

Administrators' supplementary report

23 May 2018

Administrators:
Simon Theobald, Melissa Humann and
Stephen Longley

Stargroup Limited

Table of contents

1.	Disclaimer	1
2.	Executive summary	2
2.1	Appointment background	2
2.2	Report's purpose	2
2.3	Future of SAT, SIL and SPS	2
2.4	Administrators' recommendation	2
2.5	Reconvened Second Meeting of creditors	2
2.6	Progress of the administration	2
2.7	Proposals received for the recapitalisation of SGL	3
2.8	Potential offences, voidable transactions, and liquidation recoveries	3
2.9	Estimated return to creditors	3
2.10	Remuneration	4
3.	Introduction	5
3.1	Appointment information	5
3.2	Sale of business and assets	5
3.3	Declaration of Independence, Relevant Relationships and Indemnities (DIRRI)	5
3.4	Outcome of the Second Meeting	5
3.5	Purpose of the Supplementary Report and Reconvened Second Meeting	5
3.6	Reconvened Second Meeting details	6
3.7	Meeting registration	6
3.8	Committee of Inspection (COI)	6
3.9	Further information	7
4.	Proposals for a DOCA	8
4.1	DOCA general information	8
4.2	Expression of interest process	8
4.3	Proposals analysis	9
4.4	Otsana proposal	10
4.5	Rights available to creditors under a DOCA	11
5.	Creditors' Trusts	13
5.1	Creditors' Trust general information	13
5.2	Creditors' Trust operation	13
5.3	Risks of a creditors' trust	14
5.4	Termination and variation of the Trust Deed	14
5.5	Moratorium	15
6.	Other matters for consideration in a DOCA scenario	16
6.1	Recoveries from liquidator investigative powers	16
6.2	Moratorium	16
6.3	Taxation	16
7.	Estimated return to creditors	18
7.1	Liquidation	18
7.2	DOCA	20
7.3	Analysis of scenarios	21
8.	Administrators' recommendation	23
8.1	DOCA	23
8.2	Liquidation	23

Table of contents

8.3	Administration to end	23
9.	Enquiries	24

Appendix Listing

- A. Form 532 - Appointment of Proxy, Form 535 - Proof of Debt or Claim
- B. Remuneration reports
- C. Notice of meeting of creditors
- D. ASIC Publication: Insolvency information for directors, employees, creditors and shareholders

Glossary

Abbreviations	Definitions
Act	Corporations Act 2001 (Cth)
Adjourned Meeting	Meeting held for SGL pursuant to s439A of the Act on Monday 26 March 2018, where creditors resolved to adjourn the meeting for up to 45 business days (pursuant to IPR 75-140(3) of the Act)
Administrators	Simon Theobald, Melissa Humann and Stephen Longley of PPB Advisory as joint and several Administrators
AEDST	Australian Eastern Daylight Savings Time
AEST	Australian Eastern Standard Time
APAAP	All present and after-acquired property, a term associated with security interests under the PPSA
ARITA	Australian Restructuring Insolvency and Turnaround Association. ARITA was formerly the Insolvency Practitioners Association of Australia
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATM	Automatic teller machine
ATO	Australian Taxation Office
AWST	Australian Western Standard Time
Code	ARITA Code of Professional Practice
COI	Committee of Inspection
Companies	StarATM Pty Ltd, Stargroup Ltd, Stargroup Investments Ltd and Star Payment Systems Pty Ltd
Creditors' Trust	The Creditors' Trust to be established via the Deed, should this be resolved by the creditors of SGL at the Reconvened Second Meeting
D&O Policy	Directors and Officers Insurance Policy
Deed or DOCA	Deed of Company Arrangement
DoE	Department of Employment
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities, pursuant to s436DA of the Act and Code
ERV	Estimated realisable value
FEG	Fair Entitlements Guarantee, a scheme administered by the DoE to provide assistance to employees owed outstanding employee entitlements following the insolvency of an employer
First Meeting	The first meeting of creditors of each company was held on 1 December 2017 pursuant to s436E of the Act
First Report	Report to creditors dated 19 March 2018, prepared pursuant to Insolvency Practice Rule 75-225 of the Act about the business, property, affairs and financial circumstances of the Companies
FY	Financial Year (e.g. the financial year 1 July 2015 to 30 June 2016 would be expressed as FY16)
Goldfields	Goldfields Money
Group	The Companies, and all other subsidiaries of those Companies (including those subsidiaries not under external administration)

Abbreviations	Definitions
HY	Half Year (e.g. the half financial year 1 July 2016 to 31 December 2016 would be expressed as HY16)
k	Thousand
M	Million
NeolCP	NeolCP Korea Inc
pa	Per annum
PMSI	Personal Money Security Interest as defined in the PPSA
PPSA	Personal Property Security Act 2009 (Cth)
PPSR	Personal Property Securities Register – a register set up under the PPSA for the registration of security interests
Purchaser	Cashpoint Payment Solutions Pty Ltd, Star Funding No 1 Pty Ltd and Switchlink Payment Technology Pty Ltd (collectively)
Otsana	Otsana Pty Ltd t/as Otsana Capital ACN 145 168 216
RATA	Report As To Affairs
Receivers and Managers	John Bumbak and Richard Tucker of KordaMentha Restructuring, appointed Receivers and Managers of the Group on 19 November 2017
Receiver Sale Transaction	The sale of business and assets by the Receivers and Managers to the Purchaser on 12 March 2018
Reconvened Second Meeting	Reconvened second meeting of creditors for SGL to be held pursuant to IPR 75-140(3) of the Act where creditors will determine the future of SGL, scheduled for 11AM AWST, PPB Advisory offices, Level 21, 140 St Georges Terrace, Perth WA
Relation Back Period	The period from 1 June 2017 to 19 November 2017
s	Section of the Act
SAT	StarATM Pty Ltd ACN 164 924 547 (In Liquidation) (Receivers and Managers appointed)
Second Meeting	Meeting held pursuant to s439A of the Act where creditors determined the future of the Companies on Monday 26 March 2018
Secured Creditor	First Class Securities Pty Ltd
SGL	Stargroup Ltd ACN 061 041 281 (Administrators appointed) (Receivers and Managers appointed)
SIL	Stargroup Investments Ltd ACN 166 089 149 (In Liquidation) (Receivers and Managers appointed)
Supplementary Report	This report, dated 23 May 2018, regarding the proposed DOCA for SGL and other information about the administration of SGL. The Supplementary Report should be read in conjunction with the First Report
SPS	Star Payment Systems Pty Ltd ACN 165 514 205 (In Liquidation) (Receivers and Managers appointed)
YTD	Year to date, a period starting from the beginning of the current financial year and continuing up to a defined date (e.g. monthly management accounts from 1 July 2016 to 31 January 2017 would be expressed as 'YTD January 2017')

1. Disclaimer

In reviewing this Supplementary Report, creditors should note:

- This Supplementary Report is based upon our preliminary investigations to date. Any additional material issues that are identified subsequent to issuing this report may be the subject of a further written report and/or tabled at the Reconvened Second Meeting.
- The contents of this Supplementary Report are based on information obtained from SGL's books and records, financial systems, representations from the directors, key management and our own enquiries and investigations.
- The statements and opinions given in this Supplementary 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 amended or additional information which may be provided to us between the date of this Supplementary Report and the date of the Reconvened Second Meeting.
- In considering the options available to creditors and formulating our recommendation, the Administrators have necessarily made forecasts of asset realisations and total creditor claims. These forecasts and estimates may change as asset realisations progress and claims are received from creditors. While the forecasts and estimates are based on the Administrators' best assessment in the circumstances, creditors should note that the eventual outcome for creditors may differ from that estimated in this Supplementary Report.
- Neither the Administrators, PPB Advisory nor any member or employee of the firm is responsible in any way whatsoever to any person in respect of any errors in this Supplementary Report arising from incorrect information provided to us.
- The Administrators do not assume or accept any responsibility for any liability or loss sustained by any creditor or any other party as a result of the circulation, publication, reproduction or any use of the information presented in this Supplementary Report.
- This Supplementary Report is not for general circulation, publication, reproduction or any use other than to assist creditors in evaluating their position as creditors of SGL and must not be disclosed without the prior written approval of the Administrators.
- Creditors should consider seeking their own independent legal advice as to their rights and the options available to them at the Reconvened Second Meeting.

2. Executive summary

This report should be read in conjunction with our First Report, which creditors can download from our website: www.ppbadvisory.com.

2.1 Appointment background

Simon Theobald, Melissa Humann and Stephen Longley were appointed Administrators of SGL (and related entities SAT, SIL and SPS, collectively **the Group**) on 21 November 2017. This followed the appointment of John Bumbak and Richard Tucker of KordaMentha Restructuring as Receivers and Managers of the Group on 19 November 2017.

2.2 Report's purpose

This Supplementary Report is intended to provide creditors with additional information to decide the future of SGL (ASX:STL).

2.3 Future of SAT, SIL and SPS

At the Second Meeting, the creditors of SAT, SIL and SPS resolved to place these companies into liquidation. The liquidations are now progressing separately to the SGL administration.

2.4 Administrators' recommendation

We recommend that it is in SGL's creditors' interests to resolve to accept the Deed of Company Arrangement proposal (**DOCA**) presented by Otsana Capital (**Otsana**).

Further details regarding our recommendation for creditors to accept the proposed DOCA are provided in this Supplementary Report.

2.5 Reconvened Second Meeting of creditors

The Reconvened Second Meeting of creditors will be held on:

Date:	Wednesday 30 May 2018
Registration:	10.45am AWST
Meeting time:	11.00am AWST
Location	PPB Advisory Level 21, 140 St Georges Terrace Perth WA 6000

To register attendance and be entitled to vote at the Reconvened Second Meeting, creditors must complete and submit the following forms attached at **Appendix A**:

- Form 532 – Appointment of Proxy
- Proof of Debt form.

Forms must be submitted by no later than 4.00pm AWST on Tuesday 29 May 2018 to this office or by email to sierino@ppbadvisory.com.

2.6 Progress of the administration

Since the Second Meeting, we have:

- conducted the sale campaign for the recapitalisation of SGL
- dealt with enquiries and proposals submitted by interested parties from the expression of interest (**EOI**) campaign
- negotiated the highest and best offer from interested parties and determined the preferred offer

- worked with Otsana to clarify/finalise the terms of their offer, and to prepare the proposed draft DOCA and associated documentation
- negotiated with the Receivers and Managers in respect of the recapitalisation and Secured Creditor's debt and security position
- continued our investigations into SGL's pre-appointment activities
- prepared this Supplementary Report and meeting documentation for the Reconvened Second Meeting
- attended to general administrative and statutory tasks.

Full details of the work performed since the Second Meeting are provided in **Appendix B**.

2.7 Proposals received for the recapitalisation of SGL

The Administrators ran an EOI campaign for the recapitalisation of SGL for five weeks ended 20 April 2018, during which we received six proposals for the recapitalisation of SGL via a DOCA.

Following our negotiations and review, the Administrators identified Otsana's proposal to be the preferred offer for the following reasons:

- it offered the highest consideration value (and therefore highest likely return to creditors)
- it presents a reasonably low level of completion risk, given Otsana has advised they have investors prepared to partake in the capital raising process and have undertaken a significant number of successful recent recapitalisations
- it was the most likely offer to be approved by shareholders (competitive share consolidation ratio)
- the alternative DOCA proposals either:
 - offered lower consideration values
 - had greater completion risk (limited experience completing similar recapitalisations)
 - included conditions that, in our view, were not in the best interests of creditors (cost implications, timing etc).

Further details on the sale process and Otsana's proposed DOCA are provided at **Section 4**.

2.8 Potential offences, voidable transactions, and liquidation recoveries

In the First Report, we outlined the findings of our preliminary investigations into:

- the reasons for the SGLs' failure
- potential offences and/or breaches of the Act by directors or officers
- potential recoveries from voidable transactions, auditor and insolvent trading claims.

Our view remains that SGL (and the Group) traded whilst insolvent from (at least) 1 June 2017.

We have identified a number of potential offences and liquidation recoveries which are discussed in further detail at **Section 7**.

It is important for creditors to note that proving cases of insolvent trading and/or other offences/breaches of the Act can be very difficult and costly to pursue and, even if successful, may not generate additional return for creditors.

2.9 Estimated return to creditors

We estimate the return to creditors under the Otsana DOCA proposal as follows:

Creditor type	DOCA funds available	DOCA funds available	Liquidation funds available	Liquidation funds available
	(\$'000)	cents in the dollar	(\$'000)	cents in the dollar
Unsecured creditors	193	5 c/\$	NIL	NIL

Creditors should note that the available funds in the DOCA scenario shown above are an estimate, and assume:

- the Administrators remuneration to date is approved
- costs of administering and implementing the DOCA do not vary significantly from current estimates.

Any final dividends paid under the DOCA scenario will be reliant on these factors, and ultimately the successful completion of the DOCA.

Recoveries from investigations remain the only avenue for potential return to creditors under the liquidation scenario, therefore given the uncertainty of successful pursuit of these claims, we estimate nil return to creditors.

2.10 Remuneration

We are seeking approval for our remuneration at the Reconvened Second Meeting as summarised below:

Voluntary Administration			Deed (if applicable)	Liquidation (if applicable)
Resolution 1: 21 November 2017 to 18 May 2018	Resolution 2: 19 May to 30 May 2018	Resolution 3: 30 May 2018 to execution of the DOCA	Resolution 4: execution to completion of the DOCA	Resolution 5: 30 May 2018 to completion of the Liquidation
\$156,683.80	\$6,875.00	\$23,172.50	\$50,042.50	\$50,025.00

We have not had any remuneration approved or paid to date.

Please refer to our Remuneration Reports at **Appendix B** for full details of key activities undertaken by us, our partners and staff and the remuneration approval sought.

3. Introduction

3.1 Appointment information

The Receivers and Managers were appointed by First Class Securities Pty Ltd (**Secured Creditor**) on 19 November 2017 following the Group's inability to meet a repayment demand issued by the Secured Creditor on 17 November 2017 under its facility agreement. We were appointed Administrators of SGL (and some of its subsidiaries, SAT, SIL and SPS) on 21 November 2017.

3.2 Sale of business and assets

The Receivers and Managers commenced a campaign for the sale of the Group's business and assets shortly after their appointment.

We understand that a number of parties presented offers, with a preferred party identified and sale agreement entered into in January 2018. The transaction was completed on 12 March 2018, which resulted in all the Group's business and assets being purchased by Star Funding No 1 Pty Ltd, Cashpoint Payment Solutions Pty Ltd and Switchlink Payment Technology Pty Ltd (collectively **the Purchaser**).

The Group's remaining employees were also transferred to the Purchaser as part of the sale or were terminated, and the Receivers and Managers confirmed to us that all pre-appointment employee entitlements were transferred/paid in full.

Following the sale of all the Group's business and assets, the "shell" of SGL became available for recapitalisation (full ASX re-compliance is required by the proponent).

3.3 Declaration of Independence, Relevant Relationships and Indemnities (DIRRI)

Our DIRRI dated 15 March 2018 was included in the First Report. There is no change to the information provided in our amended DIRRI.

3.4 Outcome of the Second Meeting

The Second Meeting was held on 26 March 2018. At that meeting, creditors resolved to adjourn the meeting for a period of up to 45 business days, pursuant to IPR 75-140(3) of the Act. The meeting was adjourned to allow the Administrators sufficient time to market and seek proposals for the recapitalisation of SGL. The Reconvened Second Meeting will be held at 11AM AWST on 30 May 2018 at the offices of PPB Advisory (Level 21, 140 St Georges Terrace, Perth).

3.5 Purpose of the Supplementary Report and Reconvened Second Meeting

This Supplementary Report is intended to provide creditors with additional information to decide on the future of SGL. The options available to creditors and the Administrators' opinion on each option are set out in **Section 8**.

The Reconvened Second Meeting will address:

- the contents of this Supplementary Report
- questions from creditors
- determine SGL's future by resolving one of the available options
- appointment of Deed Administrators or Liquidators (as applicable)
- approval of remuneration for:
 - Administrators
 - Deed Administrators or Liquidators (as applicable)
- the formation of a Committee of Inspection (**COI**).

3.6 Reconvened Second Meeting details

The Reconvened Second Meeting will be held on Wednesday, 30 May 2018 at 11AM AWST. Formal notification (Form 529 – Notice of Meeting of Creditors) is attached at **Appendix C**.

3.7 Meeting registration

To register attendance and be entitled to vote at the Reconvened Second Meeting, creditors must complete and submit the following forms attached at **Appendix A**.

Forms submitted by creditors for the adjourned Second Meeting are valid for use at the Reconvened Second Meeting. However, as there was no DOCA proposal available to vote on at the adjourned Second Meeting, we recommend creditors submit an updated proxy form to allow them to vote to determine SGL's future.

Registration forms	Information
Form 532 – Appointment of Proxy	<p>A new proxy form is required to be completed for each creditors' meeting (except as advised above).</p> <p>If a corporate creditor wants to be represented at the Reconvened Second Meeting, it must appoint an individual to act on its behalf by providing an executed proxy form.</p> <p>Individuals may choose to appoint a representative to vote on their behalf by executing a proxy form. If an individual is attending in person a proxy form is not required.</p>
Proof of Debt or Claim Form	<p>This form is required to be completed to entitle a creditor to vote at the Reconvened Second Meeting. Documents to support the amount claimed (e.g. unpaid invoices) must also be provided.</p> <p>There is no requirement to resubmit a proof of debt form if previously provided unless the amount claimed has changed.</p> <p>Please take care when completing the form to ensure the correct party is named as the creditor. As an example, this may include XYZ Pty Ltd as trustee for the ABC Family Superannuation Fund.</p>

Only creditors of SGL are entitled to vote at the Reconvened Second Meeting.

Creditors are encouraged to arrive as early as possible after the registration time to enable the orderly registration of attendees so that the meeting can commence on time.

3.8 Committee of Inspection (COI)

Creditors may wish to establish a COI at the Reconvened Second Meeting, typically to assist and guide the liquidator or deed administrator (as applicable). A minimum of two members is required to form a COI.

Creditors should consider whether they are in a position to be a COI member, as membership of a COI requires attendance at meetings (telephone facilities will be made available so members do not have to attend in person). Members of the COI must have regard for the creditor group's interest, not their own interests.

Importantly, for a creditor to be eligible for appointment as a member of a COI, they must either:

- be in attendance at the Reconvened Second Meeting
- appoint a general power of attorney to attend the Reconvened Second Meeting on their behalf, or
- authorise a person in writing to be a member of the COI on their behalf.

3.9 Further information

To assist creditors, employees, and shareholders to understand the voluntary administration process, ASIC has released a package of insolvency information sheets endorsed by ARITA.

Enclosed at **Appendix D** is ASIC's publication Insolvency information for directors, employees, creditors and shareholders, which provides an index of all the information sheets that are available. You can download these information sheets from:

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

4. Proposals for a DOCA

4.1 DOCA general information

A DOCA is a binding agreement between a company and its creditors, setting out how a company's affairs will be dealt with. It aims to maximise the chances of the company, or as much as possible of its business, continuing to exist, or to provide a better return to creditors than would be achieved by winding up the company.

Creditors can vote for SGL to execute a DOCA at the Reconvened Second Meeting, even if it differs from the one proposed in this Supplementary Report.

If creditors resolve to approve the DOCA:

- the Administrators must sign/execute the DOCA within 15 business days of the Reconvened Second Meeting, otherwise SGL will automatically proceed into liquidation. The Court can allow longer time if required
- unsecured creditors will be bound by the DOCA, even if they vote against it
- secured creditors who vote in favour will be bound by the DOCA
- the Court can bind any creditor to the DOCA.

4.2 Expression of interest process

We ran an EOI campaign for SGL, summarised below:

Period	Actions taken
Week 1 (19 March 2018)	<ul style="list-style-type: none">- Advertised for EOIs in print media (including the Australian Financial Review and the West Australian newspapers)- Contacted known parties with interest/history of completing recapitalisations- Sent sale process letter to interested parties- Sent confidentiality agreements interested parties for execution- Created and maintained interested party register.
Week 2 (26 March 2018)	<ul style="list-style-type: none">- Reviewed returned confidentiality agreements, and sent information overview to those parties- Sent sale process letter and confidentiality agreements to interested parties for execution- Responded to queries from interested parties- Maintained interested party register.
Week 3 (2 April 2018)	<ul style="list-style-type: none">- Reviewed returned confidentiality agreements, and sent information overview to those parties- Closure of initial EOI period- Responded to queries from interested parties- Reviewed initial non-binding EOI's received.
Week 4 (9 April 2018)	<ul style="list-style-type: none">- Responded to queries from interested parties- Reviewed and summarised non-binding EOI's received- Discussed non-binding EOI's with relevant party from who it was received- Requested "highest and best", final binding offers.
Week 5 (16 April 2018)	<ul style="list-style-type: none">- Reviewed and summarised final binding offers received- Discussed terms of offer with relevant party- Assessed and determined preferred offer.

During the EOI campaign, we:

- contacted 35 parties regarding their interest in presenting a DOCA proposal
- received 10 executed confidentiality deeds, and
- received 6 recapitalisation proposals (discussed in more detail below).

4.3 Proposals analysis

4.3.1 Proposals received

The key terms of the six recapitalisation proposals are summarised below:

Condition	Otsana (preferred proposal)	Party 1	Party 2	Party 3	Party 4	Party 5
<i>Final proposed creditor contribution</i>	\$755,000	\$750,000	\$675,000 (cash) \$60,000 (shares to creditors trust)	\$720,000	\$550,000	\$500,000
<i>Deposit</i>	Yes	Yes	Yes	No	Yes	Yes
<i>Require capital raising?</i>	Yes	Yes	No	Yes	No	Yes
<i>Other material terms</i>	<ul style="list-style-type: none"> - Share consolidation on a 1:100 basis, plus a new placement of 100 million shares, and 50 million options with an exercise price of \$0.02 with a 4 year expiry - Syndicate to prepare and bear costs for DOCA/creditor trust deeds, financial reports and shareholder meetings - Subject to approval by ASX, shareholders and creditors 	<ul style="list-style-type: none"> - Share consolidation on a 1:150 basis, plus a new placement of 275 million shares, of which 50 million Broker options will be issued to the lead manager at \$0.02 with a 4 year expiry - Syndicate to prepare DOCA/creditor trust deeds and dealings with ASX/ASIC, but did not address cost - Subject to approval by ASX, shareholders and creditors 	<ul style="list-style-type: none"> - Share consolidation on a 1:80 basis, plus a new placement of 200 million shares - Syndicate to prepare and bear costs for DOCA/creditor trust deeds, financial reports and shareholder meetings - Subject to approval by ASX, shareholders and creditors 	<ul style="list-style-type: none"> - Share consolidation on a 1:150 basis, plus a new placement of 50 million shares - Preparation of shareholder meeting and materials by Syndicate, which will be recovered from Company should proposal be successful and Company recommence trading on the ASX - Administrator to prepare and bear costs for DOCA/creditor trust deeds and creditor 	<ul style="list-style-type: none"> - Share consolidation not advised - "Ongoing operational costs" to be borne by proponent, but specific details not advised - Subject to approval by ASX, shareholders and creditors 	<ul style="list-style-type: none"> - Share consolidation on an approximate 1:303 basis, plus a new placement of 325 million shares - Syndicate to prepare and bear costs for DOCA/creditor trust deeds, financial reports for ASX Listing Rules and shareholder meetings. Costs will be recovered from Company should proposal be successful and Company recommence trading on the ASX - Subject to approval by

				meeting - Subject to approval by ASX, shareholders and creditors		ASX, shareholders and creditors
--	--	--	--	---	--	---------------------------------

We have withheld the names of the other interested parties as the information is commercially sensitive.

4.3.2 Assessment of proposals

We assessed that Otsana's proposal was in creditors best interests for the following reasons:

- highest creditor contribution/payment
- proven record of completing similar recapitalisations
- availability of deposit
- majority of costs and work to prepare DOCA, Creditors Trust deed and financial reports for SGL borne by Otsana
- low share consolidation ratio in comparison to other proposals (more attractive offering to shareholders who are required to approve the consolidation).

4.4 Otsana proposal

4.4.1 Key terms

The key terms of the Otsana proposal are:

- conditional on:
 - SGL's creditors approving the Otsana DOCA at the Reconvened Second Meeting
 - SGL's shareholders approving the recapitalisation proposal at a subsequent shareholder meeting
 - removal of all security interests over SGL and its assets prior to release of funds to the Creditors' Trust
- Otsana will pay \$755,000 to the Creditors' Trust, which will be used to pay Administrator, Deed Administrator and Trustee fees and costs (assuming they are approved by creditors), with the balance to be paid by dividend to SGL's creditors
- deposit of \$30,000 to be paid on approval of the DOCA by creditors, which will be held on trust until all of SGL's directors are removed and security interests released over SGL
- all of SGL's liabilities will be released via the DOCA, and SGL's creditors will be required to formally prove their debts to the Trustee of the Creditors' Trust
- subsidiaries of SGL are to be excised from the Group to the Creditors' Trust (all subsidiaries already either sold via the Receivers' Sale Transaction, or were placed into liquidation at previous creditor meetings)
- Otsana will bear the following costs (which will be reimbursed by SGL in the event SGL is reinstated to trading on the ASX):
 - preparation of first drafts of the DOCA and Creditors' Trust Deed
 - preparation of the shareholder meeting materials
 - preparation and audit of the outstanding statutory accounts.

4.4.2 Capital raising and shareholding consolidation

Otsana propose to raise funds for the payment to the Creditors' Trust as follows:

- up to 50,000,000 shares for restructuring and advisory services
- up to 50,000,000 shares at not less than \$0.02 to raise \$1,000,000; and

- up to 50,000,00 options to acquire shares with an exercise price of not less than \$0.02 each with an expiry date of no longer than 4 years from the date of issue.

This capital raising will ultimately result in a share consolidation of existing shares (727,405,574) on a 100 for 1 basis. The proposed capital structure post consolidation is anticipated to be as follows:

	Number of shares
Existing shareholders (after consolidation)	7,274,056
Advisor placement	50,000,000
General placement	50,000,000
Total shares	107,274,056

We note that the proposed capital structure and reconstruction (including consolidation, share/option issues and share/options prices) may be varied at Otsana's discretion subject to both ASX and shareholder approval.

4.4.3 Implications/timing of the DOCA

Should creditors resolve to approve the Otsana DOCA at the Reconvened Second Meeting, we anticipate the following:

- Completion and execution of DOCA and Creditors' Trust documentation
- Otsana to prepare materials to meet the audit and financial reporting requirements for SGL
- Otsana to prepare and hold shareholder meeting to gain approval for recapitalisation proposal
- Capital raising completed to raise funds for payment to Creditors' Trust
- Payment of funds to Creditors' Trust
- Trustee to:
 - invite formal proof of debts to be submitted by SGL creditors
 - adjudicate creditor claims, and
 - pay dividend to participating creditors.

Based on our discussions with Otsana and experience with other recapitalisations, we anticipate the Trustees may be able to invite submission of formal proof of debts from SGL creditors approximately four to six months after the DOCA is executed.

4.4.4 Administrators' opinion of the DOCA

The contribution of \$755,000 under the proposed DOCA provides a significant uplift in the estimated dividend that may be paid to unsecured creditors compared to a liquidation scenario.

Based on our investigations to date, the potential recoveries available in a liquidation (such as insolvent trading claims, voidable transactions etc) are sustainably less in value and have a far greater degree of uncertainty than the contribution being proposed by Otsana.

Our recommendation for SGL's future is discussed further at **Section 8**.

4.5 Rights available to creditors under a DOCA

We are yet to receive draft copies of the proposed DOCA (ie the written agreement between SGL, the Administrators and the DOCA proponent Otsana) from Otsana.

However, the terms of the DOCA will provide that creditors retain all rights with respect to any variation, termination or avoidance of the DOCA pursuant to Part 5.3A Division 11 of the Act (including the ability to convene a meeting of creditors to consider a proposed variation or termination

of the DOCA and to apply to the Court for an order that the DOCA can be varied or terminated). This provides a mechanism whereby creditors can ensure the Deed Administrators' compliance with the terms of the DOCA.

If, under certain circumstances, ASIC were to apply to the Court for an order that the DOCA be varied or terminated, creditors may also wish to notify ASIC of any complaints regarding the conduct of the Deed Administrators.

Notwithstanding that, the Deed Administrators are not required to report to creditors (except as required by law) and have an absolute discretion to report to creditors at such times as they consider appropriate on matters the Deed Administrators consider ought to be brought to the attention of creditors. Further, the Deed Administrators would be required to lodge accounts with ASIC pursuant to the Act.

Prior to any meeting convened pursuant to s445F of the Act, the Deed Administrators must send a report to creditors as to the state of affairs of the company, which will:

- be accompanied by such financial statements as the Deed Administrators think fit
- include a statement explaining the circumstances which have caused the Deed Administrators to convene the meeting.

Decisions as to the admissibility and value of creditors' claims against SGL (and therefore, any entitlement to any distribution from the Creditors' Trust) will be made by the Trustees in accordance with the provisions of the respective Trust Deed.

Details of the future remuneration sought by the Deed Administrators are set out in **Appendix B**.

5. Creditors' Trusts

5.1 Creditors' Trust general information

A creditors' trust in a DOCA is a mechanism used to accelerate a company's exit from external administration. Normally a DOCA is terminated when:

- the terms under which it was established have been completed (normally resulting in a distribution to creditors)
- the DOCA cannot be completed as expected and the company is placed into liquidation.

When a DOCA terminates, the company will cease to be externally administered and its directors will re-gain full control. The company will no longer be required to use the notification 'subject to deed of company arrangement' on its public documents as would otherwise be required by s450E(2) of the Act.

DOCA proponents commonly require a creditors' trust to be established in order to complete the recapitalisation of the corporate entity, as ASX listing requirements provide that a company cannot be reinstated on the ASX if it is under external administration.

The establishment of a creditors' trust is for the purpose of transferring remaining assets and liabilities of the company into a new vehicle to facilitate the prompt termination of the DOCA.

We are yet to receive a draft copy of the proposed Trust Deed from Otsana, so the comments below are indicative only and remain subject to negotiation between Otsana and the Administrators.

5.2 Creditors' Trust operation

If a creditors' trust entity is created (ie the Stargroup Trust), SGL's obligations to the creditors bound by the respective DOCA will be compromised and transferred to the Trust. At that point, those creditors become beneficiaries of the Trust and creditors' rights against SGL are extinguished. The Trustees (ie the Deed Administrators) become solely responsible to the beneficiaries for:

- determining how much each creditor is entitled to receive from the Trust
- making any distributions to those former creditors (now beneficiaries) of SGL in due course.

To this end, adjudication of claims and distributions to creditors/beneficiaries will occur as if the Trust was a company in creditors' voluntary liquidation (ie the Trustees will follow the same rules as would apply to a liquidator).

To the extent not already in the possession of the Administrators, Otsana will be required to facilitate access to any books and records it holds necessary for the Trustees to determine the claims (albeit we note that the majority of SGL's books and records formed part of the Receivers Sale Transaction).

The costs and remuneration of the appointed Trustees in administering the Trust will rank ahead of creditor claims, as would be the case in a liquidation scenario.

5.2.1 Powers of Deed Administrators and Trustees

The powers of the Deed Administrators under the proposed Deeds will be governed by the Act. The powers of the Trustees under the proposed Trust Deed will be governed by the relevant State Trustees Act.

5.2.2 Appointment of Trustees

The proposed DOCA will stipulate that the Administrators (as registered liquidators) will also be Deed Administrators of SGL, and Trustees of the Creditors' Trust. Registered liquidators have the requisite skill and experience to act in this capacity. They are experienced in the adjudication of creditor claims and making distributions.

If appointed as Trustees of the Trust, the Administrators are of the view that they would not have a conflict of interest in this role. We draw your attention to ASIC's view that it has supervisory powers under Part 9.2 of the Act over the conduct of a trustee where the DOCA and trust deed provide that the trustee is a registered liquidator.

5.3 Risks of a creditors' trust

There are different and additional risks for affected creditors where a DOCA proposal involves a creditors' trust. The key additional risks in this case are:

- creditors may agree to the DOCA proposals without being fully aware of the implications of what is intended, particularly given the complexity of the legal and documentary arrangements needed to support the use of a creditors' trust under a DOCA
- non-uniformity of the State and Territory Acts governing trusts and trustees
- differences in the ways trustees and registered liquidators are regulated and supervised, particularly by ASIC and the Courts
- potential difficulties for ASIC and affected creditors (as beneficiaries of the trust) in monitoring and enforcing proper conduct by the trustee
- legal uncertainties and other issues for ASIC, creditors bound by the DOCA or other persons in challenging a DOCA that has already terminated.

5.3.1 Risk mitigation

The risks can be mitigated by incorporating terms into the DOCA and Trust Deed, for example:

- creditors' rights against SGL will only be extinguished once the respective Deed Fund has been paid into the relevant Trust and the Deed Administrators certify that the DOCA has been fully effectuated. The DOCA will not be concluded or effectuated before the Creditor Payment is paid into the Trust
- the priority provisions for the payment of dividends to creditors are to mirror those followed by liquidators as outlined in the Act
- the provisions for calling and dealing with proofs of debt from creditors bound by the DOCA/Trust will follow those contained in the Act. Accordingly, in our view, the proposed distribution arrangements do not disadvantage any creditor/beneficiary when comparing their respective positions under a liquidation scenario.

5.4 Termination and variation of the Trust Deed

The Trust Deed, once drafted, will usually provide for the termination of the Trust under certain conditions, such as:

- complete distribution of the Trust Fund has been made in accordance with the terms of the Trust Deed
- the DOCA is terminated by resolution of creditors
- if the Court so orders.

The Trustees may vary the Trust Deed in the following circumstances:

- the Trustees may vary the provisions of this Deed by a supplemental deed and with the consent of the majority in value and number of creditors
- the Trustees may convene a meeting of creditors to consider a resolution to vary the Trust Deed or terminate the Trust if the DOCA is terminated or the Trustees determine it is no longer practical or desirable for the Trust to continue
- the Trust will terminate if a Court so orders or the creditors pass a resolution terminating the Trust at a duly convened meeting.

5.5 Moratorium

A moratorium upon actions against SGL, as outlined in s44E of the Act, applies during the period of any DOCA entered into by the Administrators.

Additionally, the Trust Deed once drafted, will likely stipulate that creditors shall not take action or steps to enforce their rights to recover any of their entitlements whilst the Trustees remain the trustees of the Trust on the terms of the Trust Deed.

6. Other matters for consideration in a DOCA scenario

Creditors should be aware of the following additional points when deciding whether to accept the proposed SGL DOCA instead of the other options available to creditors:

6.1 Recoveries from liquidator investigative powers

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

If the proposed DOCA is accepted by creditors, creditors will forgo any voidable transaction recoveries (being insolvent trading, unfair preference, uncommercial transactions and unfair loans). These recoveries would only be available to the liquidators of SGL (should SGL be placed into liquidation) and, as such, will not be available if the proposed DOCA is accepted.

We have detailed our initial findings in respect of these potential recoveries in Sections 7 and 8 of our First Report and provide further detail at Section 7.1 of this Supplementary Report.

A liquidator would need to complete all statutory investigations to determine if any recoveries area available, including those which may not have been identified by the Administrators' to date. We note that if the DOCA fails and SGL is wound up, our ability to seek recovery of voidable transactions is retained.

However, we note that the right to pursue the potential auditor claim on behalf of SGL (as detailed at Section 8.6 of our First Report) will be retained for for the benefit of the Trust's beneficiaries (subject to the priority provisions for the payment of dividends to creditors as outlined in the Act). Any rights of SAT, SIL and SPS with respect to the potential auditor claim remain with those entities.

The DOCA does not prevent a secured creditor from realising or otherwise dealing with its security, nor does it affect the rights of an owner or lessor of property, unless either the DOCA states otherwise in relation to persons who voted in favour of the DOCA resolution or if the Court makes an order to the contrary.

Creditors should also be aware that the SGL Deed Funds to be contributed pursuant to the terms of the DOCA will not be available if SGL is placed into liquidation.

6.2 Moratorium

Subject to section 444D of the Act, creditors bound by the proposed DOCA cannot:

- make an application for an order to wind up SGL
- proceed with an application in connection with the winding up of SGL made before the DOCA became binding on the creditors
- begin or continue any proceeding against SGL or in relation to any of its property (except with leave of the Court)
- exercise any right of set-off or cross-claim against SGL
- begin or continue with any enforcement process in relation to SGL's property (except with leave of the Court)
- commence or proceed in arbitration against SGL or in which SGL is a party.

6.3 Taxation

6.3.1 Company and Trust

Whilst there may be taxation and stamp duty implications for SGL and the Trust if the DOCA is approved, the Administrators are not presently able to provide details of these implications (including any impact on the anticipated return to creditors/beneficiaries). The Administrators recommend that

creditors obtain independent advice prior to voting at the Reconvened Second Meeting if these implications are of concern.

6.3.2 *Creditor and Beneficiary*

We draw to creditors' attention the fact there may be potential taxation implications for a creditor in receiving distributions as a beneficiary of a trust rather than in their capacity as a creditor of SGL.

In broad terms, the distribution of funds under a DOCA (or in a liquidation scenario) is simply a payment in respect of a debt. Conversely, a distribution of money under a creditors' trust does not have the same character but involves the payment of amounts either on capital or revenue account, thereby creating potential income and capital gains tax consequences.

We are not in a position to offer specific advice to creditors in respect of any taxation implications. Accordingly, we recommend that you seek independent taxation advice on your individual circumstance prior to voting at the Reconvened Second Meeting.

7. Estimated return to creditors

Detailed below is a comparison of the estimated return to SGL creditors under liquidation and DOCA scenarios.

7.1 Liquidation

As advised in our First Report, all of SGL's assets were sold to the Purchaser pursuant to the Receivers Sale Transaction. Therefore, in a liquidation scenario, the prospect of any return to SGL's creditors is entirely contingent on any potential claims identified by a liquidator's investigations and subsequent recovery of the claims.

We are unable to provide an accurate estimate of the outcome to creditors in the liquidation scenario, given the prospect is entirely contingent on any potential recoveries from a liquidator's investigations. Significant further investigation is required to both quantify and assess the merit of pursuing claims in the potential liquidation of SGL.

Creditors should note the following regarding the costs of investigations and pursuing recovery actions:

- they can be expensive, lengthy and have uncertain outcomes
- they should not be commenced unless defendants have the financial resources to satisfy any judgement (this can be difficult to establish)
- must be funded by existing assets, creditor funding or external litigation funders. Litigation funders are likely to require a significant share of the proceeds of any judgement as a condition of funding the litigation.

Additionally, for the purposes of estimating an outcome to creditors in a liquidation scenario, it is difficult to estimate costs of the liquidation (such as legal costs), given formal legal proceedings are subject to significant uncertainty, and claims for voidable transactions by a liquidator can be prone to substantial cost and time implications. However, for the purpose of our analysis and based on our investigations to date, we have identified the following potential claims:

7.1.1 Insolvent trading

A director of a company has a duty to prevent insolvent trading under s588G of the Act, however there are some defences available under s588GA and s588H relating to safe harbour and reasonable grounds. A Court can order compensation be paid to a company by a director under s588J.

We refer to our solvency analysis included in our First Report to creditors dated 19 March 2018, which indicates that SGL traded while insolvent from 1 June 2017, supported by:

- current and working capital ratio below one
- trading losses
- inability to raise further capital
- lack of support of financier and inability to borrow additional funds
- creditors outside of terms.

SGL's balance sheet indicates that there was an increase in its unsecured creditor and loan balance position during the period from 1 June 2017 to 19 November 2017 of \$1.5 million. That is, SGL's indebtedness to unsecured creditors increased throughout the Relation Back Period, summarised overleaf:

Figure 1: Insolvent trading analysis

\$	1/06/2017	19/11/2017	Difference
Director loans	38,000	144,775	106,775
Other loans	-	500,000	500,000
Trade creditors	160,768	739,277	578,509
Other creditors	2,186	315,226	313,040
Total	200,954	1,699,279	1,498,324

A claim for insolvent trading against SGL's directors will likely be time consuming and costly to pursue, and the outcome would be very uncertain, and will hinge on whether it was reasonable for the directors to continue to trade during the Relation Back Period. A liquidator would need to investigate the position more thoroughly and would also be in a position to publicly examine the directors.

7.1.2 Unfair preference

The key elements to an unfair preference claim by a liquidator are as follows (s588FA of the Act):

- the creditor and company are parties to the transaction
- the creditor received payments from the company at the time that the company was insolvent (or became insolvent because of the payments)
- the payments were made during the relation back period
- because of the payments, the creditor has received more than it would if it claimed those amounts in the winding up of the company. In this case, unsecured creditors are likely to receive no return if SGL is placed into liquidation, thus this condition is satisfied for all payments reviewed
- the creditor suspected, or ought to have suspected, that the company was insolvent or would likely become insolvent as a result of those payments
- a running account defence will apply if the relationship between the creditor and company was such that net indebtedness increases and reduces from time to time as a normal part of a continuing business relationship.

Summarised below is our analysis of the potential unfair preference transactions identified during the period from 1 June 2017 to 19 November 2017.

Figure 2: Unfair preference analysis

Creditor	Note	Payments (\$)	Preference?	Total claim (\$)
ATO	1	209,283	No	-
Withheld		70,833	Yes	70,833
Withheld		39,226	Yes	39,226
Withheld		10,450	Yes	10,450
Withheld		30,583	Yes	30,583
Withheld		13,518	No	-
Withheld		6,661	No	-
Total		380,554		151,092

Note to Figure 2:

1. The Company made payment to the Australian Taxation Office (**ATO**) on 11 October 2017 for \$209k, for tax debts owed by Star Payment Systems Pty Ltd (in liquidation) (**SPS**). Although this was an amount paid by SGL, the unfair preference claim is held by SPS.

We have withheld the names of the other creditors in our analysis as the information is commercially sensitive.

7.1.3 Uncommercial transactions

A transaction will be an uncommercial transaction if a reasonable person in the company's position would not have entered into the transaction, having regard to the benefits and detriments to the company and other parties (s588FB of the Act).

Our investigations have identified an uncommercial transaction in relation to the deposit of \$10k of non-Group funds into SGL's bank account (refer Section 8.3.1 of our First Report). As stated in our First Report, we are withholding any further details in relation to this transaction so as not to prejudice any potential outcome of this claim. However, we consider this claim would exist in both the DOCA and liquidation scenarios (albeit pursuant to a different section of the Act for the DOCA scenario).

We have not identified any further transactions that would meet the definition of an uncommercial transaction.

7.1.4 Unfair loans

An unfair loan made to a company is only unfair if (inter-alia) the interest and/or charges were extortionate at the time the loan was entered into, or as a result of a variation to the loan (s588FD of the Act).

We have not identified any loans made to SGL on unfair terms.

7.1.5 Unreasonable director-related transactions

Unreasonable director-related transactions are those transactions that benefit a director or close associate of a director by a company, which a reasonable person would not have made having regard to the benefits and detriments to the company (s588FDA).

We have not identified any unreasonable director-related transactions.

7.2 DOCA

In the DOCA scenario, a return to creditors is contingent on the Creditor Payment being made via the DOCA to the Creditors' Trust. If the DOCA failed, as discussed at Section 6.1, SGL would automatically be placed into liquidation and the liquidators' right to pursue recoveries any voidable transactions would be enlivened.

The receipt of the Creditor Payment is reliant on a number of factors, the most significant being Otsana's ability to raise capital funding from investors. Otsana have advised us that they are confident that raising these funds will be straightforward, and they have a proven track record of completing similar recapitalisations.

We anticipate the costs to administer the DOCA and Creditors' Trust would be higher than that of a liquidation, given the monitoring required of the deed covenants and adjudication of creditor claims. However, this is offset by the higher anticipated return to creditors under the DOCA scenario.

7.2.1 Secured Creditor trust

The Receivers and Managers have advised us that the Secured Creditor requires the formation of a separate secured creditor trust (**Secured Trust**) for the purpose of:

- receiving certain proceeds (detailed overleaf) from the recapitalisation in return for removing its security over SGL
- investigating and pursuing certain claims, such as the potential auditor and director claim.

The Receivers and Managers would separately administer, and deal with the rights and claims of the Secured Creditor through the Secured Trust. Any proceeds available to unsecured creditors (ie after repayment of the Secured Creditors debt and associated costs) would be transferred to the Creditors Trust for the benefit of unsecured creditors.

7.3 Analysis of scenarios

Provided below is our analysis of the estimated return to creditors under each scenario:

Figure 3: Estimated outcome

SGL	Notes	DOCA \$'000	Liquidation \$'000	
			High ERV	Low ERV
SGL Deed Fund		755	-	-
Potential auditor claims		Unknown	Unknown	Unknown
Potential director claim	1	10		
Liquidation claims				
Insolvent Trading	2	-	375	-
Unfair Preferences	3	-	76	38
Uncommercial transactions	1	-	10	5
Unreasonable director related transactions		-	-	-
Unfair Loans		-	-	-
Less:				
Administrators' costs	4	(187)	(157)	(157)
Deed Administrator/Liquidators' costs	4	(50)	(100)	(50)
Legal fees		(25)	(100)	(25)
Contingency for other appointment expenses		(25)	(20)	(20)
Total assets less costs		478	83	(209)
Priority employee claims		-	-	-
Secured creditor claims	5	(285)	(2,827)	(2,827)
Surplus / (Shortfall) to unsecured creditors		193	83	(209)
Unsecured creditor claims:				
Secured creditor (unsecured portion)	5	-	-	-
Trade creditors	6	(3,771)	(3,771)	(3,771)
Excluded employees		-	-	-
Related entities		(145)	(145)	(145)
Return to other creditors from circulating assets (cents in the dollar)	7	\$ 0.05	0.01	NIL

Notes to Figure 3:

- As discussed at Section 7.1.3 of this report, we consider that the transaction identified would be recoverable under both a DOCA and liquidation scenario. We have applied a 50% discount under the low ERV liquidation scenario.
- Given the uncertainty surrounding a successful claim, we have adopted a conservative estimate of nil recovery under the low ERV scenario, and \$375k (25%) under the high ERV scenario.
- For the purpose of our analysis, we have assumed a 50% recovery rate under the high ERV scenario and 25% under the low ERV scenario. These recovery rates are based on our experience in pursuing similar claims over a number of years and can significantly vary depending on how vigorously a creditor defends its position.
- Refer to Appendix B for full details. We have assumed under the high ERV liquidation scenario that the liquidator and legal fees would be higher due to the pursuit of the insolvent trading claim.
- The Secured Creditor is required to release its security over SGL to facilitate the recapitalisation of SGL. To facilitate this (and allow for the recapitalisation to proceed), the Secured Creditor requires a priority payment of \$275k from the recapitalisation proceeds and \$10k from the potential director claim pursuant to its security agreement. The Secured Creditor would not participate as a claimant in the Creditors Trust. Under the liquidation scenario, we have included the full value of the Secured Creditors debt of \$2.827 million as advised to us on 18 May 2018.
- Creditor claims per SGL records and claims submitted by creditors to us. We have adjusted the creditor balance to account for payments made by the Receivers and Managers pursuant to the Receivers Sale Transaction.
- The Secured Creditor does not hold security over voidable transactions (liquidator claims), and as such, the estimated return to unsecured creditors in the liquidation scenarios includes all creditor claims (Secured Creditor, trade creditors and related entities).

It is difficult to estimate what return (if any) would be available to creditors in a liquidation scenario. As is further detailed in Section 8, we recommend proceeding with the proposed DOCA given the increased certainty it provides of some return to creditors.

8. Administrators' recommendation

We recommend that creditors' resolve to authorise the Administrators' to accept and execute Otsana's DOCA proposal.

Our opinion on each option available to creditors is discussed below.

8.1 DOCA

We are of the opinion that it is in the best interest of creditors that SGL executes the proposed DOCA with Otsana, for the following reasons:

- the Deed proposal provides a greater degree of certainty of at least some return to creditors, and the timing of a definitive outcome and completion of the matter is clearer
- Otsana's track record of completing similar transactions and recapitalisations
- some potential claims (such as auditor and director claims) can still be pursued via the Creditors' Trust.

8.2 Liquidation

We are of the opinion that it is not in the best interest of creditors that SGL be wound up, for the following reasons:

- the uncertainty around the commerciality of pursuing claims potentially available in the liquidation, when considering the likelihood of significant time and cost implications of pursuing these claims
- the additional investigation required to fully establish liquidation claims, and the uncertainty that there will be sufficient information available to pursue those claims
- the DOCA proposal provides a greater degree of certainty of at least some return to creditors.

8.3 Administration to end

We are of the opinion that it is not in the best interest of creditors to end the administration.

It remains evident to us that SGL is insolvent and unable to pay its debts as and when they fall due, and as such returning control of SGL to its directors would be inappropriate.

9. Enquiries

Should you have any enquiries, please contact the PPB Advisory Perth office on (08) 9216 7600, or by email at mclarkson@ppbadvisory.com

DATED this 23rd day of May 2018



**Simon Theobald, Melissa Humann and Stephen Longley
Administrators**

**A. Form 532 - Appointment of Proxy, Form 535 -
Proof of Debt or Claim**

FORM 532
APPOINTMENT OF PROXY

Stargroup Limited (Receivers and Managers Appointed)
(Administrators Appointed) (the Company)
ACN 061 041 281

A. Appointment of a proxy

I/We,
(If a company, strike out "I" and set out full name of the company)

of
(address)

a creditor of the Company appoint
as my/our proxy, or in his/her absence....., to vote at the meeting of
creditors to be held on Wednesday 30 May 2018 at Level 21, 140 St Georges Terrace, Perth WA 6000 at
11:00am or at any adjournment of that meeting.

B. Voting directions

Option 1: ☐ If appointed as a general proxy, as he/she determines on my/our behalf
(Please proceed to section C ie do not complete the table below)

and/or

Option 2: ☐ If appointed as a special proxy in the manner set out below:
(Please complete the table below before proceeding to section C)

No	Resolution	For	Against	Abstain
1	The Company execute a Deed of Company Arrangement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	The Company be wound up.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	The Administration should end (and control revert back to the Company director(s)).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	To approve the Administrators' remuneration for the period 21 November 2017 to 18 May 2018 of \$156,683.80 plus GST, as set out in the Remuneration Report dated 23 May 2018.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	To approve the Administrators' remuneration for the period 19 May 2018 to 30 May 2018 of \$6,875.00 plus GST, as set out in the Remuneration Report dated 23 May 2018.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	To approve the Deed Administrators'/Trustees' remuneration for the period 30 May 2018 to the date of execution of the DOCA of \$23,172.50 plus GST, as set out in the Remuneration Report dated 23 May 2018.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	To approve the Deed Administrators'/Trustees' remuneration for the period from the execution of the DOCA to the conclusion of the DOCA/Creditors' Trust of \$50,042.50 plus GST, as set out in the Remuneration Report dated 23 May 2018.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	To approve the Liquidators' remuneration for the period 30 May 2018 to the conclusion of the Liquidation of \$50,025.00 plus GST, as set out in the Remuneration Report dated 23 May 2018.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	If the Company is wound up, that a Committee of Inspection	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	be formed comprising representatives as nominated at the meeting of creditors.			
10	If the Company is wound up, to approve early destruction of the Company's books and records six months after finalisation subject to authorisation from ASIC.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11	If the Company is wound up, to authorise the Liquidators to compromise debts greater than \$100,000, pursuant to section 477(2A) of the Corporations Act 2001.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	If the Company is wound up, to authorise the Liquidators to enter into contracts with a duration of longer than three months, pursuant to section 477(2B) of the Corporations Act 2001.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

C. Signature (in accordance with Sections 127 or 250D of the Corporations Act 2001)

If the creditor is an individual

If the creditor is a Company

.....

.....

Director/Company Secretary

.....

Print name

Dated this day of 2018

CERTIFICATE OF WITNESS

Please Note: This certificate is to be completed only where the person giving the proxy is blind or incapable of writing. The signature of the creditor is not to be attested by the person nominated as proxy.

I, _____ of _____ certify that
the

Above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him before he attached his signature or mark to the instrument.

Signature of witness: _____

FORM 535
Corporations Act 2001

FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)

To the Administrators of:

Stargroup Limited
(Administrations Appointed) (Receivers and Managers Appointed)
ACN 061 041 281
(the Company)

1. This is to state that the above-detailed company was on 21 November 2017, and still is, justly and truly indebted

to(creditor)
(name of creditor)

of
(address of creditor)

for \$.....

Particulars of the debt are:

Date (date when the debt arose)	Consideration (state how debt arose and attach supporting documentation)	Amount (\$)	Remarks (include details of voucher substantiating payment)

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

Date	Drawer	Acceptor	Amount (\$c)	Due Date

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

** Items 3A & 3B - delete both 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.*

I have attached the following documents (tick as many as appropriate):

- ☐ Invoices ☐ Judgement from Court ☐ Letters of demand ☐ Orders from Company
☐ Monthly statements ☐ Statutory demand ☐ Credit application ☐ Guarantee from Company
☐ Creditors authority letter ☐ Other documents

Dated/...../..... NameSignatory.....

Phone Email address.....

Office use only – for voting purposes Accept ☐ Reject ☐

B. Remuneration reports

Remuneration Approval report

Stargroup Limited (Receivers
and Managers Appointed)
(Administrators Appointed) (the
Company)
ACN 061 041 281

1. Declaration
2. Executive summary
3. Remuneration
4. Disbursements
5. Summary of receipts and payments
6. Queries

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

You should read this report and the other documentation that we have sent you and then attend the meeting of creditors in order to voice your opinion by casting your vote on the resolutions put to the meeting. The meeting will also give you an opportunity to ask any questions that you may have.

Alternatively, you are also able to appoint a representative to attend on your behalf by lodging a proxy form. Lodging a specific proxy form allows you to specify how your proxy must vote. Lodging a general proxy form allows your representative to choose how your vote is exercised.

Information about the meeting of creditors is provided in Section 2.5 of the Administrator's Supplementary Report.

1. Declaration

We, Simon Theobald, Melissa Humann and Stephen Longley of PPB Advisory, have undertaken a proper assessment of this remuneration claim for our appointment as joint and several Administrators of Stargroup Limited (Receivers and Managers Appointed) (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.

Dated this 23rd day of May 2018



Simon Theobald, Melissa Humann and Stephen Longley

Administrators

Stargroup Limited (Receivers and Managers appointed) (Administrators appointed)

2. Executive summary

To date, no remuneration has been approved or paid in this administration.

The total remuneration for the Voluntary Administration appointment is estimated to be \$186,731.30. This total has increased compared to our estimate of \$126,272.00 (see section 9 of our report to creditors dated 19 March 2018) because of:

- considerable interest/involvement in the recapitalisation process
- investigations into SGL's affairs, including forming preliminary views on potential voidable transactions, auditor and director claims
- extended negotiations with First Class Securities Pty Ltd (**Secured Creditor**) and the Receivers and Managers regarding the release of their security interest and a compromise to their debt required for the DOCA.

Remuneration currently claimed is summarised below:

Period	Report Reference	Amount (ex GST)
Current remuneration claim:		
Voluntary Administration		
Resolution 1: 21 November 2017 to 18 May 2018	3	\$156,683.80
Resolution 2: 19 May 2018 to 30 May 2018	3	\$6,875.00
Resolution 3: 30 May 2018 to execution of the DOCA	3	\$23,172.50*
Total		\$186,731.30*
Deed of Company Arrangement (DOCA)/Creditors' Trust		
Resolution 4: Execution of DOCA to completion of Deed Administration/vesting of Creditors' Trust	3	\$50,043*
Total		\$50,042.50*
Liquidation		
Resolution 5: 30 May 2018 to completion of liquidation	3	\$50,025.00*
Total		\$50,025.00*
*Approval for the future remuneration sought is based on an estimate of the work necessary to the completion of the administration. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.		

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

3. Remuneration

3.1 Remuneration claim resolutions

At the reconvened second meeting of creditors to be held on 30 May 2018, we will be seeking approval of the following resolutions to approve our remuneration. Details to support these resolutions are included in section 3.2 and attached schedules.

Resolution 1

That the remuneration of the Administrators' is approved for the period 21 November 2017 to 18 May 2018 up to a maximum of \$156,683.80 plus GST as set out in the Remuneration Approval Report dated 23 May 2018 to be drawn from available funds immediately or as funds become available.

Resolution 2

That the remuneration of the Administrators' is approved for the period 19 May 2018 to 30 May 2018 up to a maximum of \$6,875.00 plus GST, as set out in the Remuneration Approval Report dated 23 May 2018 to be drawn from available funds immediately or as funds become available.

Resolution 3 (if applicable)

That the remuneration of the Administrators' is approved for the period 30 May 2018 to the date of execution of the DOCA (DOCA must be executed within 15 business days after the reconvened second creditors meeting), up to a maximum of \$23,172.50 plus GST, as set out in the Remuneration Approval Report dated 23 May 2018 to be drawn from available funds immediately or as funds become available.

Resolution 4 (if applicable)

That the remuneration of the Deed Administrators'/Trustees' is approved for the period from the date of execution of the DOCA to the conclusion of the DOCA/Creditors' Trust up to a maximum of \$50,042.50 plus GST, as set out in the Remuneration Approval Report dated 23 May 2018 to be drawn from available funds as incurred or as funds become available. This amount may be revised by resolution of creditors or by order of the court.

Resolution 5 (if applicable)

That the remuneration of the Liquidators is approved for the period 30 May 2018 to the conclusion of the Liquidation up to a maximum of \$50,025.00 plus GST, as set out in the Remuneration Report dated 23 May 2018 to be drawn from available funds as incurred or as funds become available. This amount may be revised by resolution of creditors or by order of the court.

Future remuneration is approved subject to a maximum or cap. Sometimes the actual cost of the administration will exceed the maximum which has been approved, in which case, we may seek another resolution for additional remuneration. We will not pay any amount exceeding the maximum without this approval.

Where funds are available, we will usually pay approved remuneration at intervals not less than one month. Where funds are not available, remuneration will not be paid.

3.2 Details of remuneration

The basis of calculating the remuneration claims are summarised in **Appendix A**.

The details of the major tasks performed and the costs associated with each of those major tasks are contained in **Appendix B**.

3.3 Total remuneration reconciliation

At this point in time we estimate that the total remuneration for this Voluntary Administration will be \$186,731.30.

In our previous report to creditors of 19 March 2018, we anticipated that the second meeting held on 26 March 2018 would be reconvened to allow for the recapitalisation offer process, and therefore only provided a preliminary estimate of remuneration at the time, totalling \$126,272. As discussed at Section 2, this estimate has varied given the level of work completed to date, and we are now seeking approval for \$186,731.30 for the Voluntary Administration.

We have provided an explanation of tasks completed to date and remaining tasks to be completed (including our estimated costs to complete those tasks) to support our current remuneration approval request, at Appendix B.

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

Matters that may affect the progress and cost of the administrations include:

- delays in agreeing and finalising the DOCA/Creditors' Trust documents
- unforeseen issues with the proponent completing the recapitalisation
- pursuing potential auditor/director claims
- pursuing liquidation claims (if applicable)
- delays in dividend process (if applicable)
- other general delays.

3.4 Likely impact on dividends

The Corporations Act sets the order for payment of claims against the company and it provides for remuneration of the Administrators to be paid in priority to other claims. This ensures that when there are sufficient funds, the Administrator receives payment for the work done to recover assets, investigate the company's affairs, report to creditors and ASIC and distribute any available funds. Even if creditors approve our remuneration, this does not guarantee that we will be paid, as we are only paid if sufficient assets are recovered.

Any dividend to creditors will also be impacted by the amount of assets that we are able to recover and the amount of creditor claims that are admitted to participate in any dividend.

Please refer to section 9 of the Supplementary Report for our estimated return to creditors.

3.5 Remuneration recovered from external sources

To facilitate the sale of business process, the Receivers and Managers of the Company requested we apply to the Court to extend the convening period of the administration of the Company. Legal costs of \$9,972.08 including GST were incurred for preparing and lodging the application to extend the convening period. As we were without funding or realisable assets in the administration at the time, the Receivers and Managers paid these legal fees via funding from their appointor, the Secured Creditor.

4. Disbursements

Disbursements are divided into three types:

- Externally provided professional services – these are recovered at cost. An example of an externally provided professional service disbursement is legal fees.
- Externally provided non-professional costs – these are recovered at cost. Examples of externally provided professional service disbursements are travel, accommodation, search fees, lodgement fees, storage, outsourced printing and photocopying services and postage.
- Internal disbursements – these are generally charged at cost although some expenses may be charged at a rate which recoups both variable and fixed costs. Examples of internal disbursements include data room and cloud hosting.

We have undertaken a proper assessment of disbursements claimed for SGL in accordance with the law and applicable professional standards. We are satisfied that the disbursements claimed are necessary and proper.

4.1 Internal disbursement claim

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

Internal Disbursements	Rate (Excl GST)
Advertising	At cost
Courier	At cost
Photocopy/Printing/Scanning	Nil
Postage	At cost
Staff vehicle use	At prescribed ATO rates

Rates applicable as at 1 January 2015

5. Summary of receipts and payments

No transactions have occurred during our appointment.

6. Queries

Please contact Sam Ierino on +61 8 9216 7619 or by email on sierino@ppbadvisory.com should you have any queries or require any further information.

You can access additional information on the following websites:

- ARITA at www.arita.com.au/creditors
- ASIC at <http://asic.gov.au/regulatory-resources/insolvency/insolvency-information-sheets/>

A. Calculations of remuneration schedules

Figure 1: Resolution One

PPB Advisory team member	Position	Rate (\$)	Total		Assets		Creditors		Investigation		Trade-on		Administration	
			Hours	Fee \$	Hours	Fee \$	Hours	Fee \$	Hours	Fee \$	Hours	Fee \$	Hours	Fee \$
STHEOBALD	Partner	620	76.6	47,492.00	32.5	20,150.00	14.4	8,928.00	13.3	8,246.00	1.2	744.00	15.2	9,424.00
MHUMANN	Partner	620	3.2	1,984.00	.5	310.00	2.2	1,364.00	-	-	-	-	.5	310.00
AHARPER	Senior Manager	490	9.2	4,508.00	2.2	1,078.00	6.1	2,989.00	-	-	-	-	.9	441.00
KBLYTH	Senior Manager	490	57.0	27,920.20	6.1	2,989.00	19.3	9,447.20	29.5	14,455.00	-	-	2.1	1,029.00
RDALAL	Assistant Manager	385	3.4	1,309.00	-	-	1.0	385.00	.3	115.50	-	-	2.1	808.50
MCLARKSON	Assistant Manager	385	160.6	61,815.60	65.2	25,102.00	62.4	24,024.00	12.6	4,851.00	1.1	423.50	19.3	7,415.10
CMORRISSEY	Consultant	265	34.5	9,142.50	3.2	848.00	18.8	4,982.00	3.0	795.00	-	-	9.5	2,517.50
SIERINO	Graduate	210	10.8	2,257.50	.6	126.00	8.2	1,711.50	.8	168.00	-	-	1.2	252.00
ICRESTALE	Senior Bookkeeper	150	1.7	255.00	-	-	-	-	-	-	-	-	1.7	255.00
Total			356.9	156,683.80	110.3	50,603.00	132.3	53,830.70	59.5	28,630.50	2.3	1,167.50	52.5	22,452.10

Figure 2: Resolution Two

PPB Advisory team member	Position	Rate (\$)	Total		Assets		Creditors		Investigation		Administration	
			Hours	Fee \$	Hours	Fee \$	Hours	Fee \$	Hours	Fee \$	Hours	Fee \$
STHEOBALD	Partner	620.00	3.0	1,860.00	2.0	1,240.00	1.0	620.00	-	-	-	-
KBLYTH	Senior Manager	490.00	3.0	1,470.00	1.0	490.00	1.0	490.00	1.0	490.00	-	-
MCLARKSON	Assistant Manager	385.00	6.0	2,310.00	3.0	1,155.00	2.0	770.00	1.0	385.00	-	-
CMORRISSEY	Consultant	265.00	2.0	530.00	-	-	1.0	265.00	-	-	1.0	265.00
SIERINO	Graduate	210.00	3.0	630.00	-	-	2.0	420.00	-	-	1.0	210.00
Senior Bookkeeper		150.00	.5	75.00	-	-	-	-	-	-	.5	75.00
Total			17.5	6,875.00	6.0	2,885.00	7.0	2,565.00	2.0	875.00	2.5	550.00

Figure 3: Resolution Three (if required)

PPB Advisory team member	Position	Rate (\$)	Total		Assets		Creditors		Investigation		Administration	
			Hours	Fee \$	Hours	Fee \$	Hours	Fee \$	Hours	Fee \$	Hours	Fee \$
STHEOBALD	Partner	620	6.0	3,720.00	5.0	3,100.00	1.0	620.00	-	-	-	-
KBLYTH	Senior Manager	490	15.0	7,350.00	7.0	3,430.00	2.0	980.00	4.0	1,960.00	2.0	980.00
MCLARKSON	Assistant Manager	385	21.0	8,085.00	11.0	4,235.00	4.0	1,540.00	4.0	1,540.00	2.0	770.00
CMORRISSEY	Consultant	265	9.5	2,517.50	3.0	795.00	3.5	927.50	2.0	530.00	1.0	265.00
SIERINO	Graduate	210	5.0	1,050.00	-	-	2.0	420.00	1.0	210.00	2.0	420.00
Senior Bookkeeper		150	3.0	450.00	-	-	-	-	-	-	3.0	450.00
Total			59.5	23,172.50	26.0	11,560.00	12.5	4,487.50	11.0	4,240.00	10.0	2,885.00

Figure 4: Resolution Four (if required)

PPB Advisory team member	Position	Rate (\$)	Total		Assets		Creditors		Investigation		Dividend		Administration	
			Hours	Fee \$	Hours	Fee \$	Hours	Fee \$	Hours	Fee \$	Hours	Fee \$	Hours	Fee \$
STHEOBALD	Partner	620	14.0	8,680.00	4.0	2,480.00	2.0	1,240.00	3.0	1,860.00	3.0	1,860.00	2.0	1,240.00
KBLYTH	Senior Manager	490	27.0	13,230.00	8.0	3,920.00	4.0	1,960.00	8.0	3,920.00	5.0	2,450.00	2.0	980.00
MCLARKSON	Assistant Manager	385	37.5	14,437.50	12.0	4,620.00	8.0	3,080.00	6.0	2,310.00	7.5	2,887.50	4.0	1,540.00
CMORRISSEY	Consultant	265	27.0	7,155.00	2.0	530.00	7.0	1,855.00	2.0	530.00	10.0	2,650.00	6.0	1,590.00
SIERINO	Graduate	210	29.0	6,090.00	-	-	4.5	945.00	1.5	315.00	14.0	2,940.00	9.0	1,890.00
Senior Bookkeeper		150	3.0	450.00	-	-	-	-	-	-	-	-	3.0	450.00
Total			137.5	50,042.50	26.0	11,550.00	25.5	9,080.00	20.5	8,935.00	39.5	12,787.50	26.0	7,690.00

Figure 5: Resolution Five (if required)

PPB Advisory team member	Position	Rate (\$)	Total		Assets		Creditors		Investigation		Dividend		Administration	
			Hours	Fee \$	Hours	Fee \$	Hours	Fee \$	Hours	Fee \$	Hours	Fee \$	Hours	Fee \$
STHEOBALD	Partner	620	16.0	9,920.00	-	-	2.0	1,240.00	10.0	6,200.00	-	-	4.0	2,480.00
KBLYTH	Senior Manager	490	27.0	13,230.00	-	-	6.0	2,940.00	15.0	7,350.00	-	-	6.0	2,940.00
MCLARKSON	Assistant Manager	385	31.0	11,935.00	-	-	8.0	3,080.00	15.0	5,775.00	-	-	8.0	3,080.00
CMORRISSEY	Consultant	265	27.0	7,155.00	-	-	7.0	1,855.00	10.0	2,650.00	-	-	10.0	2,650.00
SIERINO	Graduate	210	33.5	7,035.00	-	-	4.5	945.00	15.0	3,150.00	-	-	14.0	2,940.00
Senior Bookkeeper		150	5.0	750.00	-	-	-	-	-	-	-	-	5.0	750.00
Total			139.5	50,025.00	-	-	27.5	10,060.00	65.0	25,125.00	-	-	47.0	14,840.00

B. Tables of major tasks for remuneration

Resolution 1

Summary of work undertaken by Simon Theobald, Melissa Humann and Stephen Longley, Administrators of the Company and their staff for the period 21 November 2017 to 18 May 2018.

Task Area	General Description	Includes
Assets 110.3 hours \$50,603.00	Recapitalisation	Preparing advertisements for expression of interest process Liaising with interested parties Preparing and maintain interested party register Internal meetings to discuss/review offers received Producing and reviewing recapitalisation sale documents Correspondence with legal practitioners Reviewing offers received Negotiating with interested parties Developing recapitalisation process strategy Assessing and comparing offers received, and critically evaluating return to creditors Determining preferred offer Liaising with preferred party regarding offer and next steps Correspondence with lawyers regarding recapitalisation process
	Plant and Equipment	Reviewing vehicle contracts Disclaiming uncommercial vehicle contracts
	Assets subject to specific charges	All tasks associated with disclaiming a charged asset
	Leasing	Reviewing leasing documents Liaising with owners/lessors Requesting lease documents Tasks associated with disclaiming leases
Creditors 132.3 hours \$53,830.70	Creditor Enquiries	Deal with creditor enquiries via telephone and email Review and prepare correspondence to creditors and their representatives via email
	Secured creditor	Correspondence with secured creditor regarding recapitalisation and debt Responding to secured creditor's queries
	Creditor reports	Preparing IPR75-225(3) report, First Report and supplementary report to creditors
	Dealing with proofs of debt	Receipting and reviewing POD for meeting purposes
	Meeting of Creditors	Preparation of meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting Conducting meetings of creditors Preparation of minutes of meetings Responding to stakeholder queries and questions immediately following meeting Review of meeting documents
	Shareholder enquiries	Responding to shareholder enquiries

Task Area	General Description	Includes
Trade On 2.3 hours \$1,167.50	Trade on management	Liaising with Receivers and Managers regarding sale of business and recapitalisation Correspondence with Receivers and Managers regarding general administration, books and records and investigations
	Budgeting and financial reporting	Reviewing management accounts
Investigation 59.5 hours \$28,630.50	Conducting investigation	Collection of available books and records Reviewing books and records Review of SGL employee's email database Identifying potential preference claims 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 Review of loan accounts Liaising with directors Investigations to identify indicators of insolvency and possible claims for insolvent trading Preparation of investigation documents Investigation into potential auditor and director claims
	Litigation / Recoveries	Tasks relating to an extension of convening period application Review of information on potential director and auditor claims Liaising with legal practitioners on potential claims
Administration 52.5 hours \$22,452.10	Correspondence	Completion of day one correspondence Review of day one documentation Discussions with directors Discussions with Receivers and Managers
	Document maintenance/file review/checklist	Filing of documents File reviews Updating checklists
	Insurance	Review and confirmation of adequacy of cover Correspondence with insurer regarding ongoing insurance requirements Reviewing pre-appointment insurance policies Correspondence regarding director claims
	Bank account administration	Preparing correspondence opening accounts Requesting bank statements Requesting bank account access Reviewing and arranging payment of invoices by Receivers and Managers
	ASIC Form 524 and other forms	Preparing and lodging ASIC forms including 505, 531, 2501, 5011 Review of forms Correspondence with ASIC

Task Area	General Description	Includes
	ATO and other statutory reporting	Notification of appointment Notification of creditors meeting Request for information Preparing and reviewing BAS Correspondence with ASX regarding reporting requirements Lodgement of ASX/shareholder announcements as required
	Planning / Review	Review of task checklists Updates/strategy planning with engagement staff Updates to Receivers and Managers Discussions with staff regarding general matters
	Books and records / storage	File set up Correspondence with Receivers and Managers regarding obtaining books and records Set up of email server access

Schedule B2

Resolution 2

Summary of work to be undertaken by Simon Theobald, Melissa Humann and Stephen Longley, Administrators of the Company and their staff for the period 19 May 2018 to 30 May 2018.

Task Area	General Description	Includes
Assets 6.0 hours \$2,885.00	Recapitalisation	<p>Liaising with proponent regarding next steps and recapitalisation documentation</p> <p>Discussions with secured creditor and/or Receivers and Managers regarding recapitalisation and proposal structure</p>
Creditors 7.0 hours \$2,565.00	Creditor enquiries	<p>Deal with creditor enquiries</p> <p>Maintaining creditor enquiry files</p> <p>Review and prepare correspondence to creditors and their representatives via facsimile, email and post</p>
	Secured creditor	<p>Correspondence with secured creditor and Receivers and Managers regarding recapitalisation and debt negotiations</p> <p>Responding to secured creditor's queries</p>
	Creditor reports	Finalisation and issuance of Supplementary Creditors Report
	Dealing with proofs of debt	Receipting and reviewing POD for meeting purposes
	Meeting of Creditors	<p>Preparation of meeting notices, proxies and advertisements</p> <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>Conducting meeting of creditors</p> <p>Preparation and lodgement of minutes of meetings with ASIC</p> <p>Responding to stakeholder queries and questions immediately following meeting</p>
Investigation 2.0 hours \$875.00	Conducting investigation	Further work on investigations into potential auditor and director claims
	Litigation / Recoveries	<p>Preparing brief to solicitors</p> <p>Liaising with solicitors regarding recovery actions</p>
Administration 2.5 hours \$550	Document maintenance/file review/checklist	<p>Filing of documents</p> <p>File reviews</p> <p>Updating checklists</p>
	ASIC and other forms	Preparing and lodging ASIC and other forms
	Planning / Review	Discussions regarding status of administration

Resolution 3 (if required)

Summary of work to be undertaken by Simon Theobald, Melissa Humann and Stephen Longley, Administrators of the Company and their staff for the period 30 May 2018 to execution of the Deed of Company Arrangement.

Task Area	General Description	Includes
Assets 26.0 hours \$11,560.00	Recapitalisation	Liaising with proponent regarding next steps Finalising and executing recapitalisation (DOCA) documentation with solicitors Discussions with secured creditor and/or Receivers and Managers regarding recapitalisation and proposal structure
Creditors 12.5 hours \$4,487.50	Creditor Enquiries	Deal with creditor enquiries Maintaining creditor enquiry files Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Secured creditor	Correspondence with secured creditor and Receivers and Managers regarding recapitalisation and debt negotiations Responding to secured creditor's queries
	Creditor reports	Finalisation and issuance of IPR75-225(3) report
	Dealing with proofs of debt	Receipting and reviewing any further PODs received
Investigation 11.0 hours \$4,240.00	Conducting investigation	Further work on investigations into potential auditor and director claims
	Litigation / Recoveries	Preparing brief to solicitors Liaising with solicitors regarding recovery actions
Administration 10.0 hours \$2,885.00	Correspondence	Correspondence with Receivers and Managers regarding general matters
	Document maintenance/file review/checklist	Filing of documents File reviews Updating checklists
	Bank account administration	Managing receipts and payments
	ASIC and other forms	Preparing and lodging ASIC forms Review of forms Correspondence with ASIC
	ATO and other statutory reporting	Preparing and reviewing BAS Correspondence with ASX regarding reporting requirements Lodgement of ASX/shareholder announcements as required

Resolution 4 (if required)

Summary of work to be undertaken by Simon Theobald, Melissa Humann and Stephen Longley, Deed Administrators of the Company and their staff from the commencement to the conclusion of the Deed of Company Arrangement.

Task Area	General Description	Includes
Assets 26.0 hours \$11,550.00	Recapitalisation	Effecting the sale transaction Liaising and complying with ASX requirements Monitoring the Deed Proponents' compliance with the terms of the DOCA
Creditors 25.5 hours \$9,080.00	Creditor Enquiries	Deal with creditor enquiries via telephone Maintaining creditor enquiry files Review and prepare correspondence to creditors and their representatives via facsimile, email and post
	Secured creditor reporting	Preparing reports to secured creditor, if required Regular verbal updates to secured creditor Responding to secured creditor's queries
	Creditor reports	Preparing meeting and general reports to creditors
	Dealing with proofs of debt	Receipting and filing POD Review of PODs
	Shareholder enquiries	Responding to any shareholder enquiries
Investigation 20.5 hours \$8,935.00	Conducting investigation	Investigations into potential claim against SGL's auditor and/or directors Liaising with directors regarding certain transactions Preparation and lodgement of supplementary report if required
	Examinations	Preparing brief to solicitor Liaising with solicitor regarding examinations Attendance at examination Reviewing examination transcripts Liaising with solicitor regarding outcome of examinations and further actions available
	Litigation / Recoveries	Preparing brief to solicitors Liaising with solicitors regarding recovery actions in relation to the potential auditor and/or director claims Attending to negotiations Attending to settlement matters
	ASIC reporting	Preparing statutory investigation reports Liaising with ASIC
Dividend 39.5 hours \$12,787.50	Processing proofs of debt	Preparation of correspondence to potential creditors inviting lodgement of POD Receipt of POD Maintain POD register Adjudicating POD Request further information from claimants regarding POD Preparation of correspondence to claimant advising outcome of adjudication
	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

Task Area	General Description	Includes
		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 26.0 hours \$7,690.00	Correspondence	Attending to general correspondence
	Document maintenance/file review/checklist	First month, then six monthly administration review Filing of documents File reviews Updating checklists
	Insurance	Correspondence with insurer broker regarding insurance requirements Reviewing insurance policies Correspondence with previous brokers Pursuing potential claims under pre-appointment policies
	Bank account administration	Requesting bank statements Bank account reconciliations Correspondence with bank regarding specific transfers Preparing correspondence closing accounts
	ASIC and other forms	Preparing and lodging ASIC forms Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	Preparing BAS
	Finalisation	Notifying ATO of finalisation Cancelling ABN / GST registration Completing checklists
	Planning / Review	Discussions regarding status of administration
	Books and records / storage	Dealing with records Sending job files to storage

Resolution 5 (if required)

Summary of work to be undertaken by Simon Theobald, Melissa Humann and Stephen Longley, Liquidators of the Company and their staff for the period 30 May 2018 to the finalisation of the liquidation.

Task Area	General Description	Includes
Creditors 27.5 hours \$10,060.00	Creditor Enquiries	Deal with creditor enquiries via telephone Maintaining creditor enquiry files Review and prepare correspondence to creditors and their representatives via facsimile, email and post Correspondence with committee of creditors members
	Secured creditor reporting	Regular verbal updates to secured creditor Responding to secured creditor's queries
	Creditor reports	Preparing section investigation, meeting and general reports to creditors
	Dealing with proofs of debt	Receipting and filing POD when not related to a dividend Corresponding with OSR and ATO regarding POD when not related to a dividend
	Meeting of Creditors	Preparation of meeting notices, proxies and advertisements Forward notice of meeting to all known creditors Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting Conducting first meeting of creditors Preparation and lodgement of minutes of meetings with ASIC Responding to stakeholder queries and questions immediately following meeting
	Shareholder enquiries	Responding to any shareholder enquiries
Investigation 65.0 hours \$25,125.00	Conducting investigation	Inspection of company books and records Reviewing company's books and records Review of specific transactions and liaising with directors regarding certain transactions Liaising with directors regarding certain transactions Investigations to identify indicators of insolvency and possible claims for insolvent trading Investigations into voidable transaction claims, including unfair preference and uncommercial transactions Preparation of investigation file Preparation and lodgement of supplementary report if required
	Examinations	Preparing brief to solicitor Liaising with solicitor regarding examinations Attendance at examination Reviewing examination transcripts Liaising with solicitor regarding outcome of examinations and further actions available
	Litigation / Recoveries	Preparing brief to solicitors Liaising with solicitors regarding recovery actions in relation to the potential auditor and/or director claims Pursuing claims for voidable transactions, including

Task Area	General Description	Includes
		unfair preference and uncommercial transaction claims Attending to negotiations in respect of the claims Attending to settlement matters
	ASIC reporting	Preparing statutory investigation reports Liaising with ASIC
Administration 47.0 hours \$14,840.00	Books and records / storage	Dealing with records in storage Sending job files to storage
	Document maintenance/file review/checklist	First month, then six monthly administration review Filing of documents File reviews Updating checklists
	Insurance	Reviewing insurance policies Correspondence with previous brokers
	Bank account administration	Preparing correspondence 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 Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	Notification of appointment Preparing BAS
	Finalisation	Notifying ATO of finalisation Cancelling ABN / GST registration Completing checklists
	Planning / Review	Discussions regarding status of administration

c. Notice of meeting of creditors

NOTICE OF MEETING OF CREDITORS

**Stargroup Limited (Receivers and Managers Appointed)
(Administrators Appointed) (the Company)
ACN 061 041 281**

Notice is given that a meeting of the creditors of the Company will be held at Level 21, 140 St Georges Terrace, Perth WA 6000, on Wednesday 30 May 2018, at 11:00am AWST.

Agenda

1. To receive the Supplementary Report by the joint and several Administrators concerning the Companies' business, property, affairs, and financial circumstances.
2. For creditors to consider the options available and to resolve that:
 - (a) the Company execute a Deed of Company Arrangement, or
 - (b) the administration should end, or
 - (c) the Company be wound up.
3. To approve:
 - (a) the Administrators' remuneration
 - (b) the Deed Administrators' / Trustees' remuneration, or
 - (c) the Liquidators' remuneration, if appointed.
4. If the Company is wound up, to consider the appointment of Committee of Inspection and, if so, who are to be the committee members.
5. If the Company is wound up, to approve early destruction of the Company's books and records six months after finalisation subject to authorisation from ASIC.
6. If the Company is wound up, to authorise the Liquidators to compromise debts greater than \$100,000, pursuant to section 477(2A) of the Corporations Act 2001.
7. If the Company is wound up, to authorise the Liquidators to enter into contracts with a duration of longer than three months, pursuant to section 477(2B) of the Corporations Act 2001.
8. Any other business.

There will be access to telephone conference facilities for creditors who cannot attend the meeting. Please contact Sam Ierino by Monday 28 March 2018 if you require access to telephone facilities.

Creditors wishing to attend and vote are advised that proof of debts and proxies must be submitted to the Administrators by 4.00pm AWST Tuesday 29 May 2018.

Dated this 23rd day of May 2018



Simon Theobald, Melissa Humann and Stephen Longley
Administrators

Section 75-85 of the Insolvency Practice Rules (Corporations) sets out the entitlement to vote at meetings of creditors:

- (1) A person other than a creditor (or the creditor's proxy or attorney) is not entitled to vote at a meeting of creditors.
- (2) Subject to subsections (3), (4) and (5), each creditor is entitled to vote and has one vote.
- (3) A person is not entitled to vote as a creditor at a meeting of creditors unless:
 - (a) his or her debt or claim has been admitted wholly or in part by the external administrator; or
 - (b) he or she has lodged, with the person presiding at the meeting, or with the person named in the notice convening the meeting as the person who may receive of the debt or claim:
 - (i) those particulars; or
 - (ii) if required—a formal proof of the debt or claim.
- (4) A creditor must not vote in respect of:
 - (a) an unliquidated debt; or
 - (b) a contingent debt; or
 - (c) an unliquidated or a contingent claim; or
 - (d) a debt the value of which is not established; unless a just estimate of its value has been made.
- (5) A creditor must not vote in respect of a debt or a claim on or secured by a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor unless he or she is willing to do the following:
 - (a) treat the liability to him or her on the instrument or security of a person covered by subsection (6) as a security in his or her hands;
 - (b) estimate its value;
 - (c) for the purposes of voting (but not for the purposes of dividend), to deduct it from his or her debt or claim.
- (6) A person is covered by this subsection if:
 - (a) the person's liability is a debt or a claim on, or secured by, a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor; and
 - (b) the person is either liable to the company directly, or may be liable to the company on the default of another person with respect to the liability; and
 - (c) the person is not an insolvent under administration or a person against whom a winding up order is in force

D. ASIC Publication: Insolvency information for directors, employees, creditors and shareholders



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.