?

As the Section 444GA Order is one of the Conditions (see section 4.2 above) to completion of the DOCA, the DOCA will not be effectuated if the Section 444GA Order is not made. In those circumstances, should the Deed Administrators elect not to appeal, or should any such appeal fail, the Deed Administrators will convene a meeting of the creditors of CLH to determine the future of CLH. If this occurs the Deed Administrators' will require further funding in order to continue to operate the business of CLH. In the absence of further funding, or an alternate transaction capable of completing, CLH will be placed into liquidation.

## 6.4 Effect of the Section 444GA Order on Shareholders

If the Section 444GA Order is made and the DOCA is fully implemented, all of your shares in CLH will be transferred by the Deed Administrators to CCP and you will not receive any money or form of consideration.

## 6.5 Australian income tax consequences

This section of the Explanatory Statement is provided as general information for Shareholders who are Australian resident taxpayers holding their CLH Shares on capital account, not as trading stock, and who are not subject to the Taxation of Financial Arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) for the purposes of calculating any gains or losses arising from financial arrangements. It does not take account of the circumstances of any individual Shareholder. Each Shareholder should seek its own tax advice on the consequences for it of the DOCA being effectuated.

Upon the effectuation of the DOCA, the Share Transfer will give rise to a capital gains event (**CGT Event**) for Shareholders because it will trigger a CGT Event and may crystallise a capital loss. Depending upon each individual taxpayer's financial position and tax profile, this capital loss may be available to offset against the taxpayer's capital gains thereby potentially reducing the amount of tax otherwise payable by the taxpayer.

The Australian resident Shareholders who hold their CLH Shares on capital account will incur a capital loss to the extent the reduced cost base of the CLH Shares transferred exceeds the market value of the CLH Shares.

The reduced cost base in the CLH Shares includes:

- (a) the acquisition cost of the CLH Shares;
- (b) incidental acquisition costs incurred to acquire and hold the CLH Shares;
- (c) expenditure incurred to increase or preserve the value of the CLH Shares; and
- (d) capital expenditure incurred to establish, preserve or defend their title to the CLH Shares.

Given the transfer will occur by way of Court order, the time of the CGT Event for Shareholders will be when the Share Transfer takes effect in accordance with the DOCA.

## 7. **ASIC Relief**

As CLH is a publicly listed company on the ASX, ASIC Relief will be required to enable completion of the Share Transfer.

The Deed Administrators have engaged with ASIC by providing a copy of this Explanatory Statement (in draft) along with additional information relevant to the relief being sought.

## 8. **What do you need to do now?**

Shareholders (and their advisers and any other interested parties) should read this Explanatory Statement (including the documents referred to in this Explanatory Statement) in its entirety before making a decision regarding whether or not to take any action in relation to the Section 444GA Application.

Please note that this Explanatory Statement does not constitute financial product advice and has been prepared without reference to the investment objectives, financial situation, taxation position or particular needs of any and every Shareholder. Whether or not to take any action in relation to the DOCA or in respect of the Section 444GA Application is a decision for each individual Shareholder and may depend, amongst other things, on an assessment of the relevant Shareholder's individual financial circumstances. Accordingly, as the professional, financial, legal and taxation consequences of such a decision may be different for each particular Shareholder, each Shareholder should seek professional financial, legal and taxation advice before making a decision.

## 9. **What information is available to assist you?**

To assist you in deciding whether to take any action in relation to the Section 444GA Application, this Explanatory Statement attaches copies of the following documents:

- (e) Independent Expert's Report as Attachment 1;
- (f) DOCA and Trust Deed as Attachment 2;
- (g) Administrators' Section 75-225 Report to Creditors as Attachment 3;
- (h) Interlocutory Process filed by the Deed Administrators in relation to the Section 444GA Application as Attachment 4; and
- (i) Procedural Orders as Attachment 5.

Should you have any queries regarding this Explanatory Statement, the Independent Expert's Report, the Section 444GA Application or the Procedural Orders, please email [CollectionHouse@fticonsulting.com](mailto:CollectionHouse@fticonsulting.com).

## Schedule 1 - Glossary of terms

In this Explanatory Statement, capitalised terms have the meanings set out in the following table:

<b>Act</b>	<i>Corporations Act 2001</i> (Cth)
<b>ASIC Relief</b>	ASIC granting an exemption pursuant to section 655A(1)(a) of the Act from the application of section 606 of the Act to permit the transfer of all of the CLH Shares to CCP
<b>Administrators</b>	John Park, Benjamin Campbell and Kelly-Anne Trenfield of FTI Consulting
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	Australian Securities Exchange
<b>CCP</b>	Credit Corp Group Limited ACN 092 697 151
<b>CLH</b>	Collection House Limited ACN 010 230 716 (Subject to Deed of Company Arrangement)
<b>CLH Creditors' Trust</b>	Has the meaning as defined in the DOCA
<b>CLH Group</b>	CLH and the CLH Subsidiaries
<b>CLH Shares</b>	All the issued share capital of CLH
<b>Conditions</b>	The conditions set out in clause [5] of the DOCA.
<b>Court</b>	Federal Court of Australia
<b>Deed Administrators</b>	John Park, Benjamin Campbell and Kelly-Anne Trenfield of FTI Consulting
<b>DOCA</b>	The deed of company arrangement entered into between CLH, CCP and the Deed Administrators on 21 September 2022 annexed to this Explanatory Statement as Attachment 2
<b>DOCA Completion</b>	Completion of the DOCA in accordance with its terms.
<b>Expert</b>	Jennifer Nettleton of KordaMentha Pty Ltd
<b>Explanatory Statement</b>	This document as described in section 1
<b>Independent Expert's Report</b>	The report by the Expert as described in section 5 and as annexed to this Explanatory Statement as Attachment 1
<b>NBIO</b>	Non-binding indicative offer
<b>Sale Process</b>	The competitive and comprehensive sale process of CLH undertaken by the Administrators from July to August 2022

<b>Second Meeting</b>	The second meeting of creditors of CLH held on 13 September 2022 in accordance with section 439A of the Corporations Act
<b>Section 75-225 Report</b>	The report prepared by the Administrators in accordance with section 75-225 of the <i>Insolvency Practice Rules (Corporations) 2016</i> dated 5 September 2022 as annexed to this Explanatory Statement as Attachment 3
<b>Section 444GA Application</b>	The application by the Deed Administrators pursuant to section 444GA of the Corporations Act as described in section 6
<b>Section 444GA Order</b>	The orders sought by the Deed Administrators pursuant to the Section 444GA Application
<b>Shareholders</b>	Means the shareholders of CLH as at the date of the Explanatory Statement
<b>Share Transfer</b>	The transfer of the CLH Shares to CCP pursuant to the DOCA
<b>Shortlisted Bidders</b>	The parties selected by the Administrators to participate in Phase 2 of the Sale Process
<b>Trustees</b>	John Park, Benjamin Campbell and Kelly-Anne Trenfield of FTI Consulting in their capacity as trustees of the CLH Creditors' Trust
<b>Trust Deed</b>	The document entitled 'Trust Deed' between CLH, the Deed Administrators, the Trustees and CCP, substantially in form of that contained in Schedule 5 to the DOCA

**Attachment 1 - Independent Expert's Report**

Draft

**Attachment 2 - DOCA**

Draft



**Attachment 3 - Section 75-225 Report**

Draft

**Attachment 4 – Interlocutory Process**

Draft

**Attachment 5 - Procedural Orders**

Draft

**Attachment 5 - Procedural Orders**



Federal Court of Australia

District Registry: Queensland

Division: General

No: QUD246/2022

**JOHN RICHARD PARK, BENJAMIN PETER CAMPBELL AND KELLY-ANNE LAVINA TRENFIELD IN THEIR CAPACITY AS JOINT AND SEVERAL VOLUNTARY ADMINISTRATORS OF COLLECTION HOUSE LIMITED (ADMINISTRATORS APPOINTED) ACN 010 230 716** and another named in the schedule  
Applicant

### **ORDER**

**JUDGE:** JUSTICE MARKOVIC

**DATE OF ORDER:** 4 October 2022

**WHERE MADE:** Sydney

#### **THE COURT ORDERS THAT:**

1. Pursuant to s 48 of the *Federal Court of Australia Act 1976* (Cth) and r 2.02 of the *Federal Court Rules 2011* (Cth), this proceeding be transferred from the Queensland District Registry to the New South Wales District Registry.
2. Pursuant to s 90-15(1) of the *Insolvency Practice Schedule (Corporations)* set out in Schedule 2 to the *Corporations Act 2001* (Cth) (**IPS**), the first plaintiffs (**Deed Administrators**) would be justified in providing the Explanatory Statement substantially in the form annexed to the interlocutory process and marked "A" (**Explanatory Statement**) for distribution to each of the creditors and members of the second plaintiff (**Company**).
3. The plaintiffs give notice to each of the creditors and members of the Company of:
  - (a) the interlocutory process;
  - (b) the explanatory statement;
  - (c) the affidavit of John Richard Park sworn on 3 October 2022;
  - (d) the availability of the independent expert's report of Jennifer Nettleton of KordaMentha dated 30 September 2022; and
  - (e) these Orders,within one business day of the date of the orders, by the following methods:



- (f) where the Deed Administrators have an email address for a creditor or member (including from the books and records maintained by the Company), by notifying each such creditor or member, via email;
  - (g) where the Deed Administrators do not have an email address for a creditor or member (or have received notification of non-delivery of a notice sent by email in accordance with paragraph (f) above) but the Deed Administrators have a postal address for that creditor or member (including from the books and records maintained by the Company), by sending the materials to each such creditor or member, via post;
  - (h) by placing scanned, sealed copies on the website maintained by the Deed Administrators at <https://fticonsulting.com/creditors/collection-house-limited>; and
  - (i) by making an announcement to the Australian Securities Exchange.
4. Any interested person wishing to appear at the hearing of this application is to file and serve on the plaintiffs and the Australian Securities and Investments Commission a notice of appearance in the prescribed form and indicating the grounds of opposition by 12 midday AEDT on 14 October 2022.
  5. Any interested person who is entitled to oppose this application pursuant to s 444GA(2) of the Corporations Act may apply to be joined as a respondent to this application by no later than 12 midday AEDT on 14 October 2022.
  6. The plaintiffs file and serve on any party who has filed a notice of appearance in accordance with Order 4 above, written submissions, not exceeding 10 pages in length, by 5 pm AEDT on 14 October 2022.
  7. The plaintiffs file any further evidence upon which they intend to rely on the application, including any supplementary affidavits deposing as to any correspondence or communications received by the Deed Administrators from any interested person who is entitled to oppose this application pursuant to s 444GA(2) of the Corporations Act and any responsive correspondence or communication from the Deed Administrators, by 12 midday AEDT on 18 October 2022.
  8. This application be listed for hearing on 19 October 2022 at 2.15 pm AEDT before the Commercial & Corporations Duty Judge in New South Wales.



9. Any interested person wishing to apply to set aside Order 2 above may do so by filing and serving on the plaintiffs, an application, and any affidavits in support, within seven days of the date of this Order.
10. The plaintiffs and any interested persons have liberty to apply on two business days' notice.

Date that entry is stamped: 4 October 2022

*Sia Lagos*  
Registrar



**Schedule**

No: QUD246/2022

Federal Court of Australia  
District Registry: Queensland  
Division: General

Applicant	JOHN RICHARD PARK
Second Applicant	COLLECTION HOUSE LIMITED (ADMINISTRATORS APPOINTED) ACN 010 230 716