

# Remuneration: Initial Advice to Creditors & Approval Request Report

## Yarra Bay Tours Pty Ltd (In Liquidation) ACN 123 456 789

### A: Initial advice to Creditors

#### Part 1: Remuneration Methods

There are four basic methods that can be used to calculate the remuneration charged by an insolvency practitioner. They are:

*Time based / hourly rates* - This is the most common method. The total fee charged is based on the hourly rate charged for each person who carried out the work multiplied by the number of hours spent by each person on each of the tasks performed.

*Fixed Fee* - The total fee charged is normally quoted at the commencement of the liquidation and is the total cost for the liquidation. Sometimes a practitioner will finalise a liquidation for a fixed fee.

*Percentage* - The total fee charged is based on a percentage of a particular variable, such as the gross proceeds of assets realisations.

*Contingency* - The practitioner's fee is structured to be contingent on a particular outcome being achieved.

#### Part 2: Method chosen

Given the nature of this liquidation we propose that our remuneration be calculated on time based basis. This is because:

- It ensures that creditors are only charged for work that is performed.
- The liquidators are required to perform a number of tasks which do not relate to the realisation of assets, for example responding to creditor enquiries, reporting to ASIC, distributing funds in accordance with the provisions of the Corporations Act.
- The liquidators are unable to estimate with certainty the total amount of fees necessary to complete all tasks required in the liquidation.

#### *Explanation of Hourly Rates*

The rates for our remuneration calculation are set out in the following table together with a general guide showing the qualifications and experience of staff engaged in the liquidation and the role they take in the liquidation. The hourly rates charged encompass the total cost of providing professional services and should not be compared to an hourly wage.

Title	Description	Hourly Rate (excl GST)
Appointee	Registered Liquidator, Partner bringing his or her specialist skills to the administration or insolvency task.	\$520
Director	Minimum of twelve years insolvency experience, at least five years at manager level, qualified accountant and capable of controlling all aspects of an administration. May be appropriately qualified to take appointments in his/her own right.	\$483

Title	Description	Hourly Rate (excl GST)
Senior Manager	More than 7 years' insolvency experience, more than 3 years as a manager, qualified accountant. Answerable to the appointee but otherwise responsible for all aspects of administration. Experienced at all levels and considered very competent.	\$423
Manager	6-7 years, qualified accountant, with well-developed technical and commercial skills. Should be constantly alert to opportunities to meet clients' needs and to improve the clients' future operation either by revenue enhancement or by reducing costs and improving efficiency. Controls 2-4 staff.	\$350
Supervisor	4-6 years. Professional Year (PY) complete. Will have had conduct of minor administrations and experience in control of 1-3 staff. Assists planning and control of medium to larger jobs.	\$333
Senior	2-4 years. CA would normally be completed within this period. Assists planning and control of small to medium sized jobs as well as performing some of the more difficult work on larger jobs.	\$280
Intermediate	0-2 years. Graduate with little or no insolvency experience. Required to assist in day-to-day fieldwork under supervision of more senior staff.	\$220
Secretary	Appropriate skills	\$165
Clerk	Non-qualified and classification would depend on experience, salary and complexity of work to be conducted.	\$145
Junior	Completed high school and plans to undertake at least part-time degree/diploma. Required to assist in administration and day-to-day fieldwork under supervision of more senior staff.	\$76

We estimate that this liquidation will cost approximately \$20,000 to complete, subject to the following variables which may have a significant effect on this estimate and that we are unable to determine until we have commenced the liquidation:

- Review of, and any recovery actions in relation to, pre-appointment transactions;
- Identification of breaches of director duties; and
- Calling for and declaration of a dividend to creditors.

In accordance with the requirements of the ARITA Code of Professional Practice, a Pre-appointment proposed basis of Remuneration disclosure was provided to the company directors detailing the above information.

### Part 3: Disbursements

Disbursements are divided into three types:

- Externally provided professional services - these are recovered at cost. An example of an externally provided professional service disbursement is legal fees.
- Externally provided non-professional costs such as travel, accommodation and search fees - these are recovered at cost.
- Internal disbursements such as photocopying, printing and postage. These disbursements, if charged to the liquidation, would generally be charged at cost; though some expenses such as telephone calls, photocopying and printing may be charged at a rate which recoups both variable and fixed costs. The recovery of these costs must be on a reasonable commercial basis.

We are not required to seek creditor approval for disbursements, but must account to creditors. Details of the basis of recovering internal disbursements in this liquidation are provided below. Full details of any actual costs paid will be provided with future reporting.

#### *Basis of disbursement claim*

Internal Disbursements	Rate (Excl GST)
Advertising	At Cost
Courier	At Cost
Faxes & Photocopies	\$0.20 per page
Postage	At Cost
Stationery	
- Folders	\$1.20 per folder
- Filing Index	\$0.40 per set of 5

Scale applicable for financial year ending 30 June 2014

## B: Request for approval of remuneration

### Part 1: Declaration

We, Clifton Hill and Sylvania Waters of Suburban Solvency Specialists, have undertaken a proper assessment of this remuneration claim for our appointment as liquidators of Yarra Bay Tours Pty Ltd (In Liquidation) in accordance with the law and applicable professional standards. We are satisfied that the remuneration claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of the Liquidation.

### Part 2: Executive Summary

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

Period	Report Reference	Amount (ex GST)
Past remuneration approved:		Nil
Current remuneration approval sought:		
Resolution 1: 2 June 2014 – 10 June 2014	B3	\$3,370
Resolution 2: 11 June 2014 – completion*	B4	\$16,630
<b>Total</b>		<b>\$20,000</b>
* Approval for the future remuneration sought is based on an estimate of the work necessary to the completion of the liquidation. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.		

Please refer to report section references detailed in the above table for full details of the calculation and composition of the remuneration approval sought.

This is consistent with the above estimate of costs to completion of the liquidation of \$20,000 (excluding GST) detailed at Part A2 above.

### Part 3: Description of work completed

*Resolution 1 from 2 June 2014 to 10 June 2014 (actual past remuneration)*

Task Area	General Description	Includes
Assets 1 hour \$280	Debtors	Correspondence with debtors Reviewing and assessing debtors ledgers
Creditors 3 hours \$875	Creditor Enquiries	Receive and follow up creditor enquiries via telephone Maintaining creditor enquiry register Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Meeting of Creditors	Preparation of meeting notices, proxies and advertisements
Investigation 3 hours \$1,030	Conducting investigation	Collection of company books and records Reviewing company's books and records Review and preparation of company nature and history Conducting and summarising statutory searches Preparation of deficiency statement Review of specific transactions and liaising with directors regarding certain transactions Liaising with directors regarding certain transactions Preparation of investigation file
	Processing proofs of debt	Preparation of correspondence to potential creditors inviting lodgement of POD Receipt of POD Maintain POD register Adjudicating POD Request further information from claimants regarding POD Preparation of correspondence to claimant advising outcome of adjudication
Administration 3.75 hours \$1,185	Correspondence	
	Document maintenance/file review/checklist	Filing of documents Updating checklists
	Insurance	Correspondence with insurer regarding initial insurance requirements
	Bank account administration	Preparing correspondence opening accounts
	ASIC	Preparing and lodging ASIC forms including 505
	ATO and other statutory reporting	Notification of appointment
	Planning / Review	Discussions regarding status of liquidation
Books and records / storage	Dealing with records in storage Sending job files to storage	
Total \$3,370		

Employee	Position	\$/hour (ex GST)	Total actual hours	Total (\$)	Task Area						
					Assets hrs \$	Creditors hrs \$	Employees hrs \$	Trade on hrs \$	Investigation hrs \$	Dividend hrs \$	Administration hrs \$
C Hill	Appointee	520	1.00	520	-	-	-	-	260	-	260
S Waters	Appointee	520	0.25	520	-	-	-	-	-	-	130
Employee A	Manager	350	2.50	875	-	175	-	-	350	-	350
Employee B	Senior	280	6.00	1,680	280	700	-	-	420	-	280
Employee C	Secretary	165	1.00	165	-	-	-	-	-	-	165
Total			10.75	3,370	280	875	-	-	1,030	-	1,185
GST				337	28	87.50	-	-	103	-	119
Total (Incl GST)				\$3,707	\$308	\$962	-	-	\$1,133	-	\$1,304
Average hourly rate				\$314	\$280	\$292	-	-	\$343	-	\$316

*Resolution 2 from 11 June 2014 to completion (estimated future remuneration)*

Task Area	General Description	Includes
Assets \$2,000	Debtors	Correspondence with debtors Reviewing and assessing debtors ledgers Liaising with debt collectors and solicitors
Creditors \$3,130	Creditor Enquiries	Receive and follow up creditor enquiries via telephone Maintaining creditor enquiry register Review and prepare correspondence to creditors and their representatives via facsimile, email and post Correspondence with committee of creditors members
	Creditor reports	Preparing report, investigation, meeting and general reports to creditors
	Dealing with proofs of debt	Receipting and filing POD when not related to a dividend Corresponding with OSR and ATO regarding POD when not related to a dividend
	Meeting of Creditors	Preparation of meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. Preparation and lodgement of minutes of meetings with ASIC Responding to stakeholder queries and questions immediately following meeting

Task Area	General Description	Includes
Investigation \$8,000	Conducting investigation	Investigate sale of business to related entity Reviewing company's books and records Preparation of comparative financial statements Preparation of deficiency statement Review of specific transactions and liaising with directors regarding certain transactions Liaising with directors regarding certain transactions Lodgement of investigation with the ASIC
	ASIC reporting	Preparing statutory investigation reports Liaising with ASIC Preparation and lodgement of supplementary report if required
Administration \$3,500	Correspondence	
	Document maintenance/file review/checklist	First month, then six monthly liquidation review Filing of documents File reviews Updating checklists
	Insurance	Correspondence with insurer regarding ongoing insurance requirements
	Bank account administration	Preparing correspondence closing accounts Bank account reconciliations
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including 505, 524, 911 etc Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	Preparing BAS
	Finalisation	Notifying ATO of finalisation Cancelling ABN / GST / PAYG registration Completing checklists Finalising WIP
	Planning / Review	Discussions regarding status of liquidation
	Books and records / storage	Dealing with records in storage Sending job files to storage
Total \$16,630		

If investigation of the sale of the business results in further recovery actions being pursued by the liquidators, an additional remuneration report will be provided to creditors and further approval sought.

#### Part 5: Statement of remuneration claim

The following resolutions will be put to creditors for their approval at the meeting on 23 June 2014:

#### *Resolution 1 from 2 June 2014 to 10 June 2014 (actual past remuneration)*

*"That the remuneration of the liquidators from 2 June 2014 to 10 June 2014 is determined at a sum of \$3,370, exclusive of GST, and that the liquidators can draw the remuneration as required."*

## *Resolution 2 from 11 June 2014 to completion (estimated future remuneration)*

*"That the future remuneration of the liquidators from 11 June 2014 is determined at a sum equal to the costs of time spent by the liquidators and their partners and staff, calculated at the hourly rates as detailed in the report to creditors of 10 June 2014 that will be increased at a rate of 5% at 1 July each year (rounded to the nearest \$10), up to a capped amount of \$16,630, exclusive of GST, and that the liquidators can draw the remuneration on a monthly basis or as required."*

As discussed at Part A2 above, we have estimated that the liquidation will cost approximately \$20,000 to complete. Creditors should refer to Part A2 above for further information on the factors that will influence this estimated cost. Further remuneration approval will be sought should these additional factors arise.

### Part 6: Remuneration recoverable from external sources

As disclosed in our DIRRI, the directors of Yarra River Pty Ltd (In Liquidation) provided us with \$9,000 towards our remuneration and the expenses of the liquidation. This money is currently being held in the liquidation bank account. There are no conditions on the conduct or outcome of the liquidation attached to the provision of these funds.

### Part 7: Disbursements

No disbursements have been drawn to date. Future disbursements will be drawn in accordance with the schedule in Part A3 above.

### Part 8: Report on Progress of the Liquidation

Please refer to our Report to Creditors for an update on the progress of the liquidation.

### Part 9: Summary of Receipts and Payments

The only receipt to date is the \$9,000 payment from the directors provided to us prior to our appointment. This money has now been paid from our firm's trust account into the company's liquidation bank account. There have been no payments to date.

### Part 10: Queries

Should creditors have any queries about the liquidation generally or this remuneration report, they should contact Mr Albert Park of our staff on (03) 4567 8209.

### Part 11: Information Sheet

For further information about liquidators' remuneration, ASIC have a general information sheet (Information Sheet 85) available on their website at [www.asic.gov.au](http://www.asic.gov.au) or alternatively creditors may request a copy from our office.