



**Chat Thai CBD Pty Ltd
(Administrators Appointed)
A.C.N. 142 881 445**

Administrators' Report to creditors

Pursuant to Section 439A of the Corporations Act 2001 and 75-225 of the Insolvency Practice Rules

28 July 2022

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ABBREVIATIONS

Act	Corporations Act 2001
Administrators	Michael Hogan and Brendan Copeland
ALLPAP	All present and after acquired property
ARITA	Australian Restructuring Insolvency and Turnaround Association
ASIC	the Australian Securities & Investments Commission
ATO	Australian Taxation Office
Company	Chat Thai CBD Pty Ltd (Administrators Appointed)
DoCA	Deed of Company Arrangement
ERV	Estimated Realisable Value
PPSA	Personal Property Securities Act 2009
PPSR	Personal Properties and Securities Register
ROCAP	Report on Company Activities and Property
YTD	Year to Date

1. EXECUTIVE SUMMARY

1.1. Introduction

Brendan Copeland and I were appointed Joint and Several Voluntary Administrators of the Company on 30 June 2022 pursuant to a resolution passed by the Company's directors.

The Company's business trades four restaurants in the Sydney Metropolitan Area. The locations of these restaurants are Circular Quay, the Galleries, Sydney CBD Westfield and Chatswood.

During the voluntary administration, we have continued to trade the business to explore the options available to maximise a return to creditors.

A search of the Australian Securities & Investments Commission ("ASIC") records indicate the Company was registered in New South Wales on 30 March 2010. The Director is Palisa Anderson ("the Director").

A proposal for a Deed of Company Arrangement ("DoCA") has been received from the Director of the Company, which will enable the business to continue, employees to continue their employment and provide for a better return to creditors compared to a winding up.

This is the Administrators Report to Creditors pursuant to Section 439A of the Act.

If creditors have any queries, please contact Angelo Cadiz on (02) 8020 5856 or by email at acadiz@hogansproawles.com.au.

1.2. Purpose of this report and second meeting of creditors

The purpose of this report is to provide creditors with details about the Company's business, property, affairs and financial circumstances in preparation for the upcoming second creditors meeting.

This report informs creditors of our investigative findings and sets out the Administrators' opinion about each of the options available to creditors at the second meeting, together with our opinion as to the best course of action. Creditors will be entitled to vote on the future of the Company at the second meeting (often referred to as the decision meeting).

We have recommended creditors accept the DoCA at the second meeting. The reasons for our opinion have been provided at section 11 of this report and in the attached Statement of Administrators' Opinion. In summary, the DoCA provides for a greater return to creditors compared with the alternatives. Details of the estimated returns are summarised at section 1.5 of this report.

The Second Meeting of Creditors will be held at **HoganSprowles at Level 9, 60 Pitt Street, Sydney NSW** and virtually by video conferencing platform, Zoom **on Friday, 5 August 2022 at 12:30 pm**.

The details required for creditors to attend the meeting will be provided to those creditors who submit a written request to attend the virtual meeting accompanied by a completed proof of debt and proxy form.

1.3. Administrators' opinion

Having regard to the matters set out in this report, creditors will be able to vote on one of the following outcomes at the next meeting:

- The administration comes to an end (and control of the Company reverts to its director); or
- The Company execute a Deed of Company Arrangement ("DoCA"); or
- The Company be wound up.

We recommend that it is in creditors' interests to resolve for the Company to execute a DoCA at the Second Meeting of Creditors. A statement of our opinion is provided at Appendix A of this report.

Creditors may also resolve to adjourn the Second Meeting of Creditors for a period of up to 45 days.

1.4. Deed of Company Arrangement proposal

A DoCA proposal was received from Palisa Anderson ("Deed Proponent") on 26 July 2022. The intent of the DoCA is to inject external funds which would not otherwise be available, facilitate the continued employment of employees and their associated entitlements and allow a return to creditors greater than a return under a liquidation scenario.

The essential elements of the Deed are as follows:

- Contribution from the Deed Proponents in the sum of \$500,000 payable within twelve months of the execution of the deed enabled by the Directors, to be procured as follows:
 - a. \$50,000 upon execution of the DoCA payable immediately upon execution of the DoCA; and
 - b. \$450,000 from the Company's trading profits, or alternatively from the Deed Proponents within twelve months in equal monthly payments of \$37,500.
- Full repayment of the outstanding director's loan in the sum of \$17,672.64, payable upon execution of the DoCA.
- The Deed Administrator shall distribute the Deed fund in the following order of priority:
 - a. Payment of the Administrators' remuneration and disbursements;
 - b. Payment of the Deed Administrators' remuneration and disbursements;
 - c. Payment of priority unsecured creditors (employee superannuation)
 - d. Payment of landlord creditors at the rate of 100 cents in the dollar
 - e. Payment of admitted unsecured creditors
- The assumption of all priority annual leave entitlements totalling \$51,018.65;
- The secured creditor, ANZ ("Secured Creditor") reserves their rights and the ANZ debt will continue following the effectuation of the DoCA.

- The Directors and related employees to defer their non-priority employee entitlements behind all creditors.

1.5. The estimated return to creditors

The anticipated returns for creditors are as follows:

	Value of Claim \$	Liquidation	DoCA
Priority unsecured - Superannuation	40,484	Nil	100 c/\$*
Priority unsecured - Annual Leave	51,019	Nil	100 c/\$**
Priority unsecured – PILN	38,838	Nil	100 c/\$**
Landlords (collectively, “the Landlords”)			
Dexus Property Services Pty Ltd	268,417	Nil	100 c/\$
Scentre Shopping Centre Management Pty Ltd	105,021	Nil	100 c/\$
Chatswood Place Retail Pty Ltd	125,574	Nil	100 c/\$
Vicinity Real Estate Licence	135,184	Nil	100 c/\$
Unsecured creditors	1,719,191	Nil	13 c/\$

*includes interest and penalties and excludes related party unsecured Superannuation

**Annual leave obligations to continue with the existing employer and PILN does not crystallise.

The DoCA allows for the payment of outstanding priority employee entitlements in full and a dividend of 100 cents in the dollar to the landlords, and 13 cents in the dollar to other unsecured creditors.

1.6. Investigation summary

Investigation / Recovery	Corporations Act	Total claim \$
Related party loans / debtors		432,928
Insolvent trading	Section 588G	Nil
Related party transactions / Unreasonable director related transactions	Section 588FE(4) / Section 588FDA	Uncertain

Our preliminary investigations indicate that the Company became insolvent on shortly prior to our appointment, when negotiations in relation to a payment plan with the ATO were unsuccessful.

On 24 March 2020, the Coronavirus Economic Response Package Omnibus Bill 2020 was implemented and specifically section 588GAAA was introduced into the *Corporations Act 2001* granting temporary relief for financially distressed businesses. This amendment provides relief for directors from potential personal liability for insolvent trading during the Covid-19 period being 24 March 2020 to 31 December 2020. Accordingly, the liquidator will not have the ability to pursue the director any insolvent trading during this period.

Further details of our investigations are provided at section 10 of this report.

1.7. Reasons for the Company's failure

In our opinion the reasons for the Company's failure are as follows:

- The impacts of Covid-19 and the government implemented restrictions on trade in the hospitality industry.
- The ongoing dispute between the Director and her brother, Mr Kulphat Laoyont which has limited the Company's options in relation to satisfying outstanding claims.

2. INTRODUCTION

2.1. Role of the Administrator

Administrators are empowered by the Act to assume control of an insolvent company, to manage the Company's affairs and deal with its assets in the interests of its creditors and members.

The intention of a Voluntary Administration is to maximise the prospects of a company, or as much as possible of its business, continuing in existence or, if that is not possible, to achieve a better return to creditors and members than would be achieved by its immediate liquidation. During an administration, there is a moratorium over most pre-administration creditor claims.

Administrators are required to investigate a company's affairs and report to creditors on the Administrators' opinion as to which outcome of the administration process is in the best interest of creditors.

In our opinion, the Voluntary Administration leading into the proposed DoCA, has met the obligations pursuant to section 435A of the Act.

2.2. First Meeting of Creditors

The First Meetings of creditors, convened under Section 436E of the Act, was held on Monday, 11 July 2022 at 11:00am at HoganSproawles, Level 9, 60 Pitt Street, Sydney, NSW 2000.

A committee of inspection was not formed by creditors.

An alternate Administrator was not proposed and as a result we remain the Joint and Several Administrators of the Company.

2.3. Second Meeting of Creditors

The Second Meeting of Creditors will be held at **HoganSproawles at Level 9, 60 Pitt Street, Sydney NSW** and virtually by video conferencing platform, Zoom **on Friday, 5 August 2022 at 12:30 pm.**

Please submit proxy and proof of debt forms by 4:00 pm on Thursday, 4 August 2022.

Attendance at the meeting, whilst encouraged, is not mandatory and non-attendance will not impact the rights of creditors.

Appendix B includes the Notice of Meeting, proxy form and informal proof of debt.

3. DISCLAIMER AND INDEPENDENCE

3.1. Disclaimer

In reviewing this report, creditors should note the following:

- 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. Except where otherwise stated, we reserve the right to alter any conclusions reached on the basis of any changes or additional information which may be provided to us between the date of this report and the date of the Second Meeting of Creditors.
- Neither we, nor HoganSprowles nor any member or employee thereof is responsible in any way whatsoever to any person in respect of any errors in this report arising from incorrect information provided to us.
- In considering the options available to creditors and formulating their recommendation, the Administrators have necessarily made forecasts of asset realisations and total creditors. These forecasts and estimates may change as asset realisations and any claims progress.

3.2. Independence

In accordance with Section 436DA of the Act and the ARITA Code of Professional Practice, our Declaration of Independence, Relevant Relationships and Indemnities was tabled at the first meeting of creditors and provided to creditors in our first circular dated 1 July 2022.

This declaration disclosed information regarding the independence, any prior personal or professional relationships the Administrators or HoganSprowles had with the Company or related parties and any indemnities received in relation to this appointment.

There is no change to the information provided in the Declaration of Independence, Relevant Relationships and Indemnities dated 1 July 2022.

4. STATUTORY INFORMATION

4.1. ASIC Database

Below is a summary of the ASIC database for the Company.

Company Details		
Date of Registration	30 March 2010	
Registered Office	Level 7, 2 Bulletin Place, Sydney NSW 2000	
Principal Place of Business	Chat Thai CBD Pty Ltd Gateway Centre, Level 2, 1 Alfred Street Sydney NSW 2000	
Current Director	Appointed	Ceased
Palisa Anderson	30 March 2010	-
Current Alternate Director	Appointed	Ceased
Matthew Grahame Anderson	24 May 2021	-
Current Secretary	Appointed	Ceased
Palisa Anderson	1 April 2021	-
Share Structure	Amount Paid	Amount Unpaid
4 Ordinary Shares	\$4.00	\$0.00
1 Registered Share	\$1.00	\$0.00
Current Shareholder	Shares Held/Type	Fully Paid
Kulphat Laoyont	Ordinary	1
Palisa Anderson	Ordinary	1
Amonrat Chanta	Ordinary	1
Matthew Grahame Anderson	Ordinary	1
Amonrat Chanta	Registered	1

4.2. Personal Properties and Securities Register

PPSR legislation became operational on 30 January 2012 and among other things replaced the previous system of security registration and retention of title. To claim a security interest in the Company (i.e. as a secured or retention of title creditor), creditors are required to have registered their interest on the PPSR.

Creditors that haven't registered their interest on the PPSR, prior to the date of the Administrators' appointment, are not entitled to claim a security interest in goods held by the Company. The fact that a creditor has or cannot register their interest on the PPSR, does not prevent that creditor from asserting its claim as an unsecured creditor of the Company, and subject to the availability of funds, receipt of a dividend through a liquidation or DoCA.

A search of the PPSR indicates that there is nine (9) registered security interests. A summary of the interest according to the PPSR register is provided below:

Creditor	Registration	PMSI?	Collateral	Discharged?
Cub Pty Ltd	201202010058795	Yes	Other goods	Yes
Samuel Smith & Son Pty. Ltd	201207110073370	Yes	Other goods	No
Bibendum Wine Co Pty Ltd	201210310052524	Yes	Other goods	Yes
Bibendum Wine Co Pty Ltd	201512240039997	No	Other goods	Yes
Australia and New Zealand Banking Group Limited (“ANZ”)	201511030011118		ALLPAAP	No
Cellarhand Consulting Pty Ltd	201704200048579	No	Other goods	No
BMW Australia Finance Limited	201707030050141	Yes	Motor Vehicle	No
Toyota Finance Australia Ltd	201707030079394	Yes	Motor Vehicle	No
Gateway Liquor Wholesalers Pty Ltd	201806190003662	Yes	Other goods	Yes
Phoenix Beers Pty Ltd	201808240032990	Yes	Other goods	Yes

4.3. Books and Records

The Administrators are required to provide an opinion as to whether the Company’s books and records are maintained in accordance with Section 286 of the Act for a period of seven years. The Act requires that a company maintain financial records that correctly record and explain its transactions, financial position and performance, and enable true and fair financial statements to be prepared and audited.

Failure to maintain books and records may give rise to a presumption of insolvency pursuant to Section 588E of the Act. This presumption may be relied upon by the Liquidator in an application for compensation for insolvent trading and other actions for recoveries pursuant to Part 5.7B of the Act from the directors and related parties.

We have been provided with access to the management accounts and books and records of the Company and these appear to have been well maintained and up to date.

In our opinion, the books and records of the Company have been kept in a manner that complies with Section 286 of the Act.

4.4. Information for Creditors

To assist creditors, employees and shareholders understand the Voluntary Administration process ASIC has released a package of insolvency information sheets. These have the endorsement of the ARITA and are attached as **Appendix E**. You can download these as PDF files from the ASIC and ARITA. The respective websites are:

- www.arita.com.au
- www.asic.gov.au

5. OVERVIEW OF THE COMPANY

5.1. Background

The Company was registered on 30 March 2010 and trades four Chat Thai restaurants in the Sydney Metropolitan Area located at the following locations:

1. The Galleries, 5/500 George Street, Sydney NSW 2000 (“the Galleries”)
2. Westfield, Lv6/188 Pitt Street, Sydney NSW 2000 (“Westfield”)
3. Gateway Shopping Centre, L105/1 Macquarie Pl, Sydney NSW 2000 (“Gateway Retail”)
4. Chatswood Place, Shop 12, 260 Victoria Ave, Chatswood NSW 2067 (“Chatswood Place”)

At the date of our appointment the Company had 77 employees including 10 full time employees.

The Chat Thai business was founded by the director’s deceased mother, Ms Chanta and comprises various entities operating hospitality or hospitality relates businesses (“Chat Thai Group”), including the following:

1. Chat Thai Pty Ltd (“Chat Thai P/L”), incorporated on 30 March 2010, which operates three Chat Thai restaurants. The director and shareholders are Mr Laoyont and Ms Chants.
2. Chat Thai Pty Ltd (“Chat Thai P/L”), incorporated on 30 March 2010, which operates three Chat Thai restaurants.
3. Amonrat Pty Ltd (“Amonrat”), incorporated on 16 December 2010.
4. Jumpee Travel Pty Ltd
5. Natui Website Pty Ltd
6. Thai Press Pty Ltd
7. Jarern Chai Pty Ltd
8. Samosorn Pty Ltd
9. Boon Cafe Pty Ltd
10. Boon Table Pty Ltd
11. Assam Pty Ltd; and
12. Chat Thai NB Pty Ltd, which operates one Chat Thai restaurant. The Director and shareholder is Mr Matt Anderson.

5.2. Probate Proceedings and Intellectual property dispute

There has been an ongoing dispute following the death of Ms Chanta on 10 March 2021. Probate has not yet been granted in respect of the estate because the Director, Mr Laoyont and Mr Kichai Yongpairajwong (Ms Chanta’s brother and executor of the deceased estate) are disputing the terms on which probate should be granted in proceedings in the Supreme Court of NSW (“Probate Proceedings”). The dispute in the Probate Proceedings concern Ms Chanta’s shareholdings and interests in various companies within the Chat Thai Group, including the Company.

One of the disputes relates to the trademarks and intellectual property of the Chat Thai brand which were registered on IP Australia on 18 January 2011 and are held by Amonrat Pty Ltd (“Amonrat”), which was incorporated on 16 December 2010. Amonrat’s shareholders as per the ASIC records are currently Ms Chanta and Mr Laoyont, each with one share.

The validity of the basis on which Mr Laoyont holds his share in Amonrat and the outcome of the distribution of Ms Chanta's share in Amonrat are currently being disputed in the Probate Proceedings and in separate proceedings yet to be commenced but foreshadowed by the Director.

On 22 July 2022, we received correspondence from Amonrat's lawyers advising that they do not consent to the Administrators using any Chat Thai branding unless we consider a regime whereby the administrators pay Amonrat for the use of the Chat Thai brand during the administration.

We are not aware of any written agreements or payments between the Company and Amonrat in relation to the use of the Chat Thai intellectual property and are advised by the Director's lawyers that being a family business, the Chat Thai Group did not have formal arrangements / agreements between group entities setting out each group members' rights, entitlements and interests with respect to, amongst other matters, intellectual property.

Based on our investigations and legal advice, it appears that the Company may have a right to use Chat Thai intellectual property and / or an interest in the intellectual property.

These disputes and the ambiguity in relation to the intellectual property associated with the Chat Thai brand have limited the Administrators' ability to market the business for sale as a going concern. Should the Company be placed into liquidation, a liquidator would be required to investigate the Company's position with respect to the intellectual property in dispute.

5.3. Landlords

The Company has been severely impacted as a result of Covid-19 and sought rental relief as an impacted lessee under the *Retail and Other Commercial Leases (Covid-19) Regulation 2020* and the *Retail Leases Act 1994 (NSW)*.

The negotiations with the landlords were finalised prior to our appointment, with the Company achieving rental abatements in the sum of \$358,146. The outstanding debts following the abatements are summarised below:

Landlord	Premises	Outstanding debt \$
Perpetual Trustee Company Limited and Dexus Property Services Pty Ltd	Gateway Retail	268,417
Scentre Shopping Centre Management Pty Ltd	Westfield	105,021
Chatswood Place Retail Pty Ltd	Chatswood Place	125,574
Vicinity	The Galleries	135,184
Total		634,195

We note that certain rent relief agreements contained clauses whereby if the lease ends or is terminated as a result of the Company's default during the abatement period, the landlords reserve their rights under the lease and retain their right to recover from the Company the rental abatement amounts. As such, if the DoCA proposed below were not accepted and the Company were placed into liquidation, the claims against the landlords would be significantly greater than the current debt position.

We have withheld providing the terms and rental abatement amounts under each lease as this information is commercially sensitive and confidential.

6. HISTORICAL FINANCIAL RESULTS

The Company's financial year ends on 30 June of each year. The financial statements have been completed as at FY21.

We have relied on the management accounts with Xero for our review of the financial records for the period FY22.

6.1. Profit and loss

Profit and Loss	FY19 \$'000	FY20 \$'000	FY21 \$'000	FY22 \$'000
Operating Income				
Sales	9,826	9,069	7,269	7,898
	9,826	9,069	7,269	7,898
Cost of Sales	3,522	3,262	2,314	3,415
Gross Profit	6,304	5,807	4,955	4,483
Gross Profit Margin	64%	64%	68%	57%
Operating Expenses				
Annual Leave	-	-	-	51
Payroll Tax	145	133	88	92
Superannuation	232	249	258	302
Wages & Salaries	2,492	2,715	2,760	3,031
Workers' Compensation	53	55	-	28
Other Employee Expenses	9	13	34	117
Motor Vehicle Expenses	21	20	20	41
Commission Paid	36	98	313	-
Electricity	101	151	89	101
Rent	1,153	1,362	1,006	906
Gas	70	80	54	64
Other Occupancy Costs	262	270	92	334
Accounting & Audit Fees	-	11	22	85
Consulting Fee	-	19	183	159
Legal Fee	1	-	53	169
Professional Fees	-	-	-	1
Advertising	-	-	57	85
Other Operating Expenses	589	456	445	285
	5,164	5,632	5,474	5,851
EBITDA	1,140	175	(519)	(1,368)
Add: Government subsidy, grants and cash flow boost	-	110	329	339
Add: FBT Employee Contribution	36	36	-	-
Add: Interest Income	9	7	5	5
Add: Other Income	413	5	4	127
Less: Depreciation Expense	373	476	363	236
Less: Interest Charged	37	32	29	61
Less: Income Tax	327	-	-	-
Net Profit	861	(175)	(573)	(1,194)

Our observations are provided below:

- The Company has experienced a significant reduction in revenue since FY19, driven by reduction of trade of the restaurants during the Covid-19 pandemic.

- The Company recorded a net loss during periods FY20, FY21 and FY22. This can be attributed to this reduction in revenue during Covid-19 pandemic, higher Wages & Salaries and a reduction in gross profit margins in FY22.
- Operating expenses recorded in FY22 was \$377K greater than FY21. This was a result of higher Occupancy Costs and Wages & Salaries. Further, the Company incurred greater legal fees, as a result of the ongoing dispute with Mr Laoyont over the intellectual property.
- The Company received government subsidy payments from the ATO in the sum of \$334K in FY21 and \$339K in FY22. This support improved the Company's net losses in FY21 and FY22.

6.2. Balance Sheet

Balance Sheet	FY19	FY20	FY21	FY22
	\$'000	\$'000	\$'000	\$'000
Assets				
Current Assets				
Cash at Bank	278	305	543	453
Term Deposits	275	278	707	290
Inventory	77	154	72	72
Trade Debtors	-	277	132	24
Payroll Tax Receivable	-	-	47	60
	630	1,014	1,501	899
Non-current Assets				
Motor Vehicles	176	156	141	133
Property, Plant & Equipment	2,031	1,683	1,329	1,158
Other non current assets	-	-	-	8
Loan - Related Parties	-	50	52	362
	2,207	1,889	1,522	1,661
Total Assets	2,837	2,903	3,023	2,560
Liabilities				
Current Liabilities				
Bank Overdraft	23	-	-	-
Trade Creditors	120	558	764	818
ATO Integrated Client Account	314	38	52	1,098
GST	-	-	122	149
PAYG	(393)	(81)	7	55
Loan - Related Parties	145	219	33	-
Loan - Directors	14	(10)	35	(18)
Superannuation Payable	-	38	78	40
Provision for Income Tax	327	-	-	-
	550	762	1,091	2,142
Non-Current Liabilities				
Annual Leave Accruals	65	-	-	51
Loan - Director for WBC Term Deposit 676156	-	-	400	400
Business Loans	624	718	682	312
	689	718	1,082	763
Total Liabilities	1,239	1,480	2,173	2,905
Net Assets	1,598	1,423	850	(345)
Equity				
Current Year Earnings	825	(175)	(573)	(1,195)
Dividends Paid	(1,257)	-	-	-
Issued Capital	-	-	-	-
Retained Earnings	2,030	1,598	1,423	850
Total Equity	1,598	1,423	850	(345)

Our observations are provided below:

- The Company's net asset position has deteriorated from FY19 to FY22. The Company recorded a negative net asset position in FY22.
- The Company has had difficulties paying its trade creditors in FY20, FY21 and FY22. This mainly relates to outstanding rental arrears that was incurred during the Covid-19 pandemic.
- ATO Integrated Client Account increased from \$52,406 in FY21 to \$1,098,464. Restrictions on trade during the Covid-19 pandemic has limited the Company's ability to meet its outstanding ATO debts.
- The Company received a \$400K directors loan in FY21, from Ms Chanta. We note that in the following financial year in FY22, loans were made to related parties in the sum of \$310K. Further details in relation to the related party loans are provided in Section 9.6.

Company Director's Explanation for the Company's difficulties

According to the Director, the Company's financial difficulties were caused by the following:

- The impacts of Covid-19 and the government implemented restrictions on trade in the hospitality industry.
- The ongoing dispute between the Director and her brother, Mr Kulphat Laoyont which has limited the Company's options in relation to satisfying outstanding claims.

6.3. Administrators' opinion on the reasons for the Company's difficulties

We agree with the director's reasons for the Company's difficulties.

7. REPORT ON COMPANY ACTIVITIES & PROPERTY ("ROCAP")

The Act requires directors and secretary to complete and provide to the Administrators a ROCAP, detailing the financial position of the Company at the date of our appointment. The ROCAP discloses estimated asset value of known assets and liabilities. This is a director's estimate and does not contemplate costs of realising assets.

Report On Company Activities & Property

Director's
ROCAP
\$

Assets	Estimated Value
Motor Vehicles	117,234
Property Improvements	1,009,922
Plant and Equipment	147,698
Cash at bank	410,244
Term deposit	290,474
Total Assets	1,975,572

Liabilities

Priority Creditors - employees

Superannuation	40,483
Total Priority Creditors	40,483

Secured creditor

ANZ	200,707
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Total unsecured creditors **1,887,879**

Total Surplus / (Deficiency) **-153,498**

Please refer to our estimated position statement in Section 9 for further commentary in relation to the Administrators' estimated realisable values based on our investigations to date.

8. DEED OF COMPANY ARRANGEMENT

8.1. Introduction

On 26 July 2022, we received a DoCA proposal from Palisa Anderson, the Director of the Company. A copy of the DoCA can be requested from our office by contacting Angelo Cadiz on (02) 8020 5856 or via email on acadiz@hogansproawles.com.au.

The DoCA is expected to return 100 cents in the dollar to priority creditors and Landlords and 13 cents in the dollar to other ordinary unsecured creditors.

The proposed DoCA does not impact continuing employees and all employment arrangements and employee entitlements will be preserved in full. In the event an employee has an unpaid claim against the Company, their rights are preserved in the Deed Fund as a priority creditor. Based on our investigations, it is our view that the proposed DoCA provides a better outcome to unsecured creditors than the liquidation scenario.

A comparison of the returns from DoCA and liquidation scenarios are provided at section 9 of this report.

During the administration, we were advised by Mr Laoyont that he intended to make an offer for the sale of the Company's assets or alternatively, propose his own DoCA. We have complied with Mr Laoyont's requests for information, however as at the date of this report, Mr Laoyont has not made an offer to purchase the Company's assets, nor have we received a DoCA proposal from Mr Laoyont.

8.2. Key terms

Term	Description
Deed proponent	The Company's Director, Palisa Anderson
Deed Administrator	The Administrators will become the Deed Administrators
Composition of Deed Fund	<p>The Deed Fund shall comprise of the following amounts:</p> <ul style="list-style-type: none">a) Full repayment of the outstanding director's loan in the sum of \$17,672.64, payable upon execution of the DoCA.b) Deed contribution of \$500,000, comprising the following:<ul style="list-style-type: none">i. Palisa Anderson's contribution of \$50,000, payable upon execution of the DoCA:ii. Contribution of \$450,000 from the Company's trading profits, or alternatively, Palisa Anderson within 12 months to be paid in equal monthly instalments of \$37,500.c) The Company's cash at bank as at the date of our appointment, in the sum of \$420,515.d) The Company's trading profits during the voluntary administration.e) Assume the liabilities of employee entitlements that will continue to be employedf) The secured creditor, ANZ reserves its rights and its debt will continue following the execution of the DoCA.
Distribution of Deed Fund	<p>The Deed Administrator shall distribute the Deed Fund in the following order of priority:</p> <ul style="list-style-type: none">a) First, payment of the Administrators' Disbursements;b) Second, payment of the Administrators' Remuneration;c) Third, payment of the Deed Administrators' Disbursements;d) Fourth, payment of the Deed Administrators' Remuneration;e) Fifth in payment of priority creditors (employee entitlements);

- f) Sixth in payment to the landlords at a rate of 100 cents in the dollar as follows:
 - i. Dexus Property Services Pty Ltd in the sum of \$268,419.69
 - ii. Scentre Shopping Centre Management Pty Ltd in the sum of \$105,021.02
 - iii. Chatswood Place Retail Pty Ltd in the sum of \$125,574.64
 - iv. Vicinity Real Estate Licence in the sum of \$135,183.71
- g) Seventh in payment to admitted unsecured creditors

Termination and Variation of Deed This Deed will have been effectuated once the Deed Contribution has been made the Deed Administrators have distributed those funds. Control of the Company will then revert to the directors

Control of the Company The control of the Company will return to the Company's Director upon execution of the DoCA.

9. ESTIMATED RETURN TO CREDITORS IN A DoCA AND LIQUIDATION

In a liquidation scenario, we estimate that the assets of the Company will be insufficient for the purposes of enabling a dividend to any class of unsecured creditors due to the secured ANZ debt position (\$1.7M) and the dispute in relation to the intellectual property which would significantly reduce the value of any sale of business or asset(s).

The proposed DoCA will enable priority creditors (employees) to be paid all their outstanding superannuation 100 c/\$.

In addition, the employees will be able to continue their employment under the same terms with the Company. Accordingly, the priority annual leave claims of (approx. \$69,679 excluding related parties' component) would be paid out in the ordinary course.

It is expected that approximately \$857,000 will be available for distribution to unsecured creditors. The distribution will be dependent on the final quantum of claims and the table below approximates the return to creditors.

We provide below our estimated position statement, noting that the estimated positions are only estimates based on the information available to the Administrators at the time of preparing this report.

Estimated position statement	Notes	Potential			
		BV	DOCA	CVL Low	CVL High
		\$'000	\$'000	\$'000	\$'000
Assets subject to specific charge	1				
Motor Vehicles		133	-	67	100
Less: Hire Purchase liabilities		(109)	-	(109)	(109)
		24	-	(42)	(9)
Assets subject to non-circulating security	2				
Computer and related equipment		5	-	1	2
Fixtures and fittings		688	-	69	206
Furnitures and Equipment		175	-	18	53
Improvements		141	-	14	42
Plant and Equipment		148	-	15	44
		1,158	-	116	347
Less: GSA Creditor - ANZ	3	(1,655)	-	(1,655)	(1,655)
Surplus / deficiency from non-circulating			-	(1,697)	(1,664)
Circulating Assets					
Deed contribution		-	500	-	-
Trading profits / (loss)	4	70	70	-	-
Cash		421	421	421	421
Director loans	5	18	18	-	18
Other loans	6	415	-	-	415
Term deposits		290	-	-	-
		1,144	1,008	421	853
Less: External Administration costs	7				
Administrators' and Deed Administrators' Remuneration			(95)	(95)	(95)
Administrators' disbursements and expenses			(1)	(1)	(1)
Administrators' legal fees			(15)	(15)	(15)
Liquidator's Remuneration and disbursements			-	(100)	(150)
Liquidators' legal fees				(75)	(125)
			(111)	(286)	(386)
Less: Employee entitlements	8				
Superannuation		(40)	(40)	(40)	(40)
Annual leave		(51)	-	(51)	-
PILN		(39)	-	(39)	(39)
		(130)	(40)	(130)	(79)
Surplus circulating assets			857	4	388
Less: ANZ Secured creditor deficiency			-	(1,539)	(1,307)
Surplus / deficiency to unsecured creditors			857	(1,535)	(919)
Unsecured Creditors	9				
Unsecured creditors (Landlord)		634	634	-	-
Other unsecured creditors		46	6	-	-
ATO		1,243	161	-	-
Chat Thai Pty Ltd		27	3	-	-
Natui Website Pty Ltd		3	0	-	-
Amonrat Chanta		400	52	-	-
		2,353	857	-	-
Estimated return - Ordinary unsecured (overall)			36%	0%	0%
Estimated Return - Employees			100%	0%	0%
Estimated Return - Landlords			100%		
Estimated Return - ATO and other unsecured			13%		

Notes

1. Motor Vehicles

The Company owns three motor vehicles, each subject to finance. We have issued correspondence to the financiers and based on our investigations in relation to the market value of the vehicles and debts outstanding to the financiers, we do not anticipate that there would be any equity in the motor vehicles.

2. Assets subject to Non-Circulating Security

The Company's fixed assets relate to the fit-outs for each premises, plant and equipment and office equipment. Given the Chat Thai intellectual property is not owned by the Company and the current disputes in relation to the control of the intellectual property, the assets available in any sale of business would be limited to the value of the Company's fixed assets.

Given the above and the impacts of the Covid-19 pandemic on the hospitality industry and dispute in relation to the control of the intellectual property, there is uncertainty in relation to whether any sale of business or asset sale could be achieved in a liquidation scenario. For comparative purposes, we have assumed a low liquidation scenario of 10% of the book value of the assets and a high liquidation scenario of 30%.

We have obtained a valuation of the fixed assets, details of which are commercially sensitive and confidential, however, we note that the value of the assets are significantly less than the Secured Creditor debt of \$1.7M, diminishing the potential for any return to creditors in a liquidation scenario.

3. Secured creditor – ANZ

Since our appointment, we have been in correspondence with the Secured Creditor, who has advised that their secured debt is \$1.7M, relating to the following loans as detailed in the ANZ letter of offer dated 13 July 2018:

Consideration	Amount \$	
Chat Thai CBD loan	180,394	Loan of \$250,000 to assist with the renovation and fit-out of the Gateway premises.
ANZ loan guaranteed by the Company	337,275	Loan of \$330,000 to refinance of maturing ANZ facility, originally to assist with the purchase of property in the Director's name.
ANZ loan guaranteed by the Company	1,361,983	Loan of \$1,355,000 to refinance of maturing ANZ facility, originally to assist with the purchase of property in the Director's name.
Total	1,699,258	

We note that Chat Thai Pty Ltd and the Company have provided a GSA to support these loans.

4. Trading Profits

We estimate that we will make a profit of \$70,000 in trading profits during the administration period.

5. Director loan (\$17,673)

The directors loan account comprises of payments made by the director on behalf of the Company, loans and loan repayments, and manual journal entries.

Further investigation of the transactions comprising the loan account and a review of the bank statements would be required by the liquidator to confirm the debt position, however pursuant to the proposed DoCA, the debt as it appears in the books and records will be repaid in full.

6. Other Related Party Loans

The likelihood of recovery of the related party loans/debtors is uncertain given the risks associated with the Covid-19 pandemic, the impacts it has had on the hospitality industry and the ongoing dispute with Mr Laoyont.

Whilst the recoverability of the loans is uncertain, we have assumed for comparative purposes in a high liquidation scenario that the loans will be recovered in full and note that even in this scenario, there would be no return to ordinary unsecured creditors.

Further investigation of the transactions comprising the loan accounts and a review of the bank statements would be required by the liquidator to confirm the debt position of each loan.

We note that in FY21, funds in the sum of \$400,000 were loaned to the Company from Ms Chanta, on an unsecured and interest free basis. As at the date of our appointment, this loan remains unpaid

As summary of the loans is provided below:

Chat Thai NB Pty Ltd (\$208,042)

Chat Thai NB Pty Ltd ("Chat Thai NB") is a related company by way of common director Matthew Anderson. It operates a Chat Thai restaurant in Neutral Bay which was incorporated on 13 May 2020. The loan to Chat Thai NB relates to loans provided to assist with the working capital of that company.

We note that Chat Thai NB records a secured creditor ALLPAP in favour of ANZ and various securities over specific assets, which limits the ability to recover funds ahead of the secured

creditors. We have reviewed the management accounts of Chat Thai NB which records a net asset deficiency and significant losses in prior financial years.

As such, there is no certainty that the loan would be repayable in a liquidation scenario.

Boon Table Pty Ltd (\$164,604)

Boon Table Pty Ltd (“Boon Table”) is a related company as Mr Laoyont, a shareholder of Chat Thai CBD, is the director of Boon Table. Boon Table is directed by Mr Laoyont and trades the restaurant, Boon Table located at Shop 9, The Galleries, 500 George Street, Sydney NSW 2000. The loan to Boon Table relates to the following:

- Term deposit held by the Company in support of the bank guarantee for the lease of the Boon Table premises in the sum of \$32,895.
- Loans provided to Boon Table and payments made by the Company on behalf of Boon Table between 30 September 2018 and 1 July 2019 in the sum of \$131,709.

There is no certainty that the loan would be repayable in a liquidation scenario.

Assamm Pty Ltd (\$50,540)

Assamm Pty Ltd (“Assamm”) is a related company by way of common directors Palisa Anderson and Matthew Anderson. Assamm is directed by Palisa Anderson, Matthew Anderson and Mr Laoyont.

Assamm was registered on 13 March 2014 and traded a restaurant at the Queen Victoria Building, 455 George Street, Sydney NSW 2000. The restaurant permanently closed on the 31st March 2021.

There is no certainty that the loan would be repayable in a liquidation scenario.

7. Administrators Remuneration and Disbursements

Refer to section 14 for further details in relation to the remuneration of the Administrator.

The liquidators’ fees and disbursements would be determined by the costs (including legal fees) to realise the assets, pursue the related party loans/debtors and any litigation involved in pursuing the claims.

Given the disputes in relation to the intellectual property and involvement of the related entities in the Probate Proceedings, we estimate that the costs of the liquidation would be significant.

8. Priority Unsecured Creditors (Employee Entitlements)

The Company's outstanding superannuation of \$40,484 relates to superannuation accrued in FY22, except for a small amount of \$1,475 relating to superannuation accrued in FY21 to a former employee who did not provide the Company with the correct superannuation details. All superannuation entitlements will be paid in full under the DoCA.

We have assumed that the employee entitlements (annual leave and payment in lieu of notice) would crystallise upon appointment of a liquidator.

Pursuant to section 556 of the Act, the priority awarded to related party employee entitlements are capped at \$2,000 for wages and superannuation and \$1,500 for annual leave and retrenchment entitlements. The Annual leave ERV in the liquidation scenario excludes related parties' ordinary unsecured component.

9. Unsecured Creditors

A summary of the unsecured creditors is provided below:

Unsecured creditors	\$
Landlords	634,195
CovaU Pty Ltd	2,375
Equil Advisory	1,100
ATO	1,243,473
Chat Thai Pty Ltd	26,710
Natui Website Pty Ltd	2,596
Amonrat Chanta	400,000
Revenue NSW (Payroll tax)	15,412
Icare NSW	27,525
Total	2,353,386

Landlords

Refer to section 5.3.

Australian Taxation Office

The ATO has lodged a proof of debt in the sum of \$1,102,584, however we note that the June 2022 quarter BAS is outstanding. The debt according to the Company's books and records is \$1,243,473 and we expect that the Company will lodge the outstanding BAS prior to the execution of the DoCA so that the ATO can update its proof of debt to reflect this position.

We have not yet been given access to the Company's ATO portal and have not yet reviewed the running balance account, however based on the records reviewed to date, the debt relates to PAYG and GST withholding debts accruing from 1 July 2021. We understand the Company was attempting

to negotiate a payment plan prior to the appointment, however the negotiations failed as a result of the ATO issuing a director's penalty notice.

Related Parties

Chat Thai Pty Ltd (\$26,710) and Natui Website Pty Ltd (\$2,596) are related parties by way of common shareholder in Mr Laoyont, who is the brother of the Director.

The deceased estate of Amonrat Chanta has lodged a proof of debt in the sum of \$400,000. This appears to relate to loans provided by Ms Chanta which appear on the balance sheet as an unsecured loan from the director of \$400,000.

10. RECOVERIES, OFFENCES, VOIDABLE TRANSACTIONS & INSOLVENT TRADING

We have reviewed the Company's financial statements, general ledgers, bank statements and books and records to identify possible recoveries and offences.

For general information about what offences may be identified by the Administrators, please refer to the attached ARITA information sheet entitled "*Creditor Information Sheet: Offences, Recoverable transactions and Insolvent Trading*" marked as **Appendix E**.

10.1. Voidable Transactions

Corporations Regulation 5.3A.02 requires Administrators to specify whether there are any transactions that appear to be voidable transactions in respect of money, property or other benefits which may be recoverable by a liquidator under Part 5.7B of the Act.

This issue is relevant to creditors if they are being asked to choose between a Deed of Company Arrangement (DoCA) or liquidation, as voidable transactions are only recoverable if a company is being wound up, i.e. in liquidation.

The main defences to a voidable transaction claim are:

- Good faith defence - It would be necessary to establish that the Company was insolvent, and the recipient had reasonable grounds for suspecting that the Company was insolvent at the time or would become insolvent.
- Running account balance defence – If in the course of the relationship, the level of the company's net indebtedness is increased and reduced from time to time, then all the transactions are taken to be a single transaction for the purposes of establishing whether there was an unfair preference. Simply stated in the context of a 'continuing business relationship' the amount of the unfair preference will be determined by considering all transactions (payments and further supplies) between the company and the creditor.
- The defendant creditor is a secured creditor - generally speaking, a liquidator cannot pursue a secured creditor and can only pursue unfair preferences in respect of unsecured debts.

Our preliminary view is that the Company became insolvent shortly prior to our appointment.

To the extent that information has been available, the Administrators have conducted the following preliminary investigations in relation to voidable transactions:

- Review the books and records to determine whether there have been any unfair loans to or from the Company;
- Review books and records for the period approximately 6 months prior to the appointment of the Administrators to determine whether any creditors have been preferred over the general body of creditors as a result of any transaction; and
- Reviewed documentation provided to us by third parties.

A summary of the various transactions is set out below:

a) Unfair Preferences (Section 588FA)

Unfair preferences are transactions between the company and a creditor resulting in the creditor receiving more than the creditor would receive if the transaction were set aside and the creditor was to prove for this amount in the winding-up. Voidable transactions must have taken place in the period beginning six (6) months prior to the relation back day and ending on the date of the appointment of Administrators.

From our investigations to date, we have not identified any transactions that would be subject to a claim pursuant to this section of the Act.

b) Uncommercial Transactions (Section 588FB)

Section 588FB of the Act provides for transactions that were not beneficial or were detrimental to the Company as being void. The transaction must have occurred when the company was insolvent or would become insolvent.

From our investigations to date, we have not identified any transactions that would be subject to a claim pursuant to this Section of the Act.

c) Unfair Loans (Section 588FD)

Section 588FD of the Act provides for loans to be voided in circumstances where interest or charges are considered extortionate.

From our investigations to date, we have not identified any transactions that would be subject to a claim pursuant to this Section of the Act.

d) Unreasonable Director-Related Transactions (Section 588FDA)

Section 588FDA of the Act provides for transactions where it may be expected that a reasonable person in the company's circumstances would not have entered into the transaction having regard to the benefits, detriments and respective benefits to other parties.

Further investigations would be required by a liquidator to determine whether the related party loans to Chat Thai NB and director's loans as discussed in Section 9.5 would be subject to a claim pursuant to this section of the Act.

Based on our analysis, even if these claims were to be pursued in a liquidation, the uncertainty of the assets of the related entities and the costs associated with pursuing the claims would provide a minimal benefit to creditors as compared to the current DoCA proposal.

e) Related Party Transactions (Section 588FE(4))

Section 588FE(4) of the Act provides that payments to related parties may be voided where the company was insolvent at the time of the transaction.

From our investigations to date, we have not identified any transactions that would be subject to a claim pursuant to this section of the Act.

f) Circulating security interest created within 6 months before relation back date (Section 588 FJ)

Our searches reveal there were no circulating security interests created within 6 months before our appointment.

10.1. Insolvent Trading (Section 588G)

Section 588G of the Act provides that a company's director(s) has a duty to protect the company from incurring debt when there are reasonable grounds for suspecting that the company will be unable to pay its debts as and when they fall due. Section 588M of the Act provides that a liquidator is able to recover 'damages' from the director(s) of an insolvent company in an amount equal to the loss or damage suffered by the company as a result of a breach of duty.

Section 95A(1) of the Act provides a definition of a solvent entity as follows:

"A person is solvent if, and only if, the person is able to pay all of its debts, as and when they become due and payable"

An insolvent entity is defined under Section 95A(2) of the Corporations Act 2001 as:

"A person which is not solvent is insolvent"

On 24 March 2020, the Coronavirus Economic Response Package Omnibus Bill 2020 was implemented and specifically section 588GAAA was introduced into the Act providing temporary relief for financially distressed businesses. This amendment provides relief for directors from potential personal liability for insolvent trading.

On 7 September 2020, the Australian Government announced that the [temporary relief would be extended until 31 December 2020](#). Accordingly, the liquidator will not have any ability to pursue the Directors for insolvent trading during this period.

Based on the above definition of insolvency, it is our opinion the Company was insolvent shortly prior to our appointment.

The current ATO debt of \$1,102,584 relates to debts incurred during FY22. We are advised that the Director was in negotiations with the ATO in relation to a suitable payment plan however these negotiations failed as a result of the Director receiving the DPN notice.

We have not yet been provided with Freedom of Information documents or access to the ATO business portal, however based on our investigations the Company has not previously been subject to any payment plans with the ATO and was up to date with its statutory obligations with the ATO until 30 June 2021.

The other significant creditors of the Company are the Landlords, who's outstanding debts relate to outstanding rent as a result of Covid-19 and rent deferrals in accordance with the Covid-19 rental relief agreements, which were finalised shortly prior to our appointment.

The quantum of any insolvent trading claim would likely be minimal given that the Company was only insolvent shortly prior to our appointment.

There are several defences available to a director pursuant to section 588FGB of the Act, which include:

- if it is provided that, at the payment time, the person had reasonable grounds to expect, and did expect, that the company was solvent at that time and would remain solvent if the payment was made.
- had reasonable grounds to believe, and did believe:
 - that a competent and reliable person (*the other person*) was responsible for providing to the first-mentioned person adequate information about whether the company was solvent; and
 - that the other person was fulfilling that responsibility.
- expected, on the basis of information provided to the first-mentioned person by the other person, that the company was solvent at that time and would remain solvent even if it made the payment.
- because of illness or for some other good reason, the person did not take part in the management of the company at the payment time.
- the person took all reasonable steps to prevent the company from making the payment; or there were no such steps the person could have taken.

When making our assessment of the Company's insolvency we would also consider the principles at common law, some of which include:

- Whether or not a company is insolvent for the purposes of the Act, ss95A, 459B, 588FC or 588G(1)(b) is a question of fact to be ascertained from the consideration of the company's financial position taken as a whole.
- In considering the company's financial position, the court must have regard to the commercial realities. Commercial realities will be relevant in considering what resources are available to the company to meet its liabilities as they fall due, whether the resources other than cash are realisable by sale or borrowing upon security, and when such realisation are achievable.

- The conclusion of insolvency ought to be clear from a consideration of the debtor's financial position in its entirety and generally speaking ought not to be drawn simply from evidence of temporary lack of liquidity. It is the debtor's inability, utilising such cash resources as he/she has or can command through the use of his/her assets, to meet his/her debts as they fall due which indicates insolvency.

For general information about insolvent trading, please refer to the Creditor Information Sheet – S439A reports contained within the Code of Professional Conduct on the ARITA website at www.arita.com.au.

10.2. Directors' Personal Financial Position

If the Company is wound up at the Second Meeting of Creditors further investigations may be conducted into the prospects of successful actions against the Director and the cost / benefits of pursuing such actions.

Personal names extract from the ASIC database indicates the following:

Palisa Anderson

Directorship	Commencement
Assamm Pty. Ltd.	12-03-2014
BLF Trading Pty Ltd	08-01-2019
Chat Thai CBD Pty Ltd	30-03-2010
Maps Whanau Pty Ltd	08-01-2019
Palisa Consulting Pty Ltd	08-01-2019

Shareholdings	Number and Class	Beneficially Held	Fully Paid
Jarern Chai Pty. Ltd.	15 Ordinary Shares	Yes	Yes
Samosorn Pty. Ltd.	20 Ordinary Shares	Yes	Yes
Boon Café Pty. Ltd.	35 Ordinary Shares	Yes	Yes
Assamm Pty. Ltd.	20 Ordinary Shares	Yes	Yes
Jumpee Travel Pty Ltd	8030 Ordinary Shares	Yes	Yes
Maps Whanau Pty Ltd	60 Ordinary Shares	Yes	Yes
Chat Thai CBD Pty Ltd	1 Ordinary Share	Yes	Yes

Matthew Grahame Anderson

Directorship	Commencement
BLF Trading Pty Ltd	08-01-2019
Chat Thai NB Pty Ltd	13-05-2020
Chat Thai CBD Pty Ltd (Alternate Director)	24-05-2021
Maps Whanau Pty Ltd	08-01-2019
Kanjanah Pty. Ltd.	17-11-2015

Shareholdings	Number and Class	Beneficially Held	Fully Paid
AFH Pty Ltd	1 Ordinary Share	Yes	Yes
Jarern Chai Pty. Ltd.	15 Ordinary Shares	Yes	Yes
Samosorn Pty. Ltd.	20 Ordinary Shares	Yes	Yes
Lazer Line Pty Ltd	10 Ordinary Shares	Yes	Yes
Boon Café Pty. Ltd.	35 Ordinary Shares	Yes	Yes
Assamm Pty. Ltd.	20 Ordinary Shares	Yes	Yes
Mando Valley Pty Ltd	50 Ordinary Shares	Yes	Yes
Cmkba Super Fund Pty Ltd	1 Ordinary Share	Yes	Yes
Maps Whanau Pty Ltd	60 Ordinary Shares	Yes	Yes
Mdando Superannuation Pty Ltd	2 Ordinary Shares	Yes	Yes
MKA Constructions Pty Ltd	274,000 Ordinary Shares	Yes	Yes
Wisdom Innovations Pty. Ltd.	49 Ordinary Shares	Yes	Yes
Everything Medical & Dental Pty Ltd.	5 Ordinary Shares	Yes	Yes
Alice's Alcove Pty Ltd	98 Ordinary Shares	Yes	Yes
Hygienize Pty Ltd	1 Ordinary Share	Yes	Yes
Frith Property Developments Pty Ltd	2 Ordinary Shares	Yes	Yes
FE&E Pty Ltd	400 Ordinary Shares	Yes	Yes

10.3. Breach of Director's Duties

Sections 180 to 184 of the Act set out duties and powers of directors and officers of a company to enable directors to act in the interest of a company. The duties include:

- Section 180 – Care and Diligence (Civil obligations)
- Section 181 – Good Faith (Civil obligations)
- Section 182 – Use of Position (Civil obligations)
- Section 183 – Use of Information (Civil obligations)
- Section 184 – Good faith, use of position and use of information (Criminal offences)

Based on our investigations to date, we have not identified any breaches of director's duties.

11. ADMINISTRATORS' OPINION

Section 439A requires Administrators to provide their opinion on which of the three (3) alternative courses of action available to creditors, is in their interests.

It is the Administrators' opinion in relation to the Company that:

- It **would not** be in the creditors' best interest to resolve **to end the administration** at the second meeting of creditors as the Company is insolvent and is unlikely to return to solvency.
- It **would** be in the creditors' best interest to resolve that the Company execute a Deed of Company Arrangement ("DoCA") for the following reasons:

- The proposed DoCA provides a greater return to the unsecured creditors of the Company than a Liquidation.
- The proposed DoCA provides a more certain return to priority and unsecured creditors of the Company than a Liquidation.
- The proposed DoCA will cost less to administer than a Liquidation.
- The proposed DoCA enables the business to continue and employees to be retained.
- It **would not** be in the creditors' best interests for the Company to be wound up for the following reasons:
 - It would provide a smaller return (if any) to priority creditors of the Company compared with the proposed DoCA.
 - The prospect of a return to priority creditors of the Company is uncertain and reliant on related party debtor and voidable transaction recoveries, which are uncertain.
 - No return is expected to unsecured creditors in Liquidation.
 - The costs of a Liquidation will be greater than the proposed DoCA, due to the costs associated with pursuing recoveries.
 - A Liquidation is likely to result in the termination of the employees and the crystallisation of entitlements.

See **Appendix A** as our formal statement of opinion.

12. SECOND MEETING OF CREDITORS

The Second Meeting of Creditors is to be held virtually using the video conferencing platform Zoom on **Friday, 5 August 2022 at 12:30 pm**. Creditors will be able to attend the meeting either via computer (recommended) or telephone.

The details required for creditors to attend the meeting will be provided to those creditors who submit a written request to attend the virtual meeting accompanied by a completed proof of debt and proxy form.

The details required for creditors to attend the meeting will be provided to those creditors who:

- Submit a written request to attend the virtual meeting.
- Submit a **proof of debt** and information to substantiate your claim.
- Appoint a person – a “**proxy**” or person authorised under a power of attorney – to vote on your behalf at the meeting. This may be necessary if you are unable to attend the meeting, or if the creditor is a Company.

You can appoint the chairperson of the meeting as your proxy and direct the chairperson how you wish your vote to be cast. If you choose to do this, the chairperson must cast your vote as directed.

Attendance at the meeting, whilst encouraged, is not mandatory and non-attendance will not impact the rights of creditors.

The purpose of the Second Meeting of Creditors is to discuss the Company's affairs and to determine the Company's future. Creditors' options are as follows:

- That the Administration should end.
- The Company executes a Deed of Company Arrangement
- That the Company be wound up.

Creditors may adjourn the meeting for up to forty-five (45) business days.

Creditors will also be asked whether they wish to replace the incumbent Administrators with a new liquidator or deed administrator (as applicable).

In respect of the meeting please find enclosed the following at **Appendix B**:

- Form 529 – Notice of Meeting and Agenda
- Form 532 – Appointment of Proxy
- Form 535 – Proof of Debt Form

In order to receive this report and any future reports and/or notices via email or facsimile, rather than by regular post, please provide your contact details on the enclosed Proof of Debt form.

13. CONDUCT OF THE ADMINISTRATION

We have attended to the following matters:

- Continued to trade the business;
- Issued notices of appointment;
- Met with the Company's Director to understand the background and financial position of the Company;
- Attended the trading premises' and liaised with employees in relation to the administration.
- Attended to statutory duties including notifying ASIC, the ATO and other relevant authorities of their appointment and advertising their appointment;
- Organising access to electronic data and files for investigation;
- Convened the first meeting of creditors held on Monday, 11 July 2022 11:00 am;
- Attended and chaired the first meeting of creditors (and lodged minutes of those meetings);
- Undertook personal property securities register and property searches;

- Conducted a preliminary review of the books and records made available, to ascertain the Company's financial position, the key issues affecting the Company and transactions potentially recoverable by a liquidator;
- Liaised with stakeholders, including the accountant and creditors of the Company;
- Liaised with insurance brokers regarding the adequate cover of insurance;
- Answered unsecured creditors' enquiries in relation to the Administration;
- Conducting preliminary investigations in relation to the business, affairs and financial circumstances of the Company; and
- Prepared a detailed report to creditors pursuant to Section 439A of the Act.

14. REMUNERATION

14.1. Voluntary Administration

At the meeting of creditors to be held on **Friday, 5 August 2022 at 12:30 pm**, pursuant to Section 449E of the Act, the Administrators will seek creditor approval for the fee's set out in the remuneration report, which is attached as **Appendix F**.

At the meeting, creditors will be asked to consider the following resolutions:

"That the remuneration of the Administrators, their partners and staff, for the period of the administration from 30 June 2022 to 27 July 2022 is fixed at a sum equal to the cost of time spent by the Administrators and the Administrators' partners and staff, calculated at the hourly rates as detailed in the report to creditors dated 28 July 2022 of fees equalling \$80,000 plus GST, and that the Administrators can draw the remuneration immediately or as required."

"That the future remuneration of the Administrators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors dated 28 July 2022, for the period of the administration from 28 July 2022 to the conclusion of the administration, is fixed and approved to a maximum cap of \$5,000 plus GST, and can be drawn as soon as practicable after the conclusion of the second meeting. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought."

"That the internal disbursements of the Administrators for the period 30 June 2022 to the conclusion of the Administration at the rates outlined in the Remuneration Approval Report dated 28 July 2022 be capped at the amount of \$1,000 plus GST and can be drawn by the Administrators as required."

A copy of the information sheet 'Approving Fees: a guide for creditors' can be found on the ASIC website at www.asic.gov.au.

14.2. Deed of Company Arrangement

If the Company enters into a Deed of Company Arrangement, approval of the Deed Administrator's future fees will be sought in accordance with the remuneration report attached as **Appendix F**. A

summary of the tasks to be completed by the Deed Administrators and their staff in the conduct of the deed for the period upon signing of the deed to the completion is also outlined in the **Remuneration Report**.

At the meeting, creditors will be asked to consider the following resolutions:

“That the remuneration of the Deed Administrators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors dated 28 July 2022, for the period from commencement of the Deed of Company Arrangement to completion of the Deed of Company Arrangement, is fixed and approved to a maximum cap of \$10,000 plus GST, to be drawn only when incurred on a monthly basis or as required. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought.”

“That the internal disbursements of the Deed Administrators for the period from the commencement of the Deed of Company Arrangement to the conclusion of the Deed of Company Arrangement at the rates outlined in the Remuneration Approval Report dated 28 July 2022 be capped at the amount of \$1,000 plus GST and can be drawn by the Deed Administrators as required.”

14.3. Liquidation

If the Company is placed into liquidation, approval of the Liquidator’s future fees will be sought in accordance with the remuneration report attached as **Appendix F**. A summary of the tasks to be completed by the Liquidators and their staff in the conduct of the liquidation for the period of the commencement of the liquidation to the completion of the liquidation is also outlined in the **Remuneration Report**.

At the meeting, creditors will be asked to consider the following resolutions:

“That the remuneration of the Liquidators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors dated 28 July 2022, for the period from the commencement of the liquidation to completion of the liquidation, is fixed and approved to a maximum cap of \$70,000 plus GST, to be drawn only when incurred on a monthly basis or as required. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought.”

DATED this 28th day of July 2022



Michael Hogan
Joint & Several Administrator

**Chat Thai CBD Pty Ltd
(Administrators Appointed)
A.C.N. 142 881 445**

**STATEMENT OF ADMINISTRATORS'S OPINION
PURSUANT TO SECTION 439A(4)(b) OF THE CORPORATIONS ACT**

This statement sets out our opinions in relation to the alternatives which the creditors of the Company will consider at the Second Meeting of Creditors to be held at **the offices of HoganSproawles at Level 9, 60 Pitt Street, Sydney NSW on Friday, 5 August 2022 at 12:30 pm.**

- It **would not** be in the creditors' best interest to resolve **to end the administration** at the second meeting of creditors as the Company is insolvent and is unlikely to return to solvency.
- It **would** be in the creditors' best interest to resolve that the Company execute a Deed of Company Arrangement ("DoCA") for the following reasons:
 - The proposed DoCA provides a greater return to the unsecured creditors of the Company than a Liquidation.
 - The proposed DoCA provides a more certain return to priority and unsecured creditors of the Company than a Liquidation.
 - The proposed DoCA will cost less to administer than a Liquidation.
 - The proposed DoCA enables the business to continue and employees to be retained.
- It **would not** be in the creditors' best interests for the Company to be wound up for the following reasons:
 - It would provide a smaller return (if any) to priority creditors of the Company compared with the proposed DoCA.
 - The prospect of a return to priority creditors of the Company is uncertain and reliant on related party debtor and voidable transaction recoveries, which are uncertain.
 - No return is expected to unsecured creditors in Liquidation.
 - The costs of a Liquidation will be greater than the proposed DoCA, due to the costs associated with pursuing recoveries.
 - A Liquidation is likely to result in the termination of the employees and the crystallisation of entitlements.

Dated this **28th** day of **July 2022**



Michael Hogan
Joint & Several Administrator

Appendix B

FORM 529

CORPORATIONS ACT 2001
Section 439A
Insolvency Practice Rules (Corporations)
75-10, 75-15 & 75-20

NOTICE OF SECOND MEETING OF CREDITORS

**Chat Thai CBD Pty Ltd
(Administrators Appointed)
A.C.N. 142 881 445
("the Company")**

NOTICE IS GIVEN that concurrent meeting of the creditors of the Company will be held at **the offices of HoganSprowles at Level 9, 60 Pitt Street, Sydney NSW on Friday, 5 August 2022 at 12:30 pm.**

AGENDA

1. To review the Administrators' report concerning the companies' business, property, affairs and financial circumstances.
2. For creditors to consider the options available and to resolve either:
 - a) that the administration should end; or
 - b) that the company execute a Deed of Company Arrangement; or
 - c) that the company be wound up.
3. For creditors to:
 - a) approve the Voluntary Administrators' remuneration; and
 - b) determine the remuneration of the Deed Administrator/Liquidator, if one is appointed.
4. For creditors to consider the appointment of an alternative Deed Administrator or Liquidator.
5. If the Company is wound up, to consider the appointment of a Committee of Inspection.
6. If the Company is wound up, to consider the early destruction of the books and records at the conclusion of the liquidation.
7. To consider any other business that may be brought before the meeting.

The meeting will be held in person and virtually using the video conferencing platform, Zoom. The details required for creditors to attend the meeting will be provided to those creditors who submit a written request to attend the virtual meeting accompanied by a completed proof of debt and proxy form.

Please note that under Insolvency Practice Rules (Corporations) (IPR) 75-35:

- a) A person, or the proxy or attorney of a person, who wishes to participate in the meeting by telephone must give to the convener, not later than the second last working day before the day on which the meeting is to be held, written statement setting out:
 - (i) the name of the person and of the proxy or attorney (if any); and
 - (ii) an address to which notices to the person, proxy or attorney may be sent; and
 - (iii) a method by which the person, proxy or attorney may be contacted for the purposes of the meeting.

- b) A person, or the proxy or attorney of a person, who participates in the meeting by telephone must pay any costs incurred by the person, proxy or attorney in participating and is not entitled to be reimbursed for those costs from the assets of the Company.

Proxies to be used at the meeting should be given to me as Joint and Several Administrator and to the person named as convening the meeting. A creditor can only be represented by proxy or by an attorney pursuant to IPR 75-150 & 75-155 and if a body corporate by a representative appointed pursuant to Section 250D.

Creditors will not be entitled to vote at this meeting unless they have previously lodged particulars of their claim against the Company in accordance with IPR 75-85 and that claim has been admitted for voting purposes wholly or in part by the Joint and Several Administrators.

Dated this **28th day of July 2022**



Michael Hogan
Joint & Several Administrator
HoganSprowles Pty Ltd
Level 9, 60 Pitt Street
Sydney NSW 2000.

FORM 535
 CORPORATIONS ACT 2001

ACN 142 881 445

Sub regulation 5.6.49(2)

FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)

To the Joint and Several Administrators Chat Thai CBD Pty Ltd (Administrators Appointed):

1. This is to state that the company was, on 30 June 2022 ⁽¹⁾ and still is, justly and truly indebted to⁽²⁾ (full name):

.....
 ('Creditor')

.....
 of (full address)

for \$..... dollars and..... cents.

Particulars of the debt are:

Date	Consideration ⁽³⁾ <small>state how the debt arose</small>	Amount \$	GST included \$	Remarks ⁽⁴⁾ <small>include details of voucher substantiating payment</small>

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any manner of satisfaction or security for the sum or any part of it except for the following:
 Insert particulars of all securities held. Where the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, specify them in a schedule in the following form:

Date	Drawer	Acceptor	Amount \$ c	Due Date

- I am **not** a related creditor of the Company ⁽⁵⁾
- I am a related creditor of the Company ⁽⁵⁾
 relationship: _____

3A.^{(6)*} I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.

3B.^{(6)*} I am the creditor's agent authorised to make this statement in writing. I know that the debt was incurred and for the consideration stated and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.

DATED this day of 2022

Signature of Signatory

.....
 NAME IN BLOCK LETTERS

.....
 Occupation

.....
 Address

See Directions overleaf for the completion of this form

OFFICE USE ONLY

POD No:		ADMIT (Voting / Dividend) - Ordinary	\$
Date Received:	/ /	ADMIT (Voting / Dividend) – Preferential	\$
Entered into CORE IPS:		Reject (Voting / Dividend)	\$
Amount per CRA/RATA	\$	Object or H/Over for Consideration	\$
Reason for Admitting / Rejection			
PREP BY/AUTHORISED		TOTAL PROOF	\$
DATE AUTHORISED	/ /		

Proof of Debt Form Directions

- * Strike out whichever is inapplicable.
- (1) Insert date of Court Order in winding up by the Court, or date of resolution to wind up, if a voluntary winding up.
- (2) Insert full name and address (including ABN) of the creditor and, if applicable, the creditor's partners. If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor.
- (3) Under "Consideration" state how the debt arose, for example "goods sold and delivered to the company between the dates of", "moneys advanced in respect of the Bill of Exchange".
- (4) Under "Remarks" include details of vouchers substantiating payment.
- (5) Related Party / Entity: Director, relative of Director, related company, beneficiary of a related trust.
- (6) If the Creditor is a natural person and this proof is made by the Creditor personally. In other cases, if, for example, you are the director of a corporate Creditor or the solicitor or accountant of the Creditor, you sign this form as the Creditor's authorised agent (delete item 3A). If you are an authorised employee of the Creditor (credit manager etc), delete item 3B.

Annexures

- A. If space provided for a particular purpose in a form is insufficient to contain all the required information in relation to a particular item, the information must be set out in an annexure.
- B. An annexure to a form must:
 - (a) have an identifying mark;
 - (b) and be endorsed with the words:
 - i) "This is the annexure of *(insert number of pages)* pages marked *(insert an identifying mark)* referred to in the *(insert description of form)* signed by me/us and dated *(insert date of signing)*; and
 - (c) be signed by each person signing the form to which the document is annexed.
- C. The pages in an annexure must be numbered consecutively.
- D. If a form has a document annexed the following particulars of the annexure must be written on the form:
 - (a) the identifying mark; and
 - (b) the number of pages.
- E. A reference to an annexure includes a document that is with a form.

APPOINTMENT OF PROXY
 CREDITORS MEETING

**Chat Thai CBD Pty Ltd
 (Administrators Appointed)
 A.C.N. 142 881 445**

*I/*We ⁽¹⁾	
Of (address)	
being a creditor of the Company, appoint ⁽²⁾ or in his or her absence	
to vote for me/us on my/our behalf at the meeting of creditors to be held on 5 August 2022 or at any adjournment of that meeting.	

Please mark any boxes with an X

Proxy Type: General Special

	For	Against	Abstain
Resolution 1 A resolution that the Administration end.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 A resolution that the company be required to execute a Deed of Company Arrangement.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 A resolution that the Company be wound up.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 That in the event that the Company is wound up and an alternate Liquidator is proposed, that the existing Liquidators be replaced and (Alternative Appointee) be appointed in their stead.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 That the remuneration of the Administrators, their partners and staff, for the period of the administration from 30 June 2022 to 27 July 2022 is fixed at a sum equal to the cost of time spent by the Administrators and the Administrators' partners and staff, calculated at the hourly rates as detailed in the report to creditors of 28 July 2022 of fees equalling \$80,000 plus GST, and that the Administrators can draw the remuneration immediately or as required.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<p>Resolution 6 That the future remuneration of the Administrators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors dated 28 July 2022, for the period 28 July 2022 to the conclusion of the administration, is fixed and approved to a maximum cap of \$5,000 plus GST, and can be drawn as soon as practicable after the conclusion of the second meeting. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Resolution 7 That the remuneration of the Deed Administrators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors dated 28 July 2022, for the period from commencement of the Deed of Company Arrangement to completion of the Deed of Company Arrangement, is fixed and approved to a maximum cap of \$10,000 plus GST, to be drawn only when incurred on a monthly basis or as required. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Resolution 8 That the remuneration of the Liquidators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors dated 28 July 2022, for the period from commencement of the liquidation to completion of the liquidation, is fixed and approved to a maximum cap of \$70,000 plus GST, to be drawn only when incurred on a monthly basis or as required. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Resolution 9 That the internal disbursements of the Administrators for the period 30 June 2022 to the conclusion of the Administration at the rates outlined in the report to creditors dated 28 July 2022 be capped at the amount of \$1,000 plus GST and can be drawn by the Administrators as required.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Resolution 10 That the internal disbursements of the Deed Administrators for the period from the commencement of the Deed of Company Arrangement to the conclusion of the Deed of Company Arrangement at the rates outlined in the report to creditors dated 28 July 2022 be capped at the amount of \$1,000 plus GST and can be drawn by the Deed Administrators as required.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<p>Resolution 11 A Resolution that a committee of inspection be appointed.</p> <p>I am prepared / not* prepared to sit on the Committee of Inspection</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Resolution 12 That subject to obtaining the approval of the Australian Securities and Investments Commission under Section 542(4) of the Corporations Act 2001, the books and records of the Company and of the liquidation be disposed of by the Liquidators six months after the dissolution of the Company or earlier at the discretion of the Australian Securities and Investments Commission.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Resolution 13 Adjourn the second meeting of creditors for up to 45 business days.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

DATED this _____ day of _____ 2022.

 Signature

CERTIFICATE OF WITNESS

This certificate is to be completed only if the person giving the proxy is blind or incapable of writing. The signature of the creditor, contributory, debenture holder or member must not be witnessed by the person nominated as proxy.

I, of

certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him or her before he or she signed or marked the instrument.

Dated:

Signature of Witness:

Description:

Place of Residence:

* Strike out if inapplicable

(1) If a firm, strike out "I" and set out the full name of the firm.

(2) Insert the name, address and description of the person appointed.

Appendix C

Summarised Receipts and Payments for the period 30 June 2022 to 27 July 2022 \$

Receipts

Pre-appointment Cash	420,515.36
Revenue	712,545.31
	252,291.44

Payments

Wages (net)	190,445.55
Merchant fees	12,506.82
Rent	117,118.63
Suppliers	265,599.40
	<u>585,680.40</u>

Cash at bank 547,380.27



ASIC

Australian Securities & Investments Commission

Insolvency information for directors, employees, creditors and shareholders

ASIC has 11 insolvency information sheets to assist you if you're affected by a company's insolvency and have little or no knowledge of what's involved.

These plain language information sheets give directors, employees, creditors and shareholders a basic understanding of the three most common company insolvency procedures—liquidation, voluntary administration and receivership. There is an information sheet on the independence of external administrators and one that explains the process for approving the fees of external administrators. A glossary of commonly used insolvency terms is also provided.

The Insolvency Practitioners Association (IPA), the leading professional organisation in Australia for insolvency practitioners, endorses these publications and encourages its members to make their availability known to affected people.

List of information sheets

- INFO 41 *Insolvency: a glossary of terms*
- INFO 74 *Voluntary administration: a guide for creditors*
- INFO 75 *Voluntary administration: a guide for employees*
- INFO 45 *Liquidation: a guide for creditors*
- INFO 46 *Liquidation: a guide for employees*
- INFO 54 *Receivership: a guide for creditors*
- INFO 55 *Receivership: a guide for employees*
- INFO 43 *Insolvency: a guide for shareholders*
- INFO 42 *Insolvency: a guide for directors*
- INFO 84 *Independence of external administrators: a guide for creditors*
- INFO 85 *Approving fees: a guide for creditors*

Getting copies of the information sheets

To get copies of the information sheets, visit ASIC's website at www.asic.gov.au/insolvencyinfosheets. The information sheets are also available from the IPA website at www.ipaa.com.au. The IPA website also contains the IPA's Code of Professional Practice for Insolvency Professionals, which applies to IPA members.

Important note: The information sheets contain 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. These documents may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances. You will need a qualified professional adviser to take into account your particular circumstances and to tell you how the law applies to you.

Creditor Information Sheet

Offences, Recoverable Transactions and Insolvent Trading



Offences

A summary of offences under the Corporations Act that may be identified by the administrator:

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)	Failure by directors to assist administrator, deliver records and provide information.
438C(5)	Failure to deliver up books and records to the administrator.
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.

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. 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.

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. It will only be necessary to satisfy the court that there was a breach on the balance of probabilities. There is no time limit on when the transaction occurred.

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 created 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 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.

Remuneration Report

Chat Thai CBD Pty Ltd (Administrators Appointed) ACN 142 881 445 (“the Company”)

This remuneration report provides you with the information you need to be able to make an informed decision regarding the approval of our remuneration for undertaking the Administration.

Table of Contents

Part 1:	Declaration
Part 2:	Executive Summary
Part 3:	Description of work completed / to be completed
Part 4:	Calculation of Remuneration
Part 5:	Statement of Remuneration Claim
Part 6:	Remuneration Recoverable from External Sources
Part 7:	Likely impact on dividends
Part 8:	Disbursements
Part 9:	Report on Progress of the Administration
Part 10:	Summary of Receipts and Payments
Part 11:	Queries
Part 12:	Information Sheet

Part 1: Declaration

Michael Hogan and Brendan Copeland of HoganSprowles have undertaken a proper assessment of this remuneration claim for our appointment as Joint and Several Administrators of Chat Thai CBD Pty Ltd (Administrators Appointed) in accordance with the law and applicable professional standards. We are satisfied that the remuneration claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of the administration.

Part 2: Executive Summary

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

	Amount ex GST (\$)
Current remuneration approval sought:	
Voluntary Administration - Actual	
Resolution 5: 30 June 2022 to 27 July 2022	80,000.00
Voluntary Administration - Estimated	
Resolution 6: 28 July 2022 to the conclusion of the administration	5,000.00
Total - Voluntary Administration	85,000.00
Deed of Company Arrangement	
Resolution 7: from commencement to completion	10,000.00
Total - Deed of Company Arrangement	10,000.00
Liquidation	
Resolution 8: from commencement to completion	70,000.00
Total - Liquidation	70,000.00

Please refer to this report section for full details of the calculation and composition of the remuneration approval sought.

We note that the actual fees incurred for the period 30 June 2022 to 27 July 2022 are \$81,800, however we have capped our fees in the amount of \$80,000 for this period.

Part 3: Description of work completed / to be completed

Resolution 5 - Current Joint and Several Administrators' remuneration for the period 30 June 2022 to 27 July 2022

Task Area	General Description	Includes
Assets Number of hours: 9.3 Cost: \$5,342	Assets	Preparing asset lists. Attendance to sites Meeting with valuer at sites Reviewing asset valuation Reviewing stock

Task Area	General Description	Includes
Creditors Number of hours: 52.6 Cost: \$20,824	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 Calls with creditors
	Creditor reports	Preparation of Initial notifications to creditors Preparing 439A, investigation, meeting and general reports to creditors Internal disbursements approval
	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 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 & lodgement of minutes of meetings with ASIC Respond to stakeholder queries and questions immediately following meeting
	Tasks associated with DoCA	Review draft DoCA terms Preparation of meeting to discuss deed proposal Tasks associated with DoCA Liaise with third parties regarding DoCA
Employees Number of hours: 17.8 Cost: \$5,154	Employees enquiry	Receive and follow up employee enquiries via telephone Maintain employee enquiry register Review and prepare correspondence to creditors and their representatives via facsimile, email and post Preparation of letters to employees advising of their entitlements and options available Receive and prepare correspondence in response to employee's objections to leave entitlements
	Calculation of entitlements	Calculating employee entitlements Reviewing employee files and company's books and records Reconciling superannuation accounts Reviewing awards Liaising with solicitors regarding entitlements
Trade On Number of hours: 37 Cost: \$16,787	Trade On Management	Liaising with suppliers regarding continued supply Correspondence with suppliers regarding claims Liaising with management and staff Attendance on site Preparing and authorising receipts vouchers Preparing and authorising payment vouchers Calculation of wages and arrange payments and payslips

Task Area	General Description	Includes
	Processing receipts and payments	Entering receipts and payments into accounting system Record payments and update schedule and cashflow Liaise with suppliers regarding accounts and issue of invoices
	Budgeting and Financial reporting	Preparing budgets Prepared and updated cashflow. Revise cashflow Prepared weekly updates for the director Meetings to discuss trading position internally and externally Prepared estimated position on weekly basis
Investigation Number of hours: 47.8 Cost: \$18,901	Conducting investigation	Collection of company books and records company's books & records and Report as to Affairs Reviewing company's books and records Review and preparation of company nature and history Conducting and summarising statutory searches Preparation of comparative financial statements Preparation of deficiency statement Review of specific transactions and liaising with directors regarding certain transactions Liaising with directors and other key staff regarding certain transactions Preparation of investigation file Review taxation reports and liabilities Calculation of superannuation penalties and interest for ATO Review related parties loan accounts Preparing group structure Investigations in relation to intellectual property disputes and related party claims
Administration Number of hours: 38.2 Cost: \$14,703	ASIC reporting	Preparing statutory lodgements Liaising with ASIC
	Correspondence	With various stakeholders
	Document maintenance/file review/checklist	First month, then 6 monthly administration review Filing of documents File reviews Updating checklists
	Insurance	Correspondence with Willis regarding initial and ongoing insurance requirements Liaise with pre-appointment broker regarding policy
	Bank account administration	Preparing correspondence opening and closing accounts Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including 505, 524, 911 etc Correspondence with ASIC regarding statutory forms

Task Area	General Description	Includes
	ATO and other statutory reporting	Notification of appointment Correspondence with ATO regarding specific matters
	Planning / Review	Discussions regarding status of administration

Resolution 6 - Future Joint and Several Administrators' remuneration for the period 28 July 2022 to the conclusion of the administration

Task Area	General Description	Includes
Creditors Number of hours: 5.5 Estimated Cost: \$2,225	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
	Creditor reports	Preparing 439A report
	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 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 & lodgement of minutes of meetings with ASIC
	Tasks associated with DoCA	Review draft DoCA agreement Preparation of meeting to discuss deed proposal Tasks associated with DoCA Liaise with third parties regarding DoCA
Trade On Number of hours: 7.0 Cost: \$2,255	Trade On Management	Liaising with suppliers Liaising with management and staff Preparing and authorising receipts vouchers Preparing and authorising payment vouchers
	Processing receipts and payments	Entering receipts and payments into accounting system
	Budgeting and Financial reporting	Reviewing company budgets and financial statements Preparing budgets Preparing weekly financial reports Finalising trading profit and loss Meetings to discuss trading position
Administration Number of hours: 3.5	Document maintenance/file review/checklist	Review of file Filing of documents File reviews Updating checklists

Task Area	General Description	Includes
Cost: \$1,180	Bank account administration	Preparing correspondence opening and closing accounts Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers
	Planning / Review	Discussions regarding status of administration

Resolution 7 – Deed Administrators’ remuneration for the period from commencement of the Deed of Company Arrangement to completion of the Deed of Company Arrangement

Task Area	General Description	Includes
Creditors Number of hours: 6.5 Estimated Cost: \$2,628	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 inspection members
	Creditor reports	Preparing investigation, meeting and general reports to creditors
	Tasks associated with DoCA	Review draft DoCA agreement Preparation of meeting to discuss deed proposal Tasks associated with DoCA Liaise with third parties regarding DoCA
Dividend Number of hours: 13.5 Estimated Cost: \$5,718	Processing proofs of debt	Preparation of correspondence to potential creditors inviting Lodgement of POD Receipt of PODs Maintain POD register Adjudicating POD Request further information from claimants regarding POD Preparation of correspondence to claimant advising outcome of adjudication
	Dividend procedures	Preparation of correspondence to creditors advising of intention to declare dividend Advertisement of intention to declare dividend Obtain clearance from ATO to allow distribution of company’s assets Preparation of dividend calculation Preparation of correspondence to creditors announcing declaration of dividend Advertise announcement of dividend Preparation of distribution Preparation of dividend file Preparation of payment vouchers to pay dividend Preparation of correspondence to creditors enclosing payment of dividend
Administration Number of hours: 7.0	Correspondence	With various stakeholders
	Document maintenance/file review/checklist	First month, then 6 monthly administration review Filing of documents File reviews

Task Area	General Description	Includes
Estimated Cost: \$2,715		Updating checklists
	Bank account administration	Preparing correspondence opening and closing accounts Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including 505, 524, 911 etc Correspondence with ASIC regarding statutory forms
	ATO & other statutory reporting	Notification of appointment Preparing BAS Completing payment summaries
	Finalisation	Completing checklists Finalising WIP
	Planning / Review	Discussions regarding status of administration
	Books and records / storage	Sending job files to storage

Resolution 8 –Liquidators’ remuneration for the period from commencement of the liquidation to completion of the liquidation

Task Area	General Description	Includes
Assets Number of hours: 24.0 Estimated Cost: \$11,025	Debtors	Correspondence with debtors Reviewing and assessing debtors ledgers Liaising with debt collectors and solicitors
	Other Assets	Tasks associated with realising other assets
Creditors Number of hours: 37.5 Estimated Cost: \$14,378	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 inspection members
	Secured creditor reporting	Preparing reports to secured creditor Responding to secured creditor’s queries
	Creditor reports	Preparing 439A, investigation, meeting and general reports to creditors Internal disbursements approval Preparation of Initial notifications 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 meeting notices, proxies and advertisements

Task Area	General Description	Includes
		<p>Forward notice of meeting to all known creditors</p> <p>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.</p> <p>Preparation and lodgement minutes of meetings with ASIC</p> <p>Respond to stakeholder queries and questions immediately following meeting</p>
<p>Employees</p> <p>Number of hours: 26.0</p> <p>Estimated Cost: \$9,570</p>	Employees enquiry	<p>Receive and follow up employee enquiries via telephone</p> <p>Maintain employee enquiry register</p> <p>Review and prepare correspondence to creditors and their representatives via facsimile, email and post</p> <p>Preparation of letters to employees advising of their entitlements and options available</p> <p>Receive and prepare correspondence in response to employee's objections to leave entitlements</p>
	FEG	<p>Correspondence with FEG</p> <p>Preparing notification spreadsheet</p> <p>Preparing FEG quotations</p> <p>Preparing FEG distributions</p>
	Calculation of entitlements	<p>Calculating employee entitlements</p> <p>Reviewing employee files and company's books and records</p> <p>Reconciling superannuation accounts</p> <p>Reviewing awards</p> <p>Liaising with solicitors regarding entitlements</p>
	Employee dividend	<p>Correspondence with employees regarding dividend</p> <p>Correspondence with ATO regarding SGC proof of debt</p> <p>Calculating dividend rate</p> <p>Preparing dividend file</p> <p>Advertising dividend notice</p> <p>Preparing distribution</p> <p>Receipting POD</p> <p>Adjudicating POD</p> <p>Ensuring PAYG is remitted to ATO</p>
	Workers compensation claims	<p>Review insurance policies</p> <p>Receipt of claim</p> <p>Liaising with claimant</p> <p>Liaising with insurers and solicitors regarding claims</p> <p>Identification of potential issues requiring attention of insurance specialists</p> <p>Correspondence with Willis regarding initial and ongoing workers compensation insurance requirements</p> <p>Correspondence with previous brokers</p>
	Other employee issues	<p>Correspondence with Child Support</p> <p>Correspondence with Centrelink</p>
<p>Investigation</p> <p>Number of hours: 48.0</p>	Conducting investigation	<p>Collection of company books and records</p> <p>Correspondence with ASIC to receive assistance in obtaining reconstruction of financial statements</p> <p>company's books & records and Report as to Affairs</p>

Task Area	General Description	Includes
<p>Estimated Cost: \$16,885</p>		<p>Reviewing company's books and records Review and preparation of company nature and history Conducting and summarising statutory searches 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 Preparation of investigation file Lodgement of investigation with the ASIC Preparation and lodgement of supplementary report if required</p>
	Examinations	<p>Preparing brief to solicitor Liaising with solicitor(s) regarding examinations Attendance at examination Reviewing examination transcripts Liaising with solicitor(s) regarding outcome of examinations and further actions available</p>
	Litigation / Recoveries	<p>Internal meetings to discuss status of litigation Preparing brief to solicitors Liaising with solicitors regarding recovery actions Attending to negotiations Attending to settlement matters</p>
	ASIC reporting	<p>Preparing statutory investigation reports Preparing affidavits seeking non lodgements assistance Liaising with ASIC</p>
<p>Administration</p> <p>Number of hours: 30.5</p> <p>Estimated Cost: \$12,390</p>	Correspondence	With various stakeholders
	Document maintenance/file review/checklist	<p>First month, then 6 monthly administration review Filing of documents File reviews Updating checklists</p>
	Insurance	<p>Correspondence with Willis regarding initial and ongoing insurance requirements Correspondence with previous brokers</p>
	Bank account administration	<p>Preparing correspondence opening and closing accounts Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers</p>
	ASIC Form 524 and other forms	<p>Preparing and lodging ASIC forms including 505, 524, 911 etc Correspondence with ASIC regarding statutory forms</p>
	ATO & other statutory reporting	<p>Notification of appointment Preparing BAS Completing payment summaries</p>
	Finalisation	<p>Notifying ATO of finalisation Cancelling ABN / GST / PAYG registration Completing checklists Finalising WIP</p>
	Planning / Review	Discussions regarding status of administration
Books and records / storage	<p>Dealing with records in storage Sending job files to storage</p>	

Part 4: Calculation of Remuneration

Resolution 5 – Current Joint and Several Administrators’ remuneration for the period 30 June 2022 to 27 July 2022

Chat Thai CBD Pty Ltd (Administrators Appointed)
A.C.N. 142 881 445
 ACTUAL HOURS INCURRED FOR THE PERIOD 30 JUNE 2022 TO 27 JULY 2022
 CALCULATION OF REMUNERATION

Employee	Position	\$/hour	Total actual hours	Total (\$) Total	Task Area											
					Aspects hrs	\$	Creditors hrs	\$	Employee hrs	\$	Trade On hrs	\$	Investigation hrs	\$	Administration hrs	\$
Michael Hogan	Partner	99.50	24.1	14,340	8.6	5,117	0.0	0	0.0	0	2.0	1,190	1.7	1,012	1.8	7,021
Brendan Copeland	Partner	99.50	1.9	1,131	0.0	0	1.5	893	0.0	0	0.4	238	0.0	0	0.0	0
Christian Sproles	Partner	99.50	1.5	904	0.0	0	1.1	655	0.0	0	0.0	0	0.0	0	0.4	250
Amy Neo	Senior Manager	500.0	9.2	4,600	0.0	0	0.8	400	0.0	0	8.1	4,050	0.0	0	0.3	150
Angelo Cadz	Manager	450.0	10.3	4,635	0.7	315	34.1	15,345	4.2	1,890	24.1	10,845	32.5	14,625	6.7	3,015
Thomas Farquhar	Analyst	240.0	46.4	11,136	0.0	0	11.4	2,736	13.6	3,264	0.5	120	13.6	3,264	7.3	1,752
Thomas Farquhar	Graduate	215.0	17.0	3,655	0.0	0	3.7	796	0.0	0	1.6	344	0.0	0	1.7	2,516
Total			202.4	81,800	9.3	5,432	52.6	20,824	17.8	5,154	37	16,787	47.8	18,901	38.2	14,703
But say				80,000												
GST				8,000												
Total (incl GST)				88,000												
Average hourly rate																404

Resolution 6 – Future Joint and Several Administrators’ remuneration for the period 27 July 2022 to the conclusion of the administration

Chat Thai CBD Pty Ltd (Administrators Appointed)
A.C.N. 142 881 445
ESTIMATED HOURS TO BE INCURRED FOR THE PERIOD 28 JULY 2022 TO THE CONCLUSION OF THE ADMINISTRATION
CALCULATION OF REMUNERATION

Employee	Position	\$/hour (ex GST)	Total actual hours	Total (\$)								
					Creditors hrs	\$	Employees hrs	\$	Trade On hrs	\$	Administration hrs	\$
Michael Hogan	Partner	595.0	2.0	1,190	1.0	595	0.0	0	1.0	595	0.0	0
Amny Ngo	Senior Manager	500.0	1.5	750	0.5	250	0.0	0	0.5	250	0.5	250
Angelo Cadiz	Manager	450.0	4.5	2,025	2.0	900	0.5	225	1.0	450	1.0	450
Thomas Farquhar	Analyst	240.0	9.0	2,160	2.0	480	1.0	240	4.0	960	2.0	480
Total			17.0	6,125	5.5	2,225	1.5	465	7	2,255	3.5	1,180
But Say				5,000								
GST				500								
Total (incl GST)				5,500								
Average hourly rate				360								

Resolution 7 – Deed Administrators’ remuneration for the period from commencement of the Deed of Company Arrangement to completion of the Deed of Company Arrangement

Chat Thai CBD Pty Ltd (Administrators Appointed)

A.C.N. 142 881 445

**ESTIMATED HOURS TO BE INCURRED FROM THE COMMENCEMENT TO THE CONCLUSION OF THE DEED OF COMPANY ARRANGEMENT
 CALCULATION OF REMUNERATION**

Employee	Position	\$/hour	Total actual hours	Total (\$)	Task Area					
					Creditors hrs	\$	Dividend hrs	\$	Administration hrs	\$
Michael Hogan	Partner	595.0	2.0	1,190	0.5	298	0.5	298	1.0	595
Anny Ngo	Senior Manager	500.0	6.0	3,000	1.0	500	4.0	2,000	1.0	500
Angelo Cadiz	Manager	450.0	11.0	4,950	3.0	1,350	6.0	2,700	2.0	900
Thomas Farquhar	Analyst	240.0	8.0	1,920	2.0	480	3.0	720	3.0	720
Total			27	11,060	6.5	2,628	13.5	5,718	7.0	2,715
BUT SAY				10,000						
GST				1,000						
Total (incl GST)				11,000						
Average hourly rate				410						

Resolution 8 –Liquidators’ remuneration for the period from commencement of the liquidation to completion of the liquidation

Chat Thai CBD Pty Ltd (Administrators Appointed)

A.C.N. 142 881 445

**ESTIMATED HOURS TO BE INCURRED FROM THE COMMENCE TO THE CONCLUSION OF THE LIQUIDATION
 CALCULATION OF REMUNERATION**

Employee	Position	\$/hour	Total actual hours	Total (\$)	Task Area									
					Assets hrs	\$ Creditors hrs	\$ Employees hrs	\$ Investigation hrs	\$ Administration hrs	\$	960	37.5	14,378	26
Michael Hogan	Partner	595.0	20.5	12,198	5.0	2,975	3.5	2,083	2.00	1,190	2.50	1,488	7.0	4,165
Brendan Copeland	Partner	595.0	4.5	2,678	2.0	1,190	1.0	595	0.00	0	0.50	298	1.0	595
Amy Ngo	Senior Manager	500.0	14.5	7,250	1.0	500	3.0	1,500	2.00	1,000	2.00	1,000	2.5	1,250
Angelo Cadiz	Manager	450.0	61.0	27,450	12.0	5,400	12.0	5,400	10.00	4,500	18.00	8,100	6.0	2,700
Thomas Farquhar	Graduate	240.0	68.0	16,320	4.0	960	15.0	3,600	12.00	2,880	25.00	6,000	12.0	2,880
Total			180	70,295	24.0	11,025	37.5	14,378	26	9,570	48	16,885	30.5	12,390
BUT SAAY				70,000										
GST				7,000										
Total (incl GST)				77,000										
Average hourly rate														392

Part 5: Statement of Remuneration Claim

At the meeting of creditors convened for 5 August 2022 creditors will be asked to consider the following resolutions:

Resolution 5 – Current Joint and Several Administrators’ remuneration for the period 30 June 2022 to 27 July 2022

“That the remuneration of the Administrators, their partners and staff, for the period of the administration from 30 June 2022 to 27 July 2022 is fixed at a sum equal to the cost of time spent by the Administrators and the Administrators’ partners and staff, calculated at the hourly rates as detailed in the report to creditors dated 28 July 2022 of fees equalling \$80,000 plus GST, and that the Administrators can draw the remuneration immediately or as required.”

Resolution 6 – Future Joint and Several Administrators’ remuneration for the period 28 July 2022 to the conclusion of the administration

“That the future remuneration of the Administrators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors dated 28 July 2022, for the period 28 July 2022 to the conclusion of the administration, is fixed and approved to a maximum cap of \$5,000 plus GST, and can be drawn as soon as practicable after the conclusion of the second meeting. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought.”

Resolution 7 – Deed Administrators’ remuneration for the period from commencement of the Deed of Company Arrangement to completion of the Deed of Company Arrangement

“That the remuneration of the Deed Administrators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors of 28 July 2022, for the period from commencement of the Deed of Company Arrangement to completion of the Deed of Company Arrangement, is fixed and approved to a maximum cap of \$10,000 plus GST, to be drawn only when incurred on a monthly basis or as required. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought.”

Resolution 8 –Liquidators’ remuneration for the period from commencement of the liquidation to completion of the liquidation

“That the remuneration of the Liquidators, their partners and staff, calculated at the hourly rates as detailed in the report to creditors dated 28 July 2022, for the period from commencement of the liquidation to completion of the liquidation, is fixed and approved to a maximum cap of \$70,000 plus GST, to be drawn only when incurred on a monthly basis or as required. Should a lesser amount be incurred, only the lesser amount will be drawn. Should a greater amount be incurred, further approval from creditors may be sought.”

Creditors have not previously approved any remuneration of the Administrators.

Part 6: Remuneration Recoverable from External Sources

The Administrators have not received, and are not entitled to receive, any funding from external sources in respect of remuneration.

Part 7: Likely impact on dividends

It is both reasonable and appropriate for a professional service provider to be remunerated for their services. Administrators, Deed Administrators and Liquidators are entitled to be remunerated for necessary work that is reasonably performed. That work is also the source of any funds that may be recovered for the benefit of creditors and other stakeholders.

The impact of the approval of the administrator's remuneration is that the remuneration will be paid to the external administrators if sufficient funds are generated to enable it to be paid. The remuneration will be paid from those funds that are generated prior to the payment of most other stakeholders. It is noted that no funds would be available for any stakeholder without the work necessarily undertaken by the external administrators.

Part 8: 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 Administration, would generally be charged at cost; though some expenses such as telephone calls, photocopying and printing may be charged at a rate which recoups both variable and fixed costs. The recovery of these costs must be on a reasonable commercial basis.

We have undertaken a proper assessment of disbursements claimed in the administration, in accordance with the law and applicable professional standards. We are satisfied that the disbursements claimed are necessary and proper. To date no disbursements have been paid in the administration.

Disbursements provided by our firm will be charged to the administration on the following basis:

Disbursements	Rate ex GST (\$)
Externally provided professional services	At cost
Externally provided non-professional services	At cost
Internal disbursements:	
Advertising	At cost
Search fees	At cost
Courier	At cost
Printing, Faxes & Photocopies	\$0.20 per page
Postage	At cost
Stationary and other incidental disbursements	At cost
Travel - Staff by own vehicle	\$0.72 per km
Travel - other	At cost

Rates applicable for financial year ending 30 June 2023.

We will be seeking approval of the following resolutions to approve our internal disbursements.

Resolution 9 - Joint and Several Administrators' disbursements

"That the internal disbursements of the Administrators for the period 30 June 2022 to the conclusion of the Administration at the rates outlined in the Remuneration Approval Report dated 28 July 2022 be capped at the amount of 1,000 plus GST and can be drawn by the Administrators as required."

Resolution 10 - Deed Administrators' disbursements

"That the internal disbursements of the Deed Administrators for the period from the commencement of the Deed of Company Arrangement to the conclusion of the Deed of Company Arrangement at the rates outlined in the Remuneration Approval Report dated 28 July 2022 be capped at the amount of \$1,000 plus GST and can be drawn by the Deed Administrators as required."

Part 9: Report on Progress of the Administration

Please see the Administrators' Report to Creditors dated 28 July 2022.

Part 10: Summary of Receipts and Payments

Please see the Administrators' Report to Creditors dated 28 July 2022.

Part 11: Queries

If you have any queries in relation to the information in this report, please contact Tom Farquhar on (02) 8020 5861 or via email at tfarquhar@hogansprowles.com.au. You can also access information which may assist you on the following websites:

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

Part 12: Information Sheet

The ASIC information sheet, Approving fees: A guide for creditors can be found at http://download.asic.gov.au/media/1310767/Approving_fees_guide_for_creditors.pdf

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Schedule of rates as @ 1 July 2022

Private & Confidential

Title	Description	Hourly rate (Excl. GST) (\$)
Partner	Registered liquidator, Chartered Accountant, degree qualified with more than fifteen years of extensive experience in insolvency, restructuring and business advisory matters. Leads engagements with full accountability for strategy and execution.	595
Director	Generally Chartered Accountant and degree qualified with more than ten years of experience. Extensive experience in managing large, complex engagements at a senior level. Autonomously leads complex insolvency appointments reporting to Partner.	535
Senior Manager	Generally Chartered Accountant and degree qualified with more than seven years of experience. Significant experience across all types of engagements. Self-sufficiently conducts small to medium insolvency appointments.	470
Manager	Generally Chartered Accountant and degree qualified with more than five years of experience. Experience in complex matters, day to day conduct of small to medium engagements. Assists senior staff on complex matters.	420
Supervisor	Generally Chartered Accountant and degree qualified with more than three years of experience. Assists senior staff in planning and conduct of small to large engagements. Supervise a small team and control small engagements.	400
Senior Analyst 1	Generally degree qualified and undertaking Chartered Accountant's qualification. Controls certain tasks on small engagements and assists staff with completing tasks on medium to large engagements.	350
Senior Analyst 2	Experienced graduate controlling certain tasks on small engagements. Assists senior staff in completing tasks on small to large engagements.	340
Analyst 1	Experienced graduate. Required to assist senior staff in completing tasks on small to large engagements.	295
Analyst 2	Generally a university graduate with appropriate qualifications. Assists with day to day tasks under the supervision of senior staff.	220
Graduate	Generally degree qualified and undertaking or about to undertake Chartered Accountant's qualification with less than one year of experience. Assists with day to day tasks under the supervision of senior staff.	200
Undergraduate	Undertaking relevant degree. Assists with tasks within workstreams and appointments under supervision.	180
Senior Bookkeeper	Experienced bookkeeper with more than 18 months experience. Assist senior staff with accounting functions of engagement.	180
Bookkeeper	Assist senior staff with accounting functions of engagement.	170
PA	Appropriate skills and experience to support professional staff in an administrative capacity.	150
Administration	Appropriate skills and experience to support professional staff in an administrative capacity.	120